

5 November 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 Positive Change Fund (the “Fund”), a sub-fund of Baillie Gifford Investment Funds ICVC (the “ICVC”)
Changes to investment objective and policy

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

Background

The Financial Conduct Authority (the “FCA”) has published new rules regarding Sustainability Disclosure Requirements and investment labels (“**SDR Rules**”), which apply to UK based funds which have sustainability characteristics.

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 use one of four sustainable investment labels. The purpose of sustainable investment labels is to help investors find products that have a specific sustainability goal. These labels are:

- **Sustainability Focus**
- **Sustainability Improvers**
- **Sustainability Impact**
- **Sustainability Mixed Goals**

In order to use a sustainable investment label, a fund must comply with the requirements of the SDR Rules which include having a sustainability objective, disclosing the sustainability characteristics of the fund in the prospectus

and in a new disclosure document, the Consumer Facing Disclosure (“CFD”), and publishing a sustainability report annually.

What is changing?

We wish to use the ‘**Sustainability Impact**’ label for the Fund. The Sustainability Impact label is for funds that invest mainly in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet and we believe that this best represents the way the Fund is managed and its sustainability aims. As a result we are making changes to the Fund’s investment objective and policy, and other related changes to the Fund’s prospectus and documents published in relation to the Fund, to meet the SDR Rules requirements.

The changes being made are as follows:

1. **New sustainable investment label** – the Fund will use a **Sustainability Impact** label, which will be displayed in the Fund prospectus and on the Fund’s page on the Baillie Gifford website www.bailliegifford.com.
2. **Amended investment objective** – we are amending the Fund’s existing sustainability objective by including more details on the impact themes and real-world outcomes that the Fund is aiming to achieve. We have also included a reference to the Fund’s Theory of Change (which is a description of how and why a desired change is expected to occur in a particular context). The existing financial investment objective of the Fund is not changing.
3. **Minimum 90% sustainable investment requirement** – a new requirement has been added meaning that at least 90% of the total value of the Fund’s assets will be invested in accordance with the amended sustainability objective. **As at the date of this letter the Fund already meets this requirement, so no changes will be made to the portfolio as a result of this new requirement.**
4. **Changes to investment policy**– we are including some additional wording to explain how the Fund’s Theory of Change drives investment decision making and what contribution the investment adviser makes to achieving impact.

In addition, we have made some clarificatory changes to the wording of the Fund’s existing weapons exclusion and we are also formalising the Fund’s existing commitment to align the Fund’s portfolio 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’), by adding this into the investment policy.

5. **New SDR Disclosures** – a number of new sections have been added to the Fund’s prospectus to provide the information which is required to be disclosed to potential investors in the Fund. The new disclosures comprise:
 - a. **Theory of Change** – this set outs how Baillie Gifford & Co, as the Fund’s investment adviser (the “Investment Adviser”), expects the assets selected for the Fund’s portfolio and its own actions (called its ‘investor contribution’) will contribute to achieving the desired impact, by evaluating the relevant global challenges and expected outcomes, according to the Fund’s impact themes (which cover both environmental and social impact);
 - b. **Investment Process** – this sets out the process the Investment Adviser applies when selecting companies for the portfolio;
 - c. **Ongoing monitoring and escalation plan** – this sets out how companies in the portfolio will be monitored on an ongoing basis and the steps the Investment Adviser will take if companies are determined not to be meeting the Fund’s objectives or other milestones;

- d. **Performance against objectives and KPIs** – progress towards meeting the Fund’s sustainability objective will be measured using **key performance indicators (“KPIs”)** and a new section in the prospectus sets these out in detail. The KPIs look at both (i) the contribution of the companies in the portfolio towards achieving the desired impact, and also (ii) the contribution that the Investment Adviser has made. Contribution to the United Nations Sustainable Development Goals (“**UN SDGs**”) is also measured. Progress against the KPIs will be reported in the new annual sustainability report which will be published on the Baillie Gifford website from December 2025, and also in the annual impact report for the Fund which is available on the Baillie Gifford website;
 - e. A description of **any material negative outcomes** we expect to see as a result of the Fund pursuing its sustainability objective;
 - f. A description of the Fund’s **stewardship strategy**;
 - g. A description of the **reporting** that the Fund will do with regards to progress against its sustainability objective and where such reports can be found; and
 - h. A description of the **resources available to support the Fund** in pursuing the sustainability objective.
6. **New sustainability-related disclosure document: the CFD** – this document aims to provide investors with information on the key sustainability characteristics of investment products in a simple, accessible, consumer-friendly way. This document includes information about the Fund’s sustainability goal, sustainability approach and key metrics (including KPIs) showing progress towards meeting the Fund’s sustainability objective. The CFD 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.
 7. **New annual product-level sustainability report** – from 2 December 2025 (i.e. one year after we first apply the Sustainability Impact sustainable investment label to the Fund), and annually thereafter, we will produce a report setting out matters such as: performance against KPIs, how stewardship has been applied and engagement activities undertaken, and details of any matters escalated by the investment manager under the Fund’s escalation plan.

These changes will not affect:

- the way we manage the Fund (apart from ensuring that at least 90% of its assets are invested in line with the sustainability objective, although as noted above no changes are required to the current portfolio as a result of this),
- The Fund’s risk profile,
- The Fund’s financial objective (the Fund will continue to aim to outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2% per annum over rolling five-year periods),
- what the Fund can invest in, or
- what the Fund is currently invested in.

The current and amended investment objective and policy, together with the additional disclosures related to the SDR Rules which are being included in the prospectus, are available for your review on the Baillie Gifford website at <https://bailliegifford.com/literature-library/funds/oeics/positive-change-fund/baillie-gifford-positive-change-fund-sdr-updates/>. If you would like to receive a written copy of these documents, please contact our **Client Relations Team**.

Why are we making these changes?

We wish for the Fund to use the ‘**Sustainability Impact**’ sustainable investment label as we believe that this is an effective way of helping existing and new investors in the Fund to recognise and understand the Fund’s

sustainability characteristics – including that the Fund has a sustainability goal, reflecting its existing investment process.

We have chosen a ‘Sustainability Impact’ label for the Fund to reflect that its sustainability goal is to invest in solutions to sustainability problems, with an aim to achieve a positive impact for people or the planet, with the goal of alignment to the UN SDGs and positive real-world impact being achieved as a result of the investments themselves and the investor contribution.

How will this affect you?

From **2 December 2024**, the investment objective and policy of the Fund will be amended to reflect the requirements of the SDR Rules and the new ‘Sustainability Impact’ sustainable investment label will be applied to the Fund. 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.

For the avoidance of doubt, the FCA does not approve the use of sustainable investment labels by any funds.

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 Investment Funds ICVC