Baillie Gifford & Co Limited
Registered Office:
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN

Client Relations 0800 917 2113
Dealers 0800 917 4751 F: +44 (0)131 275 3954
enquiries@bailliegifford.com

bailliegifford.com

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*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 Sustainable Income Fund (the "Fund"), a sub-fund of Baillie Gifford Investment Funds II ICVC (the "ICVC")

Changes to Fund name, investment policy and additional disclosures

We are writing to inform you of changes that we are making to the Fund, including changing the Fund's name.

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 came into effect on 2 December 2024, however the FCA granted limited forbearance for certain products (including the Fund) until 2 April 2025.

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?

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.

While the Fund has sustainability characteristics, they are not of the nature that would currently qualify for a label under the SDR Rules and therefore the Fund will not use a sustainability investment label. We refer to this as being a "Non-Labelled" fund.

The SDR Rules prohibit funds which are not using a sustainability investment label from using the words 'sustainable', 'sustainability' or 'impact' in their name. As the Fund will be a Non-Labelled fund, we are not able to continue to use the Fund's existing name.

Therefore, we are changing the name of the Fund to "Baillie Gifford Monthly Income Fund". We consider that the new name continues to reflect the way in which the Fund is managed, taking into account the new SDR Rules for Non-Labelled funds.

The new fund name is designed to reflect the objective of the Fund which is to deliver monthly income while aiming to grow income and capital in line with inflation to maintain its value. While the Fund's sustainability characteristics remain key to its investment strategy, we believe the term 'Monthly Income' is fitting as it describes how the Fund seeks to provide a resilient monthly income stream, which grows with inflation over time, and is supported by capital which also maintains its real value.

In addition to the change to the Fund's name, we are making the following changes to the Fund's investment policy:

1. we are including some additional description regarding the sustainability characteristics of the Fund, including details regarding how the Fund's investment adviser, Baillie Gifford & Co (the "Investment Adviser"), assesses the sustainability of potential investments across different asset types for the Fund on an ongoing basis and how it will monitor and engage with such investments (the "Assessment Process");

2. we have also taken the opportunity to review and update the description of the ESG exclusions applied to the Fund (the "ESG Exclusions"). Accordingly, we are making minor changes to the wording of the weapons exclusion in the investment policy; and

3. we are replacing references in the investment policy to 'the investment manager' with 'the Investment Adviser'.

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. **Assessment Process** – the description of the Investment Adviser's existing Assessment Process, which is applied to assess whether investments are compatible with a sustainable economy, has been updated in order to provide additional detail to current and prospective investors, to give further clarity in relation to the requirements of the Assessment Process, including how the Investment Adviser will monitor and engage with the management of companies invested in.

2. **ESG Exclusions** – the exclusion wording regarding weapons is being updated to provide additional clarity to current and prospective investors on what is screened by these exclusions.

3. As part of our approach to Consumer Duty requirements, to avoid investor confusion when referring to the party applying investment frameworks or making decisions about the investment choices, we are changing references to 'the investment manager' with 'the Investment Adviser', which is a defined term in the prospectus and is the most suitable party to refer to in these circumstances.

4. **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 31 January 2025 and will be kept up-to-date on at least an annual basis.

There will be no change to the nature or purpose of the Fund, its portfolio, investment strategy or risk profile of the Fund because of these 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 31 January 2025:

- the Fund's name will change to "Baillie Gifford Monthly Income Fund"**;**
- the investment policy of the Fund will be amended to reflect the changes set out above;
- the new SDR disclosures will be added into the Fund's prospectus; and
- the new CFD document for the Fund will 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 31 January 2025.

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 Investment Funds II ICVC

Appendix

Current Investment Policy	**New Investment Policy**
The Sub-fund will gain exposure to a wide range of asset classes. The Sub-fund is actively managed and the investment manager has the discretion to invest in any country or economic sector, subject to any exclusions identified by the investment manager's sustainable investment screening processes. At any one time, the Sub-fund may be invested in any one or more of the following: shares, bonds, money market instruments, derivatives, deposits, cash and other transferable securities. This exposure may be achieved directly or indirectly via collective investment schemes (which may include those managed or operated by the ACD). The Sub-fund may also invest indirectly in property, infrastructure, commodities and loans. The purpose of the investment manager's sustainable investment process is to ensure that the Sub-fund invests in a way which is, in the investment manager's opinion, compatible with a sustainable economy. All asset types in which the Sub-fund invests, with the exception of cash and cash-like instruments, are subject to an assessment of their sustainability. Firstly, the investment manager applies a quantitative screening process to exclude investments on various norms- and revenue-based indicators. In particular, investments operating to a significant degree in certain areas will be completely excluded ('the Exclusions'). The Exclusions will be companies which derive a significant proportion of their annual revenues from (i) the production or sale of weapons and armaments (10% revenue limit), (ii) fossil fuel extraction and/or production (10%), (iii) tobacco manufacturing (5%), (iv) thermal coal distribution (30%), and (v) the manufacture of controversial weapons (any tie). For the purposes of the Exclusions, 'fossil fuel extraction and/or production' is defined as either (i) oil and/or gas extraction and/or production, or (ii) thermal coal mining and/or sale. Also excluded will be those investments deemed by the investment manager to be in jurisdictions comprehensively sanctioned by the UN Security Council through passing of an appropriate Resolution. In addition, the investment manager 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. The investment manager then applies its proprietary qualitative investment process. Under this process, the	The Sub-fund will gain exposure to a wide range of asset classes. The Sub-fund is actively managed and the Investment Adviser has the discretion to invest in any country or economic sector, subject to any exclusions identified by the Investment Adviser's sustainable investment screening processes. At any one time, the Sub-fund may be invested in any one or more of the following: shares, bonds, money market instruments, derivatives, deposits, cash and other transferable securities. This exposure may be achieved directly or indirectly via collective investment schemes (which may include those managed or operated by the ACD). The Sub-fund may also invest indirectly in property, infrastructure, commodities and loans. Initial selection and sustainable investment process: The purpose of the Investment Adviser's sustainable investment process is to ensure that the Sub-fund invests in a way which, in the Investment Adviser's opinion, is compatible with a sustainable economy. All asset types in which the Sub-fund invests, with the exception of cash and cash-like instruments, derivatives and currency forwards, are subject to an assessment of their sustainability. A sustainable economy is defined by the Investment Adviser as an economy which achieves a balance between delivering an economically attractive return for investors (by aligning to the Sub-fund's financial objective) while addressing developing global sustainable environmental and social needs, which will cover a broad range of sustainability topics, which may include (but is not limited to) climate change and greenhouse gas emissions, air quality, waste management, access and affordability, customer welfare, labour practices, employee health and safety, supply chain management, business model resilience, business ethics and systematic risk management. Assets will be assessed as compatible with a sustainable economy if (i) they are already aligned with a sustainable economy now, or (ii) they have shown that they have the willingness and ability to become aligned with a sustainable economy over time. Firstly, the Investment Adviser applies a quantitative screening process to exclude investments on various norms- and revenue-based indicators. In particular, investments operating to a significant degree in certain areas will be completely excluded (the 'Exclusions'). The Exclusions will be companies which derive a

investment manager will use both its own research and third-party data to assess whether investments are compatible with a sustainable economy. In making this assessment, the investment manager will apply different evaluation frameworks, depending on issuer type: 1) in relation to corporate issuers (for example, shares and bonds), the investment manager will apply a proprietary ESG framework to assess the company's compatibility with a sustainable economy on the basis of their products and services and treatment of stakeholders. The ESG framework for corporate issuers requires the assessment of a broad range of factors, including the company's approach to environmental issues, societal impact, business model and innovation, leadership and governance, and human capital; and 2) in relation to government/sovereign issuers (for example, sovereign debt), the investment manager will apply a proprietary ESG framework to assess that country's alignment towards meeting the Paris Climate Agreement and the UN Sustainable Development Goals. Under the process applied by the investment manager, each relevant investment will be assessed against its framework and then scored on a consistent basis across all asset types. If any investment is assessed as being unsustainable, then that investment will be excluded from the portfolio. In the event that an investment held by the Sub-fund ceases to meet the quantitative criteria, it will be sold as soon as practicably possible. In relation to the qualitative process, the assessment of investments will be reviewed and considered on a case by case basis. The preferred approach, where possible, is to use engagement in the first instance as part of the assessment and encouragement for improvement; where an investment is then ultimately assessed as unsustainable, the investment manager will sell the investment as soon as practicably possible. The Sub-fund may use derivatives and currency forwards for both investment purposes and in the management of risk. It is expected that the Sub-fund's use of derivatives will be limited.	significant proportion of their annual revenues from (i) the production of military weapon systems and components and the provision of support systems and services for production of military weapon systems or components (10% revenue limit), (ii) fossil fuel extraction and/or production (10%), (iii) tobacco manufacturing (5%), and (iv) thermal coal distribution (30%). For the purposes of the Exclusions, 'fossil fuel extraction and/or production' is defined as either (i) oil and/or gas extraction and/or production, or (ii) thermal coal mining and/or sale. In addition, 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 (the 'UNGC Policy') as outlined in its Stewardship Principles and Guidelines document which can be accessed at https://www.bailliegifford.com/en/uk/individual-investors/about-us/responsible-investment/. Also excluded will be those investments deemed by the Investment Adviser to be in jurisdictions comprehensively sanctioned by the UN Security Council through passing of an appropriate Resolution. The Investment Adviser then applies its proprietary qualitative investment process. Under this process, the Investment Adviser will use both its own research and third-party data to assess whether investments are compatible with a sustainable economy. In making this assessment, the Investment Adviser will apply different evaluation frameworks, depending on issuer type: 1) in relation to corporate issuers (for example, shares, bonds and collective investment schemes), the Investment Adviser will apply a proprietary ESG framework to assess the company's compatibility with a sustainable economy on the basis of their products and services and business practices. The ESG framework for corporate issuers requires the assessment of the five sustainability dimensions contained in the Sustainability Accounting Standards Board's Materiality Map: Environment, Social Capital, Business Model and Innovation, Leadership and Governance, and Human Capital. For collective investment schemes, the Investment Adviser will carry out an assessment of the manager of the collective investment scheme's approach to sustainability, including a strategy-level assessment of the

	investment selection framework for that collective investment scheme (and references to 'company' and 'corporate' should be interpreted accordingly for assessment of collective investment schemes); and 2) in relation to government/sovereign issuers (for example, sovereign debt), the Investment Adviser will apply a proprietary ESG framework to carry out an assessment balancing long-term sustainability factors, which may include (i) the alignment of the relevant country to the goals of the Paris Agreement on Climate (assessing factors such as net zero targets and emissions performance) and (ii) the country's progress against the United Nations Sustainable Development Goals ('UN SDGs'). Under the process applied by the Investment Adviser, each relevant investment will be assessed against its framework and then given an overall score on a consistent basis (from 0 to 4, with 4 being considered to indicate the greatest compatibility with a sustainable economy) across all asset types. Any investment scoring a 0 is considered unsustainable (meaning it is not, and has not shown to the Investment Adviser's satisfaction that is has the willingness and ability (over an appropriate period, determined by the Investment Adviser taking into account the circumstances of the relevant investment) to become, aligned with a sustainable economy), and that investment will not be eligible for inclusion in the portfolio. Ongoing monitoring and engagement; In the event that an investment held by the Sub-fund after initial purchase falls within the Exclusions, and this position is expected to be sustained, it will be sold as soon as practicably possible. In relation to compliance with the UNGC Policy or the qualitative investment process, the assessment of investments will be reviewed and considered on a case by case basis. The preferred approach, where possible, is to use engagement in the first instance as part of the assessment and encouragement for improvement. Where an investment is then ultimately assessed as unsustainable, the Investment Adviser will sell the investment as soon as practicably possible. Engaging thoughtfully in the issues that matter is, in the Investment Adviser's opinion, the Investment Adviser's most effective lever though which it can support management to deliver long term investment performance which is

	compatible with a sustainable economy. Similarly, the Investment Adviser recognises a responsibility to, where necessary, challenge companies it believes can do more and escalate its engagement should the Investment Adviser not see an improvement. The Sub-fund may use derivatives and currency forwards for both investment purposes and in the management of risk. It is expected that the Sub-fund's use of derivatives will be limited.
	SDR Disclosures
	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-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 negative and norms-based screening and its use of a proprietary qualitative investment process to assess whether investments are compatible with a sustainable economy. <u>Metrics</u> 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; • the percentage of the total assets under management of the Sub-fund which has exposure to companies with revenues generated from fossil fuel activities; and • the percentage portfolio assets which are allocated to each of the scores of 1 to 4 under the Investment Adviser's proprietary qualitative investment process.

Class of Shares	**ISIN**
B Accumulation	GB00BFXY2964
B Income	GB00BFXY2857
C Accumulation	GB00BFXY2C93
C Income	GB00BFXY2B86
H Income	GB00BKSG5V52
J Accumulation	GB00BK6KVK07
J Income	GB00BK6KVL14