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E. S. G. Short. Simple. Everywhere. But what do these letters actually mean?

On a surface level, Environment is about climate change. But it also means air quality, biodiversity, and food security. As well as accidents.

Social is trickier to capture. It's how companies treat their workforce, engage with customers, and interact with society. Even data privacy and human rights come into the picture.

Governance underpins it all. Who comprises the company board? Are they long term? What is their commitment to innovation, reinvestment into their own business, and research and development? Can its shareholders hold leadership to account?

A complex backdrop for three simple letters, these issues aren't new either, and they are deeply entwined. As long-term investors, we at Baillie Gifford have spent decades considering every company on an individual basis.

ESG factors into many of our investment decisions, but we look forward rather than obsess over reductive and backward-looking metrics. Our research is thoughtful and multifaceted, and draws on specialist knowledge. We know only a small number of companies have the potential to grow and be the most impactful over time. So, once we decide which to invest in, we support them on their journey.

We encourage long-term thinking from company executives. We want society, policy and industry to move in the right direction, because for us, progress matters more than snapshot statistics.

Companies can grow by meeting society's needs and doing things in new and better ways. Not by box-ticking or greenwashing. But by innovating.

ESG is complex and nuance gets missed when you oversimplify.