

Schroder International Selection Fund – Emerging Markets Debt Total Return

Zusammenfassung

Der Fonds weist basierend auf dem Ratingsystem des Anlageverwalters einen höheren Gesamtnachhaltigkeitswert als 50 % JPM GBI-EM Diversified Index und 50 % JPM EMBI Diversified Index auf. Diese Benchmark (ein breiter Marktindex) bezieht die vom Fonds beworbenen ökologischen und sozialen Merkmale nicht ein. Es wurde kein Referenzwert für den Zweck der Erreichung der mit dem Finanzprodukt beworbenen ökologischen oder sozialen Merkmale festgelegt. Der Nachhaltigkeitswert des Fonds wird von SustainEx™, einem proprietären Tool von Schroders, gemessen, das eine Schätzung der potenziellen gesellschaftlichen oder ökologischen Auswirkungen bietet, die ein Emittent verursachen könnte.

Der Fonds wird aktiv verwaltet und investiert mindestens zwei Drittel seines Vermögens in fest- und variabel verzinsliche Wertpapiere, Währungen und Geldmarktanlagen in Schwellenländern. Die fest- und variabel verzinslichen Wertpapiere werden von staatlichen, staatsnahen und supranationalen Emittenten sowie Unternehmen begeben. Der Fonds darf auch Barmittel halten.

Der Fonds kann auch bestimmte Ausschlüsse anwenden. Weitere Informationen zu allen Ausschlüssen des Fonds finden Sie weiter unten im Abschnitt „Überwachung ökologischer oder sozialer Merkmale“.

Um die Praktiken einer guten Unternehmensführung zu bewerten, verwendet der Anlageverwalter das proprietäre Tool von Schroders, um ein vollständiges Verständnis eines Unternehmens durch eine Stakeholder-Linse zu entwickeln. Dieses Finanzprodukt bewirbt ökologische oder soziale Merkmale, hat aber keine nachhaltigen Investitionen zum Ziel.

Der Mindestanteil der Vermögenswerte des Fonds, der zur Erreichung ökologischer oder sozialer Merkmale verwendet wird, beträgt 60 %. Der Fonds investiert mindestens 5 % seines Vermögens in nachhaltige Investitionen. Dabei besteht keine Verpflichtung, einen Mindestanteil des Fondsvermögens in nachhaltige Investitionen mit einem ökologischen Ziel oder in nachhaltige Investitionen mit einem sozialen Ziel zu investieren. Das bedeutet, dass der Anteil der nachhaltigen Investitionen mit einem ökologischen Ziel und der mit einem sozialen Ziel im Laufe der Zeit variieren wird. Der Fonds umfasst Investitionen, die aus Gründen der Nachhaltigkeit als neutral behandelt werden, wie Zahlungsmittel und Derivate, die mit dem Ziel eingesetzt werden, das Risiko zu reduzieren (Hedging) oder den Fonds effizienter zu verwalten. Dazu gehören auch Investitionen, die nicht mit dem eigenen Nachhaltigkeitstool von Schroders bewertet werden und somit nicht zum Nachhaltigkeitsscore des Fonds beitragen.

Das Anlageverfahren und der Anlageauswahlprozess des Fonds wurden vom Ausschuss für Produktentwicklung des Anlageverwalters, der auch Vertreter der Funktionen Recht, Compliance, Produkt und Nachhaltige Anlagen umfasst, überprüft und genehmigt. Die kontinuierliche Einhaltung der vereinbarten Nachhaltigkeitsmerkmale wird vom Portfolio Compliance Team überwacht. Es gibt keine externen Kontrollen für diese Due Diligence.

Das Anlageverfahren des Anlageverwalters basiert auf einer proprietären, fundamentalen Bottom-up-Titelauswahl. Sowohl das Anlageteam als auch das Nachhaltigkeitsteam verfügen über die nötige Expertise,

um Ideen auf vielfältige Art zu entwickeln und diese im Hinblick auf die erwartete Entwicklung des langfristigen Wachstums sowie der ESG- und Nachhaltigkeitsmerkmale genau zu prüfen.

Der Ausschluss bestimmter Aktivitäten, Branchen oder Emittentengruppen ist im Abschnitt „Überwachung ökologischer oder sozialer Merkmale“ aufgeführt. Die für den Fonds geltenden Anlagebeschränkungen werden anhand des Portfolio-Compliance-Rahmens des Anlageverwalters gemessen.

Der Anlageverwalter greift auf Informationen über Beteiligungsunternehmen zurück und stützt sich dabei auf öffentlich zugängliche Unternehmensinformationen und Hauptversammlungen, Maklerberichte, Wirtschaftsverbände, Research-Organisationen, Ideenfabriken, Gesetzgeber, Berater, Nichtregierungsorganisationen und Hochschulen.

Auch wenn wir auf das Research von Drittanbietern zurückgreifen können, bilden sich unsere internen Analysten eine eigene Meinung über jedes der von uns analysierten Unternehmen.

Der Anlageverwalter nutzt externe ESG-Research-Anbieter, darunter MSCI ESG Research, Bloomberg, Refinitiv, Sustainalytics und Morningstar, wobei diese regelmäßigen Prüfungen und Änderungen unterliegen.

Obwohl die externen Anbieter, die den Großteil der verwendeten Daten liefern, sorgfältig ausgewählt wurden, können Daten fehlerhaft sein. Aus diesem Grund gibt es ein spezielles ESG Data Governance-Team, das proaktiv nach fehlerhaften Daten sucht und datenbezogene Fragen beantwortet. Dazu gehören die enge Zusammenarbeit mit externen Datenanbietern sowie die Verwaltung und Nachverfolgung von Datenkorrekturen.

Beschränkungen der Methodik und der Daten des Anlageverwalters können sich aus der Verfügbarkeit von Daten ergeben, insbesondere aus dem Fehlen von Daten, die durch Unternehmen gemeldet werden.

Wenn keine Daten verfügbar sind, wird Schroders mit Unternehmen in Kontakt treten, um sie dazu aufzufordern, die fehlenden Datenpunkte offenzulegen.

Einige unserer proprietären Tools leiten gegebenenfalls fehlende Werte ab. Unsere Modelle verwenden in der Regel eine Reihe von Techniken, um fehlende Werte zu schätzen, wo dies angemessen und hinreichend belastbar ist.

Wenn die Daten für eine Kennzahl nicht ausreichen, um belastbare Schlussfolgerungen zu ziehen, beziehen wir diese Kennzahl nicht in unsere Tools ein.

Die Aufschlüsselung und Überwachung der Anlagerisikobeschränkungen für einzelne Fonds- und Kundenmandate liegt in der Verantwortung des Portfolio Compliance Teams des Anlageverwalters innerhalb der unabhängigen Investment Risk-Funktion.

Die Daten im Portfolio-Compliance-Rahmen bilden die Grundlage für die Überwachung von Risikogrenzen und -indikatoren, und die neuesten Informationen zu Portfoliostruktur (wie Vermögensallokation, Sektor- und Länderpositionen) und Risikokennzahlen sind leicht zugänglich für unsere Investmentrisiko-, Portfolio-Compliance- und Anlageteams.

Wir betrachten die aktive Eigentümerschaft als den Einfluss, den wir auf Managementteams ausüben können, um im Hinblick auf die Vermögenswerte, in die wir investieren, nachhaltige Praktiken sicherzustellen. Wir wollen Veränderungen vorantreiben, die den Wert unserer Investitionen schützen und steigern, und wir setzen uns dafür ein, die Bedeutung unseres Unternehmens zu nutzen, um die Art und Weise, wie Unternehmen arbeiten, zum Besseren zu verändern. Wir sind der Ansicht, dass dies ein wichtiger Aspekt unserer Aufgabe ist, das Kapital unserer Kunden zu verwalten und unseren Kunden zu helfen, ihre langfristigen finanziellen Ziele im Einklang mit unserer treuhänderischen Verantwortung zu erreichen.

Weitere Einzelheiten zu unserem Ansatz für aktive Eigentümerschaft sind öffentlich verfügbar:
<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>.

No sustainable investment objective

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

- Exclusions are applied to direct investments in companies. The Fund applies certain exclusions relating to international conventions on cluster munitions, antipersonnel mines, and chemical and biological weapons. The Fund also excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal, especially companies that generate at least 10% of their revenues from tobacco production, companies that generate at least 25% of their revenues from the tobacco value chain (such as suppliers, distributors, retailers and licensors), companies that generate at least 10% of their revenues from thermal coal mining and companies that generate at least 30% of their revenues from coal fired power generation. The Fund excludes companies that are assessed by Schroders to have breached one or more 'global norms' thereby causing significant environmental or social harm; these companies comprise Schroders' 'global norms' breach list. In exceptional circumstances a derogation may be applied in order to allow the Fund to continue to hold a company on Schroders' 'global norms' breach list, for example where the stated investment strategy of the Fund may otherwise be compromised.
- The Fund may also apply certain exclusions. Further information on all of the Fund's exclusions is to be found further below in the "Monitoring of environmental or social characteristics" section.

Environmental or social characteristics of the financial product

The Fund maintains a higher overall sustainability score than the 50% JPM GBI-EM Diversified Index and 50% JPM EMBI Diversified Index, based on the Investment Manager's rating system. This benchmark (which is a broad market index) does not take into account the environmental and social characteristics promoted by the Fund.

The result is expressed as an aggregate score of the sustainability indicators for each issuer, specifically a notional percentage (positive or negative) of sales or GDP of the relevant underlying issuer. For example, a score of +2% would mean an issuer contributes \$2 of relative notional positive impact (i.e. benefits to society) per \$100 of sales or GDP. The sustainability score of the Fund is derived from the scores of all issuers in the Fund's portfolio measured by Schroders' proprietary tool.

Investment strategy

The sustainable investment strategy used by the Investment Manager is as follows:

The Fund is actively managed and invests at least two-thirds of its assets (excluding deposits and Money Market Investments in developed markets) in fixed and floating rate securities, currencies and Money Market Investments in emerging markets. The fixed and floating rate securities are issued by governments, government agencies, supra-nationals and companies. The Fund may also hold cash.

The Fund may hold up to 40% of its assets in deposits and Money Market Investments in developed markets. The Fund may invest in excess of 50% of its assets in fixed and floating rate securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies).

The Fund may invest up to 15% of its assets in mainland China through Regulated Markets (including the CIBM via Bond Connect or CIBM Direct).

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds and warrants.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

The Fund maintains a higher overall sustainability score than 50% JPM GBI-EM Diversified Index and 50% JPM EMBI Diversified Index based on the Investment Manager's rating criteria.

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The Fund may also apply certain other exclusions. Further information on all of the Fund's exclusions is to be found further below in the "Monitoring of environmental or social characteristics" section.

The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund.

In order to assess good governance practices, the Investment Manager utilises a Schroders' proprietary tool to help it develop a complete understanding of a company through a stakeholder lens.

Schroders' proprietary tool is data-driven and provides a systematic framework for analysing a company's relationship with its stakeholders. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is a central driver of the assessment of a company's stakeholder management.

The proprietary tool includes over 250 data points to assess how well companies are governed and how likely they are to adapt to changing social and environmental pressures. It draws on both conventional and unconventional data sources. Examples of unconventional data are employee review reports, consumer product reviews, revenue from green products, community donations and frequency of lawsuits. By drawing on such unconventional sources that do not rely on company reporting, the Investment Manager is able to build a more complete picture of companies' performance and reduce its reliance on corporate disclosure, which remains incomplete, particularly among smaller companies in emerging regions.

The proprietary tool considers a number of good governance metrics, grouped into the categories of sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability factors are assessed across both sovereign markets and credit allocation decisions.

The Investment Manager assesses sovereign issuers across a range of environmental, social and governance factors, via the use of Schroders' proprietary sustainability tools which ranks countries by measuring their performance against multiple sustainability-related indicators. In addition, the Investment Manager conducts qualitative analysis, which includes the use of information published by sovereigns and third party data, on ESG factors at a regional and country level to further enhance oversight and understanding. Countries that score below a predetermined threshold, determined by Schroders' proprietary sustainability tools and the analysis undertaken by the Investment Manager, will generally be excluded.

Corporate issuers are also assessed across a range of environmental, social and governance factors. The primary sources of information used to perform corporate analysis are the Investment Manager's proprietary tools and research, third-party research, NGO reports and expert networks. The Investment Manager also performs its own analysis of publicly available information provided by the issuers, including information provided in company sustainability reports and other relevant company material.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the webpage:

<https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures>.

The Fund maintains a higher overall sustainability score than its investment universe, based on the Investment Manager's rating system.

The Investment Manager ensures that at least:

- 90% of the portion of the Fund's NAV composed of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of the portion of the Fund's NAV composed of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries,

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

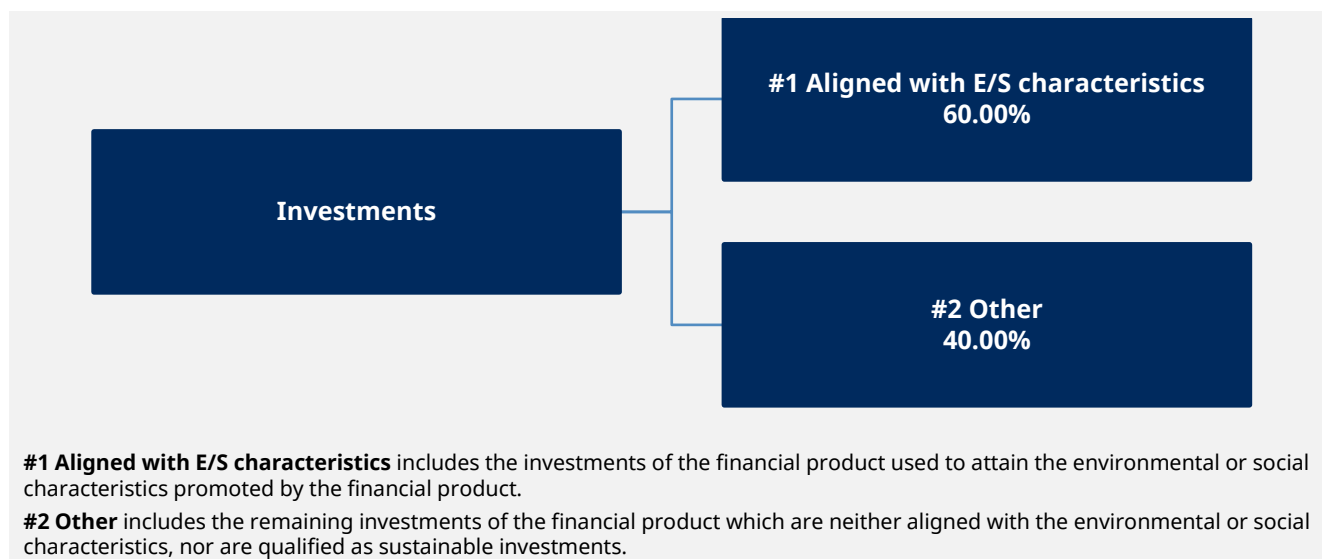
Any tie includes companies with an industry tie to the excluded activity.

is rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Proportion of investments

The planned composition of the Fund's investments that are used to meet its environmental or social characteristics are summarised below.



#1 Aligned with E/S characteristics includes the minimum proportion of the Fund's assets used to attain the environmental or social characteristics, which is equal to 60%. The Fund commits to maintain a higher overall sustainability score than the 50% JPM GBI-EM Diversified Index and 50% JPM EMBI Diversified Index, and so the Fund's investments that are scored by Schroders' proprietary sustainability tool are included within the minimum proportion stated in #1 on the basis that they will contribute to the Fund's sustainability score (whether such individual investment has a positive or a negative score). The minimum proportions stated apply in normal market conditions. The actual proportion stated in #1 is expected to be higher.

For more information on how the sustainability score is measured please refer to the "Methodologies for environmental or social characteristics" section.

#2 Other includes cash which is treated as neutral for sustainability purposes. #2 also includes investments that are not scored by Schroders' proprietary sustainability tool and so do not contribute towards the Fund's sustainability score. As #1 states a minimum proportion that is in practice expected to be higher, the proportion stated in #2 is expected to be lower.

Minimum safeguards are applied where relevant to derivatives used with the aim of reducing risk (hedging) or other investments by restricting (as appropriate) investments in counterparties where there are ownership links or exposure to higher risk countries (for the purpose of money laundering, terrorist financing, bribery, corruption, tax evasion and sanctions risks). A firm-wide risk assessment considers the risk rating of each jurisdiction; which includes reference to a number of public statements, indices and world governance indicators issued by the UN, the European Union, the UK Government, the Financial Action Task Force and several Non-Government Organisations (NGOs), such as Transparency International and the Basel Committee.

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

In addition, new counterparties are reviewed by Schroders' credit risk team and approval of a new counterparty is based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework. Ongoing monitoring is performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.

Monitoring of environmental or social characteristics

The sustainability score of the Fund is measured by SustainEx™, Schroders' proprietary tool that provides an estimate of the societal or environmental impact that an issuer may create.

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, will be measured within the Investment Manager's portfolio compliance framework. Exclusions and limits are coded into this framework to seek to ensure that pre-trade compliance correctly flags the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data.

The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available to our investment risk, portfolio compliance and investment teams.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Thermal Coal Mining Maximum Percentage of Revenue	10%
Thermal Coal Power Generation Maximum Percentage of Revenue	30%

Social exclusions

Excluded Activity	Criteria
Tobacco Production Maximum Percentage of Revenue	5%
Tobacco Value Chain Maximum Percentage of Revenue	25%
Nuclear Weapons Maximum Percentage of Revenue	5%
Biological/Chemical Weapons Maximum Percentage of Revenue	0%
Any Tie to Depleted Uranium Manufacturing	Any tie
Any Tie to Cluster Munitions	Any tie
Any Tie to Landmine Manufacturing	Any tie

Bespoke Schroders exclusions

Excluded Activity	Criteria
-------------------	----------

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Schroders Controversial Weapons Curated List ¹	All
Schroders' 'Global Norms' Breach List	All

Methodologies for environmental or social characteristics

The Fund promotes the following characteristic: it maintains a higher overall sustainability score than the 50% JPM GBI-EM Diversified Index and 50% JPM EMBI Diversified Index, based on the Investment Manager's rating system. As stated above, the sustainability score is measured by SustainEx™, Schroders' proprietary tool that provides an estimate of the potential societal or environmental impact that an issuer may create. It does this by using certain metrics with respect to that issuer, and quantifying the positive (for example by paying 'fair wages') and negative (for example the carbon an issuer emits) impacts of each of those metrics to produce an aggregate measure expressed as a notional percentage of sales of the relevant underlying issuer. The overall sustainability score aggregates the effect of sustainability indicators including but not limited to greenhouse gas emissions, water usage, and salaries compared to the living wage. An issuer may be a company or a sovereign. The Investment Manager monitors compliance with this characteristic by reference to the weighted average sustainability score of the Fund in SustainEx™ over the previous six month period.

As part of the Fund's investment processes, the SustainEx™ score, and the drivers of that score, are reviewed at the overall fund level. Schroders proprietary tools, including SustainEx™, may not cover all of the Fund's holdings from time to time, in which case the Investment Manager may use alternative methods to assess relevant holdings in the Fund. In addition, certain types of assets (such as cash and certain equivalent securities such as gilts) are treated as neutral and are therefore not considered by our proprietary tools.

As part of its broader assessment, the Investment Manager also considers the following:

CONTEXT

Context is a proprietary ESG research tool which provides a systematic framework for analysing a company's relationship with its stakeholders and the sustainability of its business model. Comprising over 260 metrics across over 13,000 companies, it is designed to support the Investment Manager's understanding of the sustainability of companies' business models and profitability, and provides structured, logical and wide-ranging data.

The tool enables analysts to select the most material ESG factors for each sector, weight their importance and apply relevant metrics. Analysts are then able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge. The tool is fully integrated within Schroders' global research platform, which is readily accessible across investment desks and geographies.

External Research

The Investment Manager uses information from several external ESG research firms, but only ever as one input into the Investment Manager's own company assessments to be questioned, examined and built on. External data providers are used to challenge or endorse the proprietary view of the Investment Manager.

The Investment Manager's Sustainable Investment team has extensive networks within its respective field. Information is drawn from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics; wherever it is felt the information would add value to the Investment Manager's analysis.

¹Schroders controversial weapons screening covers cluster munitions, anti-personnel mines, and chemical and biological weapons. Full details of the criteria and company names are available via the following link: <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Through this process, the Investment Manager aims to evaluate the relevance and materiality of a range of ESG factors on future earnings growth and as potential risk factors for a company.

Data sources and processing

In order to assess and understand the potential impact of sustainability risks and opportunities, Schroders has developed a range of proprietary tools. These tools rely on data that is available at the level of the underlying investment holdings.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

Third party research may be used, however our internal analysts form a proprietary view on each of the companies we analyse. Financial analysts may also use third-party research to support their assessment of ESG issues when analysing companies, in addition to consulting with our in-house ESG specialists. Through this process, we aim to evaluate the relevance and materiality of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors for a company.

The Investment Manager subscribes to external ESG research providers including; MSCI ESG research, Bloomberg, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data errors may occur. To address this, a dedicated ESG Data Governance team pro-actively monitors for errors and resolves data queries. This involves close collaboration with the third-party data providers, and managing and tracking data corrections.

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points. This additional information will be used alongside data from conventional and unconventional data sources that feed into our proprietary tools.

Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values where appropriate and reasonably robust. For example, in one tool, where reported values are missing for companies, we fill using metric-specific rules such as filling with the industry peer group 60th percentile where higher values are considered negative and the peer group 40th percentile where higher values are considered beneficial (which is a conservative approach).

Where data for a metric is not sufficiently available to form robust conclusions, we do not include that metric in our tools.

Whilst there may be some data estimation, it tends to be a marginal amount at the portfolio level with regard to our assessment of the sustainability characteristics of each company. The proportion of estimated data may vary over time.

Limitations to methodologies and data

Limitations to the Investment Manager's methodology and data mainly arise from data errors, data availability, specifically the lack of company reported data in some cases and data estimation as detailed in the section titled "Data sources and processing". Due to the range of data sources and due to combining both qualitative and quantitative elements involving a degree of subjectivity and judgement from the investment manager, we believe that these data limitations do not in aggregate materially impact our attainment of the environmental or social characteristics of the Fund.

Due diligence

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The Fund's investment and asset selection process has been reviewed and approved by the Investment Manager's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

Engagement policies

We consider active ownership to be the influence we can apply to management teams to ensure sustainable practices in the assets in which we invest. We aim to drive change that will protect and enhance the value of our investments and we are committed to leveraging the weight of our firm to change how a company is operating for the better. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team. As a result, we are able to take a common approach across investment desks.

We focus on sustainability issues which we determine to be material to the long-term value of our investee holdings. When material and relevant, we believe that companies that address these factors, where lacking, will drive improved financial performance for our clients. These issues reflect expectations and trends across a range of stakeholders including employees, customers, and communities, to the environment, suppliers and regulators. By strengthening relationships with that range of stakeholders, business models become more sustainable. The governance structure and management quality that oversee these stakeholder relationships are also a focus for our engagement discussions. In addition, we seek to reflect the priorities of our clients. Based on this process, we identify six broad themes for our engagement: climate, natural capital & biodiversity, human rights, human capital management, diversity & inclusion and governance.

Our themes are underpinned by additional cross-cutting thematic priorities. We also increasingly recognise the interconnectedness of ESG themes, such as the "just transition", which recognises the social dimension of the transition to a resilient and low-carbon economy. We seek to reflect this interconnectedness in our engagements with companies.

How we engage

We identify three key methods for practicing active ownership:

1. Dialogue: We speak with companies to understand if and how they are preparing for the long-term sustainability challenges they face.
2. Engagement: We work with companies to help them to recognise the potential impact of these challenges and to help them take action in the areas where change may be required.
3. Voting (where applicable): We use our voice and rights as shareholders to make sure these changes are effected.

These forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and Sustainable Investment team; they can also take place in collaboration with other groups. Engagement is therefore a component of the portfolio's investment strategy, both from an environmental and social perspectives.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. We identify a number of methods to escalate our engagements, such as meeting or otherwise communicating with non-executive directors or the chair of the Board, publicly stating our concerns, withholding support or voting against management and directors (where applicable) up to divesting partially or fully.

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Our approach to active ownership focusses on achieving real-world outcomes and achieving change. When determining when to engage and setting an objective for the engagement, we consider:

1. Materiality: We seek to focus our engagement on the most material sustainability threats and opportunities to the company.
2. Regional context: The materiality of issues and the expectations we have of companies vary by country and region; for example, differing socio-cultural factors, regulatory maturity and resource constraints. Where possible we reference country or regional initiatives, regulations and leading practice from peers in our dialogue with companies.
3. Realistic outcomes: We consider both leading practice and what could realistically be achieved by the company in the next few years, including considering the size of the company.
4. Ability to monitor progress: We use objective, measurable metrics or indicators that can be used to assess company performance on an issue.
5. Length of engagement: We aim to set short- to mid-term objectives – that can often be achieved over a 12- to 24-month period depending on the intensity of the engagement – but with a longer-term vision in mind.

We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually, and at a frequency that is appropriate for the priority of the engagement and materiality of the issue or holding. That said, we recognise that the length of time to achieve an objective will vary depending upon its nature, and that key strategic changes will take time to implement into a company's business processes. A measurable outcome from our engagement upon completion of an objective could take a range of forms, including additional disclosure by a company, influencing the company strategy on a particular issue, or a change to the governance of an issue.

Further details on our approach to active ownership policy is publicly available:

<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>.

Designated reference benchmark

No reference benchmark has been designated for the purpose of meeting the environmental or social characteristics promoted by the financial product.

Source: Schroders, as at December 2023. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.