

**Baillie Gifford & Co Limited**  
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6 January 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 UK Equity Alpha Fund (the “Fund”), a sub-fund of Baillie Gifford UK & Balanced Funds ICVC (the “ICVC”)**

### **A change to the Investment Policy of the Fund**

#### **Nature of the change**

We are writing to inform you of a change to the way in which investments are selected by the Fund’s investment adviser, Baillie Gifford & Co (the “Investment Adviser”). The Investment Adviser will apply a norms-based evaluation to assess whether investments are in compliance with the Baillie Gifford United Nations Global Compact Exclusion Policy (“UNGC Exclusion Policy”), as more fully set out in Baillie Gifford’s ESG Principles and Guidelines.

This change requires us to update the investment policy of the Fund which we have set out in the Appendix, so that you can see the change in full. There will be no immediate consequential changes to the portfolio of the Fund.

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

No. We wanted to let you know about it, but you do not need to take any action in relation to this change as it will take place automatically on 9 March 2023.

## **What is changing?**

The United Nations Global Compact is a set of ten principles for companies, related to the areas of human rights, labour, environment and anti-corruption. The screening process that the Investment Adviser will apply means that the companies in which the Investment Adviser chooses to directly invest will comply with the UNGC Exclusion Policy, as set out in Baillie Gifford's ESG Principles and Guidelines. Compliance with the UNGC Exclusion Policy allows us to demonstrate a minimum standard of responsible investing.

The norms-based evaluation means that the Investment Adviser 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 UNGC Exclusion Policy. As detailed in the UNGC Exclusion Policy, if in the Investment Adviser's opinion an investment is deemed to have breached the United Nations Global Compact 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.

This change may have an impact on the investment universe, as the Fund will not invest in certain companies, meaning that the potential universe available for investment will be more limited when compared with other funds that do not apply such a screening process.

Baillie Gifford's ESG Principles and Guidelines can be accessed at:

<https://www.bailliegifford.com/en/uk/about-us/esg>.

## **Are there any costs associated with this change?**

No. We do not anticipate any immediate changes to the Fund's portfolio. As changes to the portfolio are implemented over time as a result of future investment decisions, where we can, we will seek, as always, to control trading costs, acting at all times in Shareholders' best interests.

Both NatWest Trustee and Depository 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.

## **Net Zero Asset Managers initiative ("NZAMi")**

In addition, we are writing to inform you that the Investment Adviser, has joined the Net Zero Asset Managers initiative ("NZAMi"), as part of the Investment Adviser's commitment to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

This commitment includes supporting investing aligned with net zero emissions by 2050 or sooner, and the Fund will now be managed in line with and counted towards the Investment Adviser's net zero commitment.

As a long term investor, the Investment Adviser's investment process already takes account of the long term prospects (including long term sustainability) of an investment. Consideration of climate-related factors and the impact of these on a company's competitive positioning form an integral part of this process. Accordingly, the adoption of NZAMi-aligned targets by the Fund is consistent with the current approach and as such there will be no immediate consequential changes to the current portfolio of the Fund.

An additional risk factor 'Net Zero Asset Managers initiative (NZAMi)' has been added to the Fund's prospectus, with effect from 30 November 2022, to reflect the Investment Adviser's NZAMi commitment. The commitments applicable to the Fund are available on Baillie Gifford's website at [www.bailliegifford.com](http://www.bailliegifford.com).

You do not need to take any action in connection with this change.

### **Further Information**

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 UK  
& Balanced Funds ICVC**

## Appendix

### Revised Investment Policy of the Fund

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.

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 ESG Principles and Guidelines document which can be accessed at <https://www.bailliegifford.com/en/uk/about-us/esg>.

The Sub-fund will have a concentrated portfolio of between 30 to 50 holdings.

The Sub-fund may also invest in companies which are listed, quoted or traded in the UK.

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.

Note: Words to be inserted shown by underline.

<b>Class of Shares</b>	<b>ISIN</b>
A Accumulation	GB0005857783
A Income	GB0005857569
B Accumulation	GB0005858195
B Income	GB0005857908
C Accumulation	GB0005864920