Baillie Gifford™

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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 Global Alpha Paris-Aligned Fund (the "Fund"), a sub-fund of Baillie Gifford UK & Balanced Funds ICVC (the "ICVC")
Changes to investment objective and 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 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 making the following changes to the Fund's investment objective and policy:

1. we are changing the terminology used in the Fund's non-financial investment objective, which describes how we measure the carbon objective of the Fund, from "weighted average greenhouse gas intensity" to "carbon footprint".

2. we are adding new wording in the investment policy to explain more clearly the Fund's sustainability characteristics. These changes explain that when managing the Fund, Baillie Gifford & Co, as the Fund's investment adviser, will take into account the Fund's commitment to align its holdings 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. **Change of terminology used in the Fund's non-financial investment objective –** the wording we use to describe how we measure the carbon objective of the Fund is changing from "weighted average greenhouse gas intensity" to "carbon footprint" to correspond with Baillie Gifford's existing reporting requirements under the Task Force on Climate-Related Financial Disclosures ("**TCFD**").

   This change is not substantive nor material in nature and is simply a change of terminology. The meaning we give to each term is the same.

2. **Net zero** – while the Fund already has an existing net zero commitment, we are adding wording into the Fund's investment policy in order to formalise this commitment.

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.

These changes will have no effect on the Fund's current portfolio. However, the net zero commitment will have an impact on the investment universe in the future, as the Fund may not invest in certain companies. This means that the potential universe available for investment will be more limited when compared with other funds that do not aim for net zero alignment. There will be no changes to the 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 Objective and Policy	New Investment Objective and Policy
<u>Investment Objective</u> The Sub-fund aims to outperform (after deduction of costs) the MSCI ACWI Index ("**the Index**"), as stated in sterling, by at least 2% per annum over rolling five-year periods. The Sub-fund also aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI EU Paris Aligned Requirements Index. <u>Investment Policy</u> The Sub-fund will invest at least 90% in shares of companies. The Sub-fund will be actively managed and is not constrained by the Index. It will invest in companies in any country and in any sector, subject to any exclusions identified by the ACD's screening processes set out below. The purpose of the ACD's screening processes is to ensure that the Sub-fund invests in a way which is, in the ACD's opinion, in alignment with the Paris Climate Agreement by excluding carbon intensive companies that do not, or will not, play a role in the transition to a low-carbon future. Firstly, the ACD applies a quantitative screening process to exclude companies with particular levels of exposure to the fossil fuels industry. The Sub-fund may not invest in companies that generate more than 10% of revenues from either (i) the extraction and/or production of oil and/or gas, and/or (ii) the mining and/or sale of thermal coal. The Sub-fund also may not invest in companies that generate more than 50% of revenues from services provided to either (i) the extraction and/or production of oil and/or gas, and/or (ii) the mining and/or sale of thermal coal. The ACD receives data on companies' fossil fuel exposure from a third party. As the quantitative screening process is focused only on excluding companies with particular levels of revenue exposure to fossil fuels, carbon intensive companies from other industries or sectors will remain within the possible investment universe.	<u>Investment Objective</u> The Sub-fund aims to outperform (after deduction of costs) the MSCI ACWI Index ("**the Index**"), as stated in sterling, by at least 2% per annum over rolling five-year periods. The Sub-fund also aims to have a carbon footprint that is lower than that of the MSCI ACWI EU Paris Aligned Requirements Index. <u>Investment Policy</u> The Sub-fund will invest at least 90% in shares of companies. The Sub-fund will be actively managed and is not constrained by the Index. It will invest in companies in any country and in any sector, subject to any exclusions identified by the investment Adviser's screening processes set out below. The purpose of the Investment Adviser's screening processes is to ensure that the Sub-fund invests in a way which is, in the Investment Adviser's opinion, in alignment with the Paris Climate Agreement by excluding carbon intensive companies that do not, or will not, play a role in the transition to a low-carbon future. Firstly, the Investment Adviser applies a quantitative screening process to exclude companies with particular levels of exposure to the fossil fuels industry. The Sub-fund may not invest in companies that generate more than 10% of revenues from either (i) the extraction and/or production of oil and/or gas, and/or (ii) the mining and/or sale of thermal coal. The Sub-fund also may not invest in companies that generate more than 50% of revenues from services provided to either (i) the extraction and/or production of oil and/or gas, and/or (ii) the mining and/or sale of thermal coal. The Investment Adviser receives data on companies' fossil fuel exposure from a third party. As the quantitative screening process is focused only on excluding companies with particular levels of revenue exposure to fossil fuels, carbon intensive companies from other industries or

The ACD then applies its qualitative screening process to the remaining companies. The purpose of this screening process is to identify those companies that, in the ACD's opinion, will not play a role in the transition to a low carbon future. The ACD will consider whether the company provides an essential service (for example, agriculture) and also whether the company can and has shown a commitment to preparing for the low-carbon economy through, for example, its emissions reporting, carbon policies and targets. Carbon intensive companies that do not fulfil the qualitative screening process will be excluded. Non-carbon intensive companies that do not fulfil the criteria of the qualitative screening process may be excluded at the discretion of the ACD. To the extent that the Sub-fund is not fully invested in such shares, the Sub-fund may also invest in other transferable securities of companies anywhere in the world (subject to the aforementioned screening processes), money market instruments, deposits and cash. The Sub-fund may not invest in or otherwise use derivatives.	sectors will remain within the possible investment universe. The Investment Adviser then applies its qualitative screening process to the remaining companies. The purpose of this screening process is to identify those companies that, in the Investment Adviser's opinion, will not play a role in the transition to a low carbon future. The Investment Adviser will consider whether the company provides an essential service (for example, agriculture) and also whether the company can and has shown a commitment to preparing for the low-carbon economy through, for example, its emissions reporting, carbon policies and targets. Carbon intensive companies that do not fulfil the qualitative screening process will be excluded. Non-carbon intensive companies that do not fulfil the criteria of the qualitative screening process may be excluded at the discretion of the Investment Adviser. 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. To the extent that the Sub-fund is not fully invested in such shares, the Sub-fund may also invest in other transferable securities of companies anywhere in the world (subject to the aforementioned screening processes), money market instruments, deposits and cash. The Sub-fund may not invest in or otherwise use derivatives.
	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. Whilst part of the Sub-fund's stated aim set out in its objective is for the portfolio to have a carbon footprint lower than the MSCI ACWI EU Paris Aligned Requirements Index, the Sub-fund does not meet the FCA's strict requirements for a sustainability label as reference to an index is a relative rather than an absolute standard. The Sub-fund promotes environmental and/or social characteristics through its objective to the portfolio having a carbon footprint lower than the MSCI ACWI EU Paris Aligned Requirements Index, the application of negative screens, through its quantitative screening and qualitative screening processes, and its net zero assessment process. <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: • 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; • 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 carbon footprint of the Sub-fund compared to that of the MSCI ACWI EU Paris Aligned Requirements Index.

Class of Shares	**ISIN**
B Accumulation	GB00BNC20W60
B Income	GB00BNC20X77
C Accumulation	GB00BNC20Y84
C Income	GB00BNC20Z91