

*For professional investors only, not retail investors. All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.*

# One more step along the world we go, investing for a sustainable future

**Baillie Gifford has undergone a gradual evolution in the incorporation of ESG matters into our investment process. We firmly believe there is no conflict between making money and achieving positive, sustainable change, despite the scale of the challenges ahead. A simple rule-of-thumb or negative screen are not in themselves viable solutions to addressing deeply-embedded chronic problems on a global scale. So, whereas many investment strategies adopt an ethical stance by avoiding companies with unsustainable, exploitative or environmentally damaging business practices, Baillie Gifford's Positive Change strategy takes it one step further. Dual investment objectives of delivering long-term attractive returns for clients and having a positive impact on the world in which we live, mean that the strategy is proactive in selecting exceptional businesses that have a significantly positive impact.**

It seems to us that long-term investors are particularly suited to investing sustainably. Positive change, as is the case with generating strong investment returns, takes time and means that this type of investment is not suitable for anyone fixated by the next quarter's returns or short-term share price fluctuations. Those who trade frequently are unlikely to make an impact through proxy voting, or to have the time to build positive relationships with management for engagement purposes. Rather, the patient mind-set and capital of the long-term equity investor are pre-

requisites if companies are to have the freedom and focus they need to deliver on their long-term growth plans and ambitions.

We are bottom-up stock pickers who let our curiosity and enthusiasm drive our research agenda. The Positive Change portfolio is put together by five investors and two members of our dedicated Governance & Sustainability team. However, as we share a common objective with the rest of our investment colleagues – seeking high-quality growth companies – we are fortunate in being able to leverage the intellectual resources of our wider investment department of around a hundred investors, including regional and global teams, and our Governance and Sustainability team.

An area that has been of interest to us is Danish life science companies. Novozymes is the world leader in the manufacture and distribution of enzymes and micro-organisms and is well known to Baillie Gifford, who have held shares in the company for over a decade. The controlling interest in Novozymes is held by the Novo Nordisk Foundation, which seeks to address global challenges through its companies and brings its stated long-term perspective to promoting world-class research that benefits both individuals and society.

Claus Pedersen is Novozymes' head of Global Sustainability & Public Affairs and has a background in chemical engineering. Halfway through his master's degree, he took a sabbatical and travelled around South East Asia with his

surf board. He was shocked by the environmental damage he witnessed: the oil spills and plastics on the beach. But he also realised the huge potential for businesses to make significant inroads into solving those problems. Having joined Novozymes in 2006, Pedersen set about embedding sustainability in its business activities. Between 2009 and 2014, the company focused on educating its customers about the environmental benefits of its enzyme products and how Novozymes could help them gain a competitive edge. The next stage was to incorporate sustainability into its growth strategy, which it did in 2015. In 2016, Ban Ki-Moon named Pedersen in the top ten Local Pioneers of the UN's Development Goals. Novozymes' products helped its customers to reduce CO2 emissions by 88 million tons in 2018. The company's sustainability journey continues.

Baillie Gifford's Positive Change strategy is built on the premise that companies, such as Novozymes, for whom delivering a positive impact is core to their business, will be the ones that have a brighter, more sustainable, future. And, as such, they should increase market share, improve profits and deliver attractive performance for shareholders over a period of five years or more, helping us to meet our dual investment objectives of attractive long-term financial returns and having a positive impact on the world. Investing in Positive Change is the start of a journey that will require patience, but which has the potential to be exciting and profitable for investors, and, at the same time, be beneficial for society.



**LEE QIAN**  
Investment Manager

Lee joined Baillie Gifford in 2012 and is an investment manager for the Positive Change strategy.

### **BAILLIE GIFFORD** About Us

Baillie Gifford is an independent investment management firm founded in 1908. It is an unlimited liability private partnership, wholly owned by 43 partners who work in the firm. We are long-term, active investors, focused on growth, with a distinctive fundamental approach. Our investment teams manage specialist, concentrated global and regional equities, fixed income and multi-asset portfolios.

