Baillie Gifford™

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23 October 2023

*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.*

Dear Shareholder

**Baillie Gifford Sustainable Multi Asset Fund (the "Fund"), a sub-fund of Baillie Gifford Investment Funds ICVC (the "ICVC") – Change to investment objective and policy**

**Background**

We are writing to inform you of a number of non-material changes that we are making to the wording of the investment objective and policy of the Fund. These changes are for clarity only and have no impact on the way in which the Fund is or will be invested.

**Do you need to take any action?**

No. We want to let you know about them, but you do not need to take any action in relation to these changes as they will take place automatically on 30 November 2023.

**What changes are we making and why?**

**Changes to the wording of the Fund's non-financial investment objective**

We are amending the terminology used in the Fund's non-financial objective, which describes how we measure the carbon objective of the Fund, from "weighted average carbon intensity" to "carbon footprint" to correspond with Baillie Gifford's existing reporting requirements under the Task Force on Climate-Related Financial Disclosures (TCFD).

For the avoidance of doubt, the underlying calculation methodology used will remain the same, with the existing and new objective wording both being measured in tCO2e/USD million EVIC. Therefore, this change is not substantive nor material in nature and is simply a change of terminology.

**Changes to the wording of the Fund's investment policy exclusions**

We are making several non-material changes to the Fund's investment policy to better align the language to the ESG review processes and screens applied by the Fund. In particular:

- the existing references to "tobacco manufacturing" and "manufacture of controversial weapons" will be changed to "tobacco production" and "production of controversial weapons" in the revenue-based restrictions of the Fund's investment policy. This change aligns the Fund's exclusions wording better with the underlying screen which is applied to the Fund's investments and portfolio.
- the existing exclusion wording will be supplemented to include a definition of "fossil fuel extraction and production", in order to provide you with additional clarity on what is screened by this exclusion.
- the existing exclusion wording regarding weapons will be amended to (i) better align the investment policy wording with the underlying screen which is applied to the Fund's investments and portfolio and (ii) amend the existing exclusion wording referencing '(v) the manufacture of controversial weapons (any tie)' to avoid ambiguity by instead referring directly to Baillie Gifford's controversial weapons policy which is applied to the Fund.

**United Nations Global Compact**

While the Fund already excludes assets on the basis of non-compliance with the United Nations Global Compact ("UNGC"), we are amending the Fund's investment policy wording to clarify how Baillie Gifford's UNGC Exclusion Policy (the "Policy") operates. This involves Baillie Gifford & Co (the "Investment Adviser") applying a norms-based evaluation, meaning it will use its own research and third-party data to assess whether, in its view, the companies in which the Fund directly invests are compliant with the Policy. As detailed in the Policy, if in the Investment Adviser's opinion an investment is deemed to have breached the UNGC principles, the Fund is able to hold the investment for a period of up to three years, subject to a formal engagement and monitoring process. If an investment fails to show sufficient progress within three years of commencement of engagement, that investment would be sold.

The Policy is set out more fully in Baillie Gifford's ESG Principles and Guidelines, which can be found at https://www.bailliegifford.com/en/uk/about-us/esg.

Lastly, we are replacing, where appropriate, references to "the ACD" and "the investment manager" in the Fund's investment policy with "the Investment Adviser" (which is a term defined in the prospectus) when we are referring to the portfolio construction process. We have decided this is appropriate and provides clarity to investors as to which entity is undertaking the portfolio construction process.

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

The current and amended investment objective and policy for the Fund is set out in the Appendix to this letter.

**Are there any costs associated with these changes?**

No. There are no costs to you associated with these changes and there will be no change to the Fund's current portfolio as a result of the introduction of these changes.

**Further Information**

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

If you have any queries about these changes, please do not hesitate to contact our Client Relations Team on 0800 917 2113. 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 ICVC**

## Appendix

| **Current investment objective of the Fund** | **New investment objective of the Fund** |
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| The Sub-fund aims to achieve (after deduction of costs)<br>• an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate<br>• a positive return over rolling three-year periods<br>• annualised volatility of returns over rolling five-year periods that is below 10%<br><br>The Sub-fund also aims to have a weighted average carbon intensity that is lower than that of the Fund's stated carbon budget. The carbon budget is set in absolute terms and will decrease at a steady annual rate of 7% per annum.<br><br>There is no guarantee that a positive return will be achieved over rolling three-year periods, or any time period, and capital may be at risk. | The Sub-fund aims to achieve (after deduction of costs)<br>• an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate<br>• a positive return over rolling three-year periods<br>• annualised volatility of returns over rolling five-year periods that is below 10%<br><br>The Sub-fund also aims to have a carbon footprint that is lower than that of the Sub-fund's stated carbon budget. The carbon budget is set in absolute terms and will decrease at a steady annual rate of 7% per annum.<br><br>There is no guarantee that a positive return will be achieved over rolling three-year periods, or any time period, and capital may be at risk. |
| **Current investment policy of the Fund** | **New Investment policy of the Fund** |
| The Sub-fund will gain exposure to a wide range of asset classes. The Sub-fund is actively managed and is not constrained by any index. The investment manager has the discretion to invest in any country or economic sector, subject to any exclusions identified by the ACD's sustainable investment screening processes.<br><br>The purpose of the ACD's sustainable investment process is to ensure that the Sub-fund invests in a way which is, in the ACD's opinion, in alignment with the aims of the Paris Agreement by excluding carbon intensive investments that do not, or will not, play a role in the transition to a low-carbon future.<br><br>Firstly, the ACD 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 production | The Sub-fund will gain exposure to a wide range of asset classes. The Sub-fund is actively managed and is not constrained by any index. 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.<br><br>The purpose of the Investment Adviser's sustainable investment process is to ensure that the Sub-fund invests in a way which is, in the Investment Adviser's opinion, in alignment with the aims of the Paris Agreement by excluding carbon intensive investments that do not, or will not, play a role in the transition to a low-carbon future.<br><br>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 significant proportion of their annual revenues from (i) |

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| (10%), (iii) tobacco manufacturing (5%), (iv) thermal coal distribution (30%), and (v) the manufacture of controversial weapons (any tie). Also excluded will be those investments deemed by the ACD to be non-compliant with (vi) the UN Global Compact and (vii) those in jurisdictions comprehensively sanctioned by the UN Security Council through passing of an appropriate Resolution.<br><br>The ACD then applies its proprietary qualitative investment process. Under this process, the 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 make reference to the five dimensions of the Sustainable Accounting Standards Board's Materiality Map: Environment, Human Capital, Social Capital, Leadership & Governance and Business Model & Innovation. Under the process applied by the investment manager, each relevant investment will be assessed against each of these five factors. If any such investment is assessed as being unsustainable on any of the five dimensions, then that investment will be excluded from the portfolio.<br><br>To measure the carbon budget objective, the ACD will receive carbon emissions data from a third party.<br>In the event that an asset held by the Sub-fund ceases to meet the ACD's quantitative criteria, it will be sold as soon as practicably possible. In relation to the ACD's qualitative process, the assessment of assets 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 asset is then ultimately assessed as Unsustainable, the ACD will sell the asset as soon as practicably possible.<br><br>At any one time, the Sub-fund may be invested in any of the following: shares, bonds, money market instruments, derivatives, currency forwards, 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, | the production of military weapon systems, components, and provision of support systems and services for production of military weapon systems and components (10% revenue limit), (ii) fossil fuel extraction and production (10%), (iii) tobacco production (5%), or (iv) thermal coal distribution (30%). For the purposes of the Exclusions, 'fossil fuel extraction and production' is defined as either (i) oil and/or gas extraction and/or production or (ii) thermal coal mining and/or sale.<br><br>The Investment Adviser will also assess companies in which the Sub-fund invests, either via directly held shares or via corporate bonds, 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 ESG Principles and Guidelines document which can be accessed at<br>https://www.bailliegifford.com/en/uk/about-us/esg.<br>Also excluded will be those investments in jurisdictions comprehensively sanctioned by the UN Security Council through passing of an appropriate Resolution.<br><br>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 make reference to the five dimensions of the Sustainable Accounting Standards Board's Materiality Map: Environment, Human Capital, Social Capital, Leadership & Governance and Business Model & Innovation. Under the process applied by the Investment Adviser, each relevant investment will be assessed against each of these five factors. If any such investment is assessed as being unsustainable on any of the five dimensions, then that investment will be excluded from the portfolio.<br><br>To measure the carbon budget objective, the Investment Adviser will receive carbon emissions data from a third party. |

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| commodities, private equity, insurance-linked securities, and loans. The Sub-fund may also invest in emerging markets. While there is no target nor limit on such exposure, it is expected that the typical exposure of the Sub-fund to emerging markets will remain below 50%. All asset types in which the Sub-fund invests are subject to assessment of their sustainability.<br><br>The collective investment schemes in which the Sub-fund invests may include those managed or operated by the ACD. The Sub-fund may, at any one time, obtain its diversification through investing up to 100% in collective investment schemes. The Sub-fund may use derivatives for both investment purposes and in the management of risk. It is expected that the Sub-fund's use of derivatives will be limited. | In the event that an asset held by the Sub-fund ceases to meet the quantitative criteria, and this position is expected to be sustained, it will be sold as soon as practicably possible. In relation to the qualitative process, the assessment of assets 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 asset is then ultimately assessed as unsustainable, the Investment Adviser will sell the asset as soon as practicably possible.<br><br>At any one time, the Sub-fund may be invested in any of the following: shares, bonds, money market instruments, derivatives, currency forwards, 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, private equity, insurance-linked securities, and loans. The Sub-fund may also invest in emerging markets. While there is no target nor limit on such exposure, it is expected that the typical exposure of the Sub-fund to emerging markets will remain below 50%. All asset types in which the Sub-fund invests are subject to assessment of their sustainability.<br><br>The collective investment schemes in which the Sub-fund invests may include those managed or operated by the ACD. The Sub-fund may, at any one time, obtain its diversification through investing up to 100% in collective investment schemes. The Sub-fund may use derivatives for both investment purposes and in the management of risk. It is expected that the Sub-fund's use of derivatives will be limited. |

| **Class of Shares** | **ISIN** |
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| B Accumulation | GB00BMZQ1924 |
| B Income | GB00BMZQ1C59 |
| C Accumulation | GB00BMZQ1B43 |