

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 Equity Alpha 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 adding new wording into 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. **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.
2. **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 Policy	New Investment Policy
<p>The Sub-fund will invest at least 80% in shares of UK companies, being those which are incorporated, domiciled or conducting a significant portion of their business in the UK. The Sub-fund will be actively managed and may invest in UK companies of any size and in any sector.</p> <p>The Investment Adviser will also assess shares in companies which are directly held 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>The Sub-fund will have a concentrated portfolio of between 30 to 50 holdings.</p> <p>The Sub-fund may also invest in companies which are listed, quoted or traded in the UK.</p> <p>To the extent that the Sub-fund is not fully invested in such shares of UK companies, the Sub-fund may also invest in other transferable securities of UK companies, deposits and cash. The Sub-fund may not invest in or otherwise use derivatives.</p>	<p>The Sub-fund will invest at least 80% in shares of UK companies, being those which are incorporated, domiciled or conducting a significant portion of their business in the UK. The Sub-fund will be actively managed and may invest in UK companies of any size and in any sector.</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>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>The Sub-fund will have a concentrated portfolio of between 30 to 50 holdings.</p> <p>The Sub-fund may also invest in companies which are listed, quoted or traded in the UK.</p> <p>To the extent that the Sub-fund is not fully invested in such shares of UK companies, the Sub-fund may also invest in other transferable securities of UK companies, deposits and cash. The Sub-fund may not invest in or otherwise use derivatives.</p>
	<p>SDR Disclosures</p> <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-change-and-sustainable-finance/sustainability-disclosure-and-labelling-regime</p> <p>This product does not have a UK sustainability investment label.</p> <p>Using a label imposes significant obligations on in-scope products, including (without limitation)</p>

	<p>requiring a specific aim to achieve positive environmental and/or social outcomes.</p> <p>The Sub-fund does not explicitly aim to achieve positive environmental and/or social outcomes, but it promotes environmental and/or social characteristics through norms-based screening and its net zero assessment process.</p> <p><u>Metrics</u></p> <p>The Investment Adviser will produce metrics that investors may find useful in understanding the Sub-fund's investment strategy. These metrics are:</p> <ul style="list-style-type: none"> • 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.
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Class of Shares	ISIN
A Accumulation	GB0005857783
A Income	GB0005857569
B Accumulation	GB0005858195
B Income	GB0005857908
C Accumulation	GB0005864920