

This document is issued by Baillie Gifford & Co Limited (the 'Manager') in order to make certain particular information available to investors in the alternative investment fund ('AIF') noted below before they invest, in accordance with the requirements of the Financial Conduct Authority's rules implementing the Alternative Investment Fund Managers Directive in the United Kingdom. It is made available to investors by being available at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com). The Manager is authorised and regulated by the Financial Conduct Authority.

# Baillie Gifford China Growth Trust plc

## INVESTOR DISCLOSURE DOCUMENT

### IMPORTANT INFORMATION

#### **Regulatory status of the Company**

Baillie Gifford China Growth Trust plc (the 'Company') is an AIF for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the 'AIFM Directive').

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to its articles of association, the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code and the Companies Act 2006. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The provisions of the Company's articles of association are binding on the Company and its shareholders ('Shareholders'). The articles of association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all Shareholders. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by English law.

**Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company and its Directors will not be responsible to persons other than the Company's Shareholders for their use of this document, nor will they be responsible to any person (including the Company's Shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

**No advice**

The Company and its Directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

### **Investors' rights**

The Company is reliant on the performance of third party service providers, including the AIFM, the Depositary and the Registrar. Without prejudice to any potential right of action in tort that a Shareholder may have to bring a claim against a service provider, each Shareholder's contractual relationship in respect of its investment in the Company's shares is with the Company only. Accordingly, no Shareholder will have any contractual claim against any service provider with respect to such service provider's default.

In the event that a Shareholder considers that it may have a claim against a third party service provider in connection with such Shareholder's investment in the Company, such Shareholder should consult its own legal advisers.

The above is without prejudice to any right a Shareholder may have to bring a claim against an FCA authorised service provider under section 138D of the Financial Services and Markets Act 2000 (FSMA) (which provides that breach of an FCA rule by such service provider is actionable by a private person who suffers loss as a result), or any tortious cause of action. Shareholders who believe they may have a claim under section 138D of FSMA, or in tort, against any service provider in connection with their investment in the Company, should consult their legal adviser.

### **Recognition and enforcement of foreign judgments**

Regulation (EC) 593/2008 ("Rome I") must be applied in all member states of the European Union (other than Denmark). Rome I remains applicable in England following the UK leaving the European Union and will continue to apply after the end of the transitional period, its provisions having been incorporated into English law under the Law Applicable to Contractual Obligations and Non-Contractual Obligations (Amendment etc.) (EU Exit) Regulations 2019. Where a matter comes before the courts of a relevant member state, the choice of a governing law in any given agreement is subject to the provisions of Rome I. Under Rome I, the member state's courts may apply any rule of that member state's own law which is mandatory irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of that member state. Further, where all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement. Shareholders should note that there are a number of legal instruments providing for the recognition and enforcement of foreign judgments in England. Depending on the nature and jurisdiction of the original judgment, Council Regulation (EU) 1215/2012 or Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, Regulation (EC) No 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims, the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters done at Lugano on 30 October 2007, the Civil Jurisdiction and Judgments (Hague Convention on Choice of Court Agreements 2005) Regulations 2015, the Civil Jurisdiction and Judgments Act 1982, the Administration of Justice Act 1920 and the Foreign Judgments (Reciprocal Enforcement) Act 1933 may apply. There are no legal instruments providing for the recognition and enforcement of judgments obtained in jurisdictions outside those covered by the instruments listed above, although such judgments might be enforceable at common law.

### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of any overseas territory. Accordingly, the shares may not (unless an exemption from

such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA or any overseas territory unless an exemption from registration is available. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

## THE COMPANY

### **Investment Objective and Policy**

The Company's investment objective is to produce long-term capital growth by investing predominantly in shares of, or depositary receipts representing the shares of, Chinese companies.

The Company invests predominantly in shares of, or depositary receipts representing the shares of, Chinese companies. Chinese companies are companies that have their headquarters in China or that the investment manager deems to have a significant part of their operations in China. They may be listed, quoted, or traded on any market, or unlisted. The Company will be actively managed and may invest in companies of any size and in any sector. In furtherance of the investment policy the portfolio will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non equity investments may be held.

The portfolio will comprise between 40 and 80 listed and unlisted securities. No individual investment will represent a greater weight in the portfolio than, (i) 20 per cent, or (ii) its weight in the MSCI China All Shares Index (in sterling) plus 7.5 per cent., whichever is lower as measured at the time of investment.

The maximum amount which may be invested in unlisted securities shall not exceed 20 per cent. of the gross asset value of the Company, measured at the time of investment.

The Company will at all times be invested in several sectors. While there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

The Company intends to employ gearing in the normal course of events. The Company may in aggregate borrow amounts equaling up to 25 per cent. of gross asset value, although the Board expects that borrowings will typically not exceed 20 per cent. of gross asset value, in both cases calculated at the time of drawdown.

With prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management in order to reduce, transfer or eliminate investment risk in the Company's portfolio. Derivative instruments in which the Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Company does not intend to enter into derivative or hedging transactions to mitigate against general currency or interest rate risk.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold.

The Company may invest no more than 10 per cent., in aggregate, of gross asset value at the time of acquisition in other listed closed-ended investment funds, but this restriction will not apply to investments in such funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross asset value in other closed-ended investment funds.

No material change will be made to the Company's investment policy without the prior approval by ordinary resolution of the Shareholders.

## **Leverage**

As explained above, with prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management (in order to reduce, transfer or eliminate investment risk in the Company's Portfolio). Derivative instruments in which the Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Board, however, currently does not expect to enter into derivative or hedging transactions to mitigate against currency or interest rate risk.

The Board intends to employ gearing in the normal course of events. The Company may in aggregate borrow amounts equaling up to 25 per cent. of gross asset value, although the Board expects that borrowings will typically not exceed 20 per cent. of gross asset value, in both cases calculated at the time of drawdown.

The maximum level of leverage which the Manager is entitled to employ on behalf of the Company is 250 per cent. of NAV (which is the equivalent of a ratio of 5:2) under the gross method and 200 per cent. of NAV (which is the equivalent of a ratio of 2:1) under the commitment method.

The amount of leverage employed by the Company will be disclosed in the Company's Annual Report and Financial Statements.

The Company does not use collateral and asset reuse arrangements.

## **Investment Strategy and Techniques**

Please see the sections entitled "Investment Objective and Policy" and "Leverage" above.

Material changes to the information disclosed in this document will be disclosed to existing Shareholders in the following Annual Report and Financial Statements.

Any changes in information shall be deemed material if there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the Company.

## ADMINISTRATION AND MANAGEMENT OF THE COMPANY

### **The AIFM, Company Secretary and Administrator**

Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager ('AIFM') and Company Secretary of the Company. The annual management fee payable to the AIFM is (i) 0.75 per cent. of the first £50 million of Net Asset Value; plus (ii) 0.65 per cent. of Net Asset Value between £50 million and £250 million; plus (iii) 0.55 per cent. of Net Asset Value in excess of £250 million. Management fees are calculated and payable on a quarterly basis.

There is no additional secretarial fee. The provision of secretarial and administrative services is included in the management fee.

Baillie Gifford & Co Limited has delegated certain portfolio and risk management services to Baillie Gifford & Co. Baillie Gifford & Co Limited is a wholly-owned subsidiary of Baillie Gifford & Co. Baillie Gifford & Co Limited has also consented to sub-delegation by Baillie Gifford & Co of dealing activities and transaction reporting to Baillie Gifford Overseas Limited, and to the further delegation of the same to Baillie Gifford Asia (Hong Kong) Limited. The principal activities of Baillie Gifford Asia (Hong Kong) Limited, which are relevant to the Company, are trading on behalf of Baillie Gifford Overseas Limited in cash equities, bonds and FX across Asia Pacific Markets. The AIFM believes that any such delegation would not give rise to any conflicts of interest.

Baillie Gifford & Co, Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited have the necessary regulatory permissions in place to perform the activities delegated to them.

### **The Depositary**

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary. The Depositary is responsible for the safe-keeping of the Company's assets, cash monitoring and oversight. The Depositary may delegate its safe-keeping functions to third parties, provided that the requirements for any safe-keeping delegation by the Depositary as provided for in the AIFMD and in other applicable laws are complied with. Conflicts of interest may arise as a result of such delegation by virtue of them being part of the same corporate group. The Depositary will have policies and procedures in place to identify all conflicts of interest arising from such delegation and will take all reasonable steps to avoid such conflicts of interest. Where such conflicts of interest cannot be avoided, the Depositary will seek to ensure that such conflicts of interest are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Company and its Shareholders.

The Depositary has not entered into any arrangement contractually to discharge itself of liability in accordance with Article 21(13) of the AIFM Directive. We will notify Shareholders of any changes with respect to the discharge by the Depositary of its liability in accordance with Article 21(13) through a Regulatory Information Service. The Depositary must not re-use any: (i) financial instruments of the Company; or (ii) assets, other than financial instruments or cash, which are held in custody by the Depositary (or a delegate thereof) for the Company, in either case except with the prior consent of the Company or the AIFM on its behalf and provided all applicable English laws, rules and regulations (other than the AIFM Directive and the UK Alternative Investment Fund Managers Regulations 2013) are complied with.

The annual fee payable to the Depositary in respect of UK depositary services is 0.015 per cent. of the Company's total assets, subject to a minimum annual fee of £10,000 (exclusive of VAT). A custody fee in respect of global custodian services is also payable, the level of which will depend upon the assets held and the country or countries in which those assets are held, subject to a minimum annual fee of £33,600 (exclusive of VAT). The Depositary is also entitled to reimbursement of expenses incurred in the performance of its duties.

#### **The Auditor**

Ernst & Young LLP provides audit services to the Company. The fixed fees charged by the auditor are based on anticipated time required and are agreed in advance with the Audit Committee.

#### **The Registrar**

Computershare Investor Services PLC has been appointed as the Company's Registrar. The Registrar's duties include the maintenance of the Company's register of Shareholders and the processing of any transfer of shares.

The Registrar is entitled to receive a monthly maintenance fee per Shareholder account, subject to a minimum annual fee of £3,600 (exclusive of VAT). The Registrar is also entitled to levy certain charges on a per item basis, and to reimbursement of all reasonable out of pocket expenses incurred in connection with the provision of its services.

#### **Ongoing Expenses**

Ongoing expenses are not currently expected to exceed 0.94 per cent. of the Company's Net Asset Value annually. Investors should note, however, that some expenses are inherently unpredictable and, depending on circumstances, ongoing expenses may exceed this estimation.



## SHAREHOLDER INFORMATION

### Annual Report and Financial Statements

Copies of the Company's annual and interim reports, once available, may be accessed at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com).

### Publication of net asset values

The latest net asset value of the Company may be accessed at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com).

### Valuation Policy

#### *Valuation policy with respect to listed securities*

The Director's will value the Company's investments in listed securities at 'fair value'. The 'fair value' of such investments is bid value or, in the case of holdings on certain recognised overseas exchanges, at last traded prices.

#### *Valuation policy with respect to unlisted securities*

The Directors will value the Company's investments in unlisted securities at 'fair value'. In order to determine the 'fair value' of investments in unlisted securities, the AIFM will prepare valuations of each investment on a quarterly basis in accordance with the agreed valuation techniques set out below. The Directors will be provided with details of the valuations on a bi-annual basis and will conduct a detailed review of and, where appropriate, challenge the AIFM's valuations.

When preparing valuations of investments in unlisted securities, the AIFM will apply valuation techniques which are consistent with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. The valuation techniques set out in the IPEV Guidelines may be categorised as follows:

- market approach, which may involve applying the following valuation techniques: (i) an assessment of the price of recent investment; (ii) applying multiples of earnings or of revenue; (iii) using industry valuation benchmarks, including as a sense check of values produced using other techniques; and (iv) reviewing any available market prices;
- income approach, which may involve applying the following valuation techniques: (i) discounted cash flows or earnings of underlying business; and (ii) discounted cash flows from an investment; and
- replacement cost approach, which may involve applying the net assets valuation technique.

If the Directors consider that it would be inappropriate to use a particular valuation technique, either generally or for a particular investment, the Directors may adopt such other valuation techniques as they consider to be reasonable in the circumstances.

### Historical performance of the Company

Details of the Company's historical financial performance, once available, will be provided in the Company's Annual Report and Financial Statements and monthly factsheets, which are available at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com).

Investors should note that past performance of the Company is not indicative of future performance. Investors may not get back the amount invested.

**Purchases and sales of shares by investors**

The Company's shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange.

The Company has authority to allot and issue shares on a non-pre-emptive basis.

The Company's shares are not redeemable. While the Company has Shareholder authority to buy back shares, Shareholders do not have the right to have their shares purchased by the Company.

**Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all Shareholders of the same class of shares equally.

In particular, as directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

## RISK FACTORS

The Company is a listed UK company. The value of its shares and any income from those shares can fall as well as rise and investors may not get back the amount invested.

The Company will be exposed to market risks, principally in the form of equity securities price risk, including as a result of investments in unlisted securities that the Company continues to hold after the relevant unlisted companies are listed on a stock exchange.

The Company will invest predominantly in equities of companies which are incorporated or domiciled, or which conduct a significant portion of their business, in China. Investing in a single country is generally considered a higher risk investment strategy than investing more widely, as it exposes the investor to the fluctuations of a single geographical market and currency, in this case the Chinese market and Chinese Yuan.

The Company will have investments denominated in currencies other than Sterling, particularly Chinese Yuan and US Dollars. The Company will therefore be exposed to foreign exchange risk. Changes in the rates of exchange between Sterling and the other currency will cause the value of any investment denominated in that currency, and any income arising out of the relevant investment, to go down or up in Sterling terms.

Investing in an emerging market such as China subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability (such as the ongoing geo-political tensions between China and the US) legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets.

Changes in economic conditions (including, for example, changes in interest rates, rates of inflation, industry and trade conditions and competition), political, diplomatic, social and demographic events and trends, tax laws and other factors such as the COVID-19 pandemic could substantially and adversely affect the value of the Company's portfolio and the Company's investment performance, share price and prospects.

The process of the United Kingdom leaving the European Union may result in severe currency movements, volatility in the UK and global markets and regulatory changes that may adversely affect the Company and the AIFM. Valuation of investments in unlisted securities is inherently subjective and uncertain. A material proportion of the Company's investments from time to time may be in unlisted securities, which are more difficult to value than listed securities. This exacerbates the risk of variation between the Company's estimated valuations and the realisable values of investments. Accordingly, net asset value figures issued by the Company should be regarded as indicative only and investors should be aware that the realisable net asset value per Share may be materially different from those figures.

The Company may suffer a delay in realising some of its returns because the Company may not be able to exit from its investments in unlisted securities.

The unlisted securities in which the Company invests may not provide sufficient information for ongoing monitoring by the AIFM, which may impair the Company's ability to adequately assess, or if necessary mitigate, the risks associated with an investment.

The Company may utilise borrowings in order to increase its investment exposure. While

such leverage presents opportunities for increasing total returns, it can also have the opposite effect of increasing losses. If income and capital appreciation on investments acquired with borrowed funds are less than the costs of the leverage, the Company's net asset value will decrease. The use of leverage also increases the investment exposure, which means that if the market moves adversely, the resulting loss to capital would be greater than if leverage were not used.

The Company may engage in derivative transactions in limited circumstances for the purposes of hedging against interest rate risks, for currency hedging purposes to the extent applicable, or for the purposes of efficient portfolio management (in order to reduce, transfer or eliminate investment risk in the Company's Portfolio). Derivative transactions may be volatile and involve various risks different from, and in certain cases, greater than the risks presented by other instruments. The primary risks related to derivative transactions include counterparty, correlation, illiquidity, leverage, volatility and OTC trading risks. A small investment in derivatives could have a large potential impact on the Company's performance, effecting a form of investment leverage on the Company's Portfolio. In certain types of derivative transactions, the entire amount of the investment could be lost. In other types of derivative transactions, the potential loss is theoretically unlimited.

## RISK MANAGEMENT

### **Risk profile**

*The Company will periodically disclose the current risk profile of the Company to investors. The Company will make this disclosure at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com) at the same time as it makes its Annual Report and Financial Statements available to investors, or more frequently at its discretion.*

The Company's assets consist mainly of listed securities. The Company's risk profile therefore incorporates market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk, credit risk and operational risk factors. Other factors which contribute to the Company's risk profile include those arising from the Company's investments in unlisted securities. The Company may not be able to exit from its investments in unlisted securities and the valuation of investments in unlisted securities is inherently subjective and uncertain. The ability of the Company to borrow money to make further investments (leverage) may also contribute to the risk profile of the Company.

Limits are set for market risk and are monitored daily. Market risk stress testing comprises a number of market related scenarios and events relevant to the Company's objectives and time horizon to analyse the impact on market risk limits. Limits are also in place for liquidity risk, credit risk and operational risk, with periodic stress testing performed as appropriate.

Further detail in relation to the nature and extent of the principal risks of the Company will be described in the Company's Annual Report and Financial Statements.

### **Risk management systems**

*The Company will periodically disclose to investors the risk management systems which it employs to manage the risks which are most relevant to it. The Company will make this disclosure at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com) at the same time as it makes its Annual Report and Financial Statements available to investors or more frequently at its discretion.*

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the Company, and the

adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

For the principal relevant risk areas, risk limits are set by the AIFM which take into account the objectives, strategy and risk profile of the Company. These limits are monitored daily, and the sensitivity of the Company's portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables to the Company. Exceptions from limits monitoring and stress testing are escalated to the AIFM along with remedial measures being taken.

### **Liquidity risk management**

The AIFM has a liquidity management policy in relation to the Company which is intended to ensure that the Company's portfolio maintains a level of liquidity which is appropriate to the Company's obligations. This policy involves an assessment by the AIFM of the prices or values at which it expects to be able to liquidate the Company's assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors.

Shares in the Company are not redeemable and Shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the liquidity management policy ensures that the Company's portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses; and
- the possible need to repay borrowings at short notice, which would be required to be met by the sale of assets.

The liquidity management policy requires the AIFM to identify and monitor its investment in asset classes which are considered to be relatively illiquid. There may be a lack of liquidity in the Company's investments in unlisted securities, and the Company's portfolio is monitored on an ongoing basis to assess liquidity.

The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

Investors will be notified, by way of a disclosure at [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com). in the event of any material changes being made to the liquidity management systems and procedures or where any new arrangements for managing the Company's liquidity are introduced.

The Company will periodically disclose to investors the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature. The Company will make this disclosure [www.bailliegiffordchinagrowthtrust.com](http://www.bailliegiffordchinagrowthtrust.com) at the same time as it makes its Annual Report and Financial Statements and accounts available to investors or more frequently at its discretion.

### **Professional negligence liability risks**

The requirement to cover potential liability risks arising from professional negligence is covered by the AIFM's own funds. Sufficient capital above the regulatory limit is held which is monitored by the board of Baillie Gifford & Co Limited.

## **Brokerage Practices and Use of Dealing Commission**

Baillie Gifford & Co Limited appoints its affiliate Baillie Gifford & Co to conduct portfolio management services on behalf of the Company. Baillie Gifford & Co in turn delegates the investment dealing aspects of those services and transmits orders to its affiliate Baillie Gifford Overseas Limited for execution. An important element of Baillie Gifford Overseas Limited's investment dealing services includes the selection of brokers with whom orders can be placed to execute investment decisions on behalf of the Company.

Baillie Gifford Overseas Limited trades with brokers using execution-only commission rates. The execution-only commission includes the costs of access to each global market, the broker's ability to source liquidity, the use of alternative trading venues, the provision of risk capital, the capabilities of individual sales traders and the provision of proprietary technology for trading programmes and algorithms.

Where Baillie Gifford & Co supports its portfolio management activities by procuring external research services, it pays directly for such services under separate agreements.

## **Sustainability Risks**

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on Baillie Gifford's approach to sustainability can be found in its Governance and Sustainability Principles and Guidelines document, available publicly at <https://www.bailliegifford.com/en/uk/about-us/governance-sustainability/>