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13 September 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 Managed Fund (the “Fund”), a sub-fund of Baillie Gifford UK & Balanced Funds ICVC (the “ICVC”) – Change to investment policy and insertion of Collective Investment Schemes exposure limit

Background

We are writing to inform you of changes that we are making to the Fund. We are:

- changing the Fund’s investment policy to apply a norms-based evaluation to assess whether companies that the Fund invests in comply with the Baillie Gifford & Co UNGC exclusion policy (the “UNGC Exclusion Policy”);
- changing the Fund’s investment policy to make certain NZAMi-aligned commitments; and
- implementing a 10% limit on the Fund’s exposure to other collective investment schemes (“CIS”).

We believe that these changes are in the best interests of shareholders as explained below.

Do you need to take any action?

No. We wanted to let you know about these changes, but you do not need to take any action as they will take place automatically on 13 November 2023.

What are these changes?

Investment Policy

UNGC

The Ten Principles of the United Nations Global Compact (“UNGC”) set out the UNGC’s values on responsible business practices related to human rights, labour, environment, and anti-corruption. Baillie Gifford & Co, the Fund’s investment adviser (the “Investment Adviser”) will apply a norms-based evaluation to assess whether the companies that the Fund invests in comply with the UNGC Exclusion Policy. This policy is set out in Baillie Gifford’s environmental, social and governance (“ESG”) Principles and Guidelines document. 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 invests (either via directly held shares or via corporate bonds) 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 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.

Although this change will have no immediate effect on the Fund’s current portfolio, it may have an impact on the investment universe in the future 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>

Net Zero Climate Commitments

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 investments aligned with net zero emissions by 2050 or sooner for certain assets that the Investment Adviser manages: the Fund will now be managed in line with and counted towards the Investment Adviser’s net zero commitment.

Accordingly, the Fund will make certain NZAMi-aligned commitments, which are available at <https://www.bailliegifford.com/en/uk/individual-investors/funds/managed-fund/>.

Such commitments may evolve over time and are reviewed by the Investment Adviser at least every 5 years.

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 commitments by the Fund is a natural extension of the current approach.

The Investment Adviser will carry out specific climate analysis on the Fund's assets which are subject to the commitments, and this will influence its engagement agenda. The commitments will also be taken into account by the Investment Adviser when making divestment decisions.

One stock in the Fund's portfolio will be sold as a result of making these commitments. This constitutes only a minor percentage of the Fund's portfolio (0.34% as of 30 June 2023).

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

CIS Exposure Limit

In accordance with the rules published by the Financial Conduct Authority which apply to the management of the Fund, a limit on the Fund's exposure to other CIS (being 10% of the Fund's scheme property) requires to be stated in the Fund's instrument of incorporation and prospectus in order for certain other schemes to be able to purchase shares in the Fund. To date the Fund has not stated such a limit, however in order to avoid deterring or prohibiting future investors from investing in the Fund, we are addressing this by inserting a 10% limit on CIS exposure for the Fund into the instrument of incorporation and prospectus.

There will be no immediate consequential changes to the Fund's portfolio as a result of adding this limit on CIS exposure, as the current Fund portfolio provides less than 10% exposure to CIS.

Are there any costs associated with these changes?

Yes. However, the costs are expected to be minimal as only one stock in the Fund's portfolio will be sold as a result of the proposed changes (as described under Net Zero Climate Commitments above). Based on the current portfolio and current market views, we reasonably estimate that the cost associated with these changes (being the total of the direct costs (such as brokerage charges, taxes and custodian's fees) and the indirect costs (which include market impact costs and market spread)) will be around 0.0002% (0.02 basis points) of the Fund's net asset value.

Projecting the costs of implementing investment decisions is not an exact science; we will seek to control or reduce any such costs, where possible, as the changes to the portfolio are implemented, acting at all times in the shareholders' best interests.

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 +44 (0) 800 917 2113. Your call may be recorded for training or monitoring purposes.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Derek S McGowan', with a stylized flourish at the end.

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><u>Investment Policy</u></p> <p>The Sub-fund will be actively managed and will invest in a combination of shares, bonds, and cash with a minimum of 60% in shares and 10% in bonds and cash.</p> <p>This exposure may be achieved directly or indirectly via collective investment schemes (which may include those managed or operated by the ACD). The remainder may be in any combination of shares, bonds, other transferable securities, money market instruments, deposits, and cash.</p> <p>The shares in which the Sub-fund will invest may be from companies of any size and the bonds in which the Sub-fund will invest may be issued by government, supranational, public sector or corporate issuers and may be investment grade or sub-investment grade bonds.</p> <p>The Sub-fund will invest in derivatives and currency forwards for both investment purposes and in the management of risk.</p>	<p><u>Investment Policy</u></p> <p>The Sub-fund will be actively managed and will invest in a combination of shares, bonds, and cash with a minimum of 60% in shares and 10% in bonds and cash.</p> <p>This exposure may be achieved directly or indirectly via <u>Up to 10% of exposure to these asset classes may be indirect through investment in</u> collective investment schemes (which may include those managed or operated by the ACD). The remainder may be in any combination of shares, bonds, other transferable securities, money market instruments, deposits, and cash.</p> <p>The shares in which the Sub-fund will invest may be from companies of any size and the bonds in which the Sub-fund will invest may be issued by government, supranational, public sector or corporate issuers and may be investment grade or sub-investment grade bonds.</p> <p><u>The Investment Adviser assesses companies the Sub-fund invests in, 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: https://www.bailliegifford.com/en/uk/about-us/esg.</u></p> <p><u>In addition, the Investment Adviser has joined the Net Zero Asset Managers initiative (‘NZAMi’) and has committed to support the global goal of net zero greenhouse gas (‘GHG’) emissions by 2050 or sooner for certain assets that it manages, including the Sub-fund. The commitments applicable to the Sub-fund are available at https://www.bailliegifford.com/en/uk/individual-investors/funds/managed-fund/.</u></p>

	<p><u>Such commitments may evolve over time and are reviewed by the Investment Adviser at least every 5 years. In order to meet these commitments the Investment Adviser will carry out specific climate analysis on directly held investee companies and corporate and supranational bond issuers and will engage with the same, as the Investment Adviser considers necessary. If, in the Investment Adviser’s opinion, a company or issuer does not demonstrate sufficient alignment with the global goal of net zero GHG emissions by 2050 or sooner to allow the Sub-fund to meet the minimum requirements of its commitments, then the Investment Adviser will sell the Sub-fund’s holding in the company or bond issue in question.</u></p> <p>The Sub-fund will invest in derivatives and currency forwards for both investment purposes and in the management of risk.</p>
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Note: Words to be inserted shown by underline. Words to be removed are shown by strikethrough.

Class of Shares	ISIN
A Accumulation	GB0006007891
A Income	GB0006002397
B Accumulation	GB0006010168
B Income	GB0006007909
C Accumulation	GB0006010614
K Income	GB00BFX4TG20