

31 October 2024

*If there is anything in this letter which you do not understand or if you are in any doubt as to what action to take, you should consult with an adviser authorised under the Financial Services and Markets Act 2000 immediately. If you require assistance finding a financial adviser, please contact our **Client Relations Team** using the details set out at the end of this letter. They can direct you to an organisation that can assist you further. If you would like a copy of this letter in an alternative format such as large print, braille or audio transcription, please contact our **Client Relations Team**.*

Dear Shareholder

Baillie Gifford UK and Worldwide Equity Fund (the “Fund”), a sub-fund of Baillie Gifford UK & Balanced Funds ICVC (the “ICVC”)
Changes to investment policy and additional disclosures

We are writing to inform you of changes that we are making to the Fund.

Background

The Financial Conduct Authority (“FCA”) has published new rules regarding Sustainability Disclosure Requirements and investment labels (“SDR” or the “SDR Rules”), which apply to UK based funds that have sustainability characteristics. These rules come into full effect on **2 December 2024**.

The aim of the FCA in introducing the SDR Rules is to help consumers navigate the investment product landscape by providing consumers with better, more accessible information to help them understand the key sustainability features of a fund, and to enhance consumer trust. The SDR Rules include the ability for funds to apply sustainability investment labels, to help investors find products that have a specific sustainability goal and meet certain requirements.

What is changing?

We are amending the wording in the investment policy to explain more clearly the Fund’s sustainability characteristics, as follows:

1. making a minor update to the existing wording regarding the process to assess whether companies that the Fund invests in comply with the Baillie Gifford & Co exclusion policy on the United Nations Global Compact (“**UNGC**”); and
2. updating the wording of the existing net zero commitment language to better reflect the Fund’s commitment to aligning its portfolio to the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C (“**net zero**”).

As **the Fund has sustainability characteristics and uses sustainability-related terms in its marketing materials**, it falls within the scope of the ‘naming and marketing’ rules of SDR. **We refer to this as being a “Non-Labelled” fund.** Accordingly, we are required to include some additional information for investors in the Fund’s prospectus. The Fund’s sustainability characteristics are not of the nature that would qualify for a label under the SDR Rules and therefore the Fund will not use a sustainability investment label.

Why are we making these changes?

We are making these changes to explain the Fund’s sustainability characteristics more clearly for current and prospective investors. Since the Fund has these sustainability characteristics, we are also adding the required disclosures to meet the SDR Rules relevant to a Non-Labelled fund.

The reason for each of the changes is as follows:

1. **UNGC** – while the Fund already has a UNGC restriction in place, we are making minor typographical update to the wording of the UNGC restriction, to ensure consistency across funds managed by us or another member of the Baillie Gifford group.

The UNGC exclusion policy is set out more fully in Baillie Gifford’s Stewardship Principles and Guidelines, which can be found at <https://www.bailliegifford.com/en/uk/about-us/esg>

2. **Net zero** – while the Fund already has an existing net zero commitment, the wording in the Fund’s investment policy is being amended in order to be clearer for current and prospective investors about the commitments the Fund is making. This includes removing references to the investment adviser’s Net Zero Asset Managers initiative commitments, which are not directly binding on the Fund itself.
3. **New SDR disclosures for Non-Labelled funds** – we are adding a new section to the Fund’s prospectus to provide investors with the information which is required to be disclosed for a Non-Labelled fund. This is to ensure current and potential investors in the Fund are aware that the Fund has sustainability characteristics, but that the Fund does not use a sustainability investment label.

We will also publish a new consumer facing disclosure document (the “**CFD**”) for the Fund. The CFD aims to provide investors with better information on the key sustainability characteristics of investment products in a simple, accessible, consumer-friendly way. It will be published on the Fund’s page on the Baillie Gifford website www.bailliegifford.com from 2 December 2024 and will be kept up-to-date on at least an annual basis.

There will be no change to the portfolio or risk profile of the Fund as a result of the above changes.

The current and amended investment policy, together with the additional disclosures related to the SDR Rules, for the Fund is set out in the Appendix to this letter.

How will this affect you?

From **2 December 2024**, the investment policy of the Fund will be amended to reflect the changes as set out above. The new SDR disclosures will be added into the Fund's prospectus and the new CFD document for the Fund will also be made available on the Baillie Gifford website.

As no changes are being made to the Fund's portfolio as a result of these changes, there are no trading costs associated with this change. However, expenses incurred by us by way of external legal advisers' and other professional advisers' fees in relation to making these changes will be charged to the Fund in accordance with section 5.7 of the Fund's prospectus.

Do you need to take any action?

No. **You do not need to take any action** as these changes will take place automatically on **2 December 2024**.

Further Information

Both NatWest Trustee and Depositary Services Limited, as the depositary of the ICVC, and the FCA have been advised of the changes that we are making to the Fund.

If you have any queries about this change, or you would like a copy of this letter in an alternative format such as large print, braille or audio transcription, please do not hesitate to contact our **Client Relations Team** on **0800 917 2113** or by email to enquiries@bailliegifford.com. Your call may be recorded for training or monitoring purposes.

Yours faithfully,



Derek S McGowan

Director

Baillie Gifford & Co Limited, as Authorised Corporate Director of Baillie Gifford UK & Balanced Funds ICVC

Appendix

Current Investment Policy	New Investment Policy
<p>The Sub-fund will invest at least 90% directly or indirectly in shares of UK and overseas companies. The indirect investment will be through collective investment schemes (including those managed or operated by the ACD). The Sub-fund will be actively managed and may invest in shares of companies from any country, sector and in shares of companies of any size, however the Sub-fund will have a bias to UK companies. The proportion of the Sub-fund invested in UK and non-UK shares will be at the Investment Adviser's discretion but the Sub-fund will invest a minimum of 45% in UK shares and 25% in non-UK shares.</p> <p>The Investment Adviser assesses companies the Sub-fund invests in directly using a Norms-based Evaluation and will comply with the Investment Adviser's policy on assessing breaches of the United Nations Global Compact as outlined in its Stewardship Principles and Guidelines document, which can be accessed at https://www.bailliegifford.com/en/uk/about-us/esg.</p> <p>In addition, the Investment Adviser has joined the Net Zero Asset Managers initiative ('NZAMi') and has committed to support the global goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner for certain assets that it manages, including the Sub-fund. The commitments applicable to the Sub-fund are available at https://www.bailliegifford.com/pages/funds/managed-fund/. Such commitments may evolve over time and are reviewed by the Investment Adviser at least every 5 years. In order to meet these commitments the Investment Adviser will carry out specific climate analysis on directly held investee companies and will engage with the same, as the Investment Adviser considers necessary. If, in the Investment Adviser's opinion, a company does not demonstrate sufficient alignment with the global goal of net zero GHG emissions by 2050 or sooner to allow the Sub-fund to meet the minimum requirements of its commitments, then the Investment Adviser will sell the Sub-fund's holding in the company</p>	<p>The Sub-fund will invest at least 90% directly or indirectly in shares of UK and overseas companies. The indirect investment will be through collective investment schemes (including those managed or operated by the ACD). The Sub-fund will be actively managed and may invest in shares of companies from any country, sector and in shares of companies of any size, however the Sub-fund will have a bias to UK companies. The proportion of the Sub-fund invested in UK and non-UK shares will be at the Investment Adviser's discretion but the Sub-fund will invest a minimum of 45% in UK shares and 25% in non-UK shares.</p> <p>The Investment Adviser will assess companies the Sub-fund directly invests in using a Norms-based Evaluation and will comply with the Investment Adviser's policy on assessing breaches of the United Nations Global Compact as outlined in its Stewardship Principles and Guidelines document, which can be accessed at https://www.bailliegifford.com/en/uk/about-us/esg.</p> <p>In addition, the Investment Adviser will manage the Sub-fund in order to align the Sub-fund's holdings with the goal of net zero greenhouse gas ('GHG') emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5C ("net zero"). As part of this process, all portfolio companies are actively assessed and prioritised for engagement for their alignment with net zero on an ongoing basis.</p> <p>To the extent that the Sub-fund is not fully invested directly or indirectly in such shares, the Sub-fund may also invest in other transferable securities of both UK and overseas companies, money market instruments, deposits and cash. The Sub-fund may not invest in or otherwise use derivatives.</p>
	SDR Disclosures
	<p>Sustainability investment labels help investors find products that have a specific sustainability goal. Further information on sustainability investment labels can be found on the FCA website: https://www.fca.org.uk/firms/climate-</p>

in question.

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[change-and-sustainable-finance/sustainability-disclosure-and-labelling-regime](#)

This product does not have a UK sustainability investment label.

Using a label imposes significant obligations on in-scope products, including (without limitation) requiring a specific aim to achieve positive environmental and/or social outcomes.

The Sub-fund does not explicitly aim to achieve positive environmental and/or social outcomes, but it promotes environmental and/or social characteristics through the application of norms-based screening and its net zero assessment process.

Metrics

The Investment Adviser will produce metrics that investors may find useful in understanding the Sub-fund's investment strategy. These metrics are:

- the number of companies in the portfolio that the Investment Adviser has assessed as breaching the United Nations Global Compact, which have been subject to formal engagement and monitoring and the number of companies where the Investment Adviser has sold its holdings in due to their failure to demonstrate improvements during the formal engagement and monitoring process, within a reasonable timeframe (a maximum of three years from the date of engagement), in accordance with its policy; and
- how the Investment Adviser has assessed companies in the portfolio's alignment to net zero through its Climate Audit assessment, which is explained in more detail in the TCFD Climate Report available on the Baillie Gifford website at www.bailliegifford.com.

Class of Shares	ISIN
B Accumulation	GB00BZ3G2B42
B Income	GB00BZ3G2C58
C Accumulation	GB00BZ3G2D65