

Schroder Special Situations Fund – Sustainable Diversified Alternative Assets

Environmental and social characteristics

The Fund has environmental and/or social characteristics (within the meaning of Article 8 SFDR). A Fund with these characteristics may have limited exposure to some companies, industries or sectors as a result and the Fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the Investment Manager. As Investors may differ in their views of what constitutes sustainable investing, the Fund may also invest in companies that do not reflect the beliefs and values of any particular Investor.

Sustainability criteria of the Fund

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

In order to determine the investible universe of Investment Funds and/or Investment Trusts that are sustainable investments and meet the do no significant harm test the Investment Manager determines eligibility for inclusion based on the Impact Management Project's "ABC" framework: Avoid harm; Benefit stakeholders; and Contribute to solutions. The Fund's portfolio must have at least 50% of its investments in the Contribute to solutions 'C' category. If an underlying investment is considered a 'C', it must clearly evidence the primary UN SDG it is targeting through quantifiable impact metrics. For example, one metric is the Mega Watt Hours of renewable energy generated. The Investment Manager will actively aim to select 'C' investments which contribute to one or more environmental or social objectives, however the Investment Manager may also hold 'A' only or 'B' investments. Investments across this "ABC" framework are cumulative, meaning that 'C' investments also satisfy the minimum criteria of 'A' and 'B' investments.

In considering good governance practices, each investment is assessed by reference to four key criteria that are applied to the relevant investment manager or Investment Trust: (1) credentials; (2) culture; (3) capabilities; and (4) stewardship. Each investment is given an overall rating from 1 (lowest) to 5 (highest). The Investment Manager asks further questions relating to each Investment Fund's and/or Investment Trusts investment strategy to assign a rating from "no integration", "weak", "basic", "progressive" to "leading". An investment must generally score at least "3" at the investment manager level and at least "basic" at the strategy level to qualify for inclusion in the investible universe. If an Investment Fund and/or Investment Trust within the Fund's portfolio falls below these levels, the Investment Manager will disinvest if no improvement has been made within a reasonable timeframe, typically twelve to eighteen months.

The primary sources of information used by the Investment Manager are Cazenove's proprietary sustainability data, third-party research and expert networks. The Investment Manager also performs its own analysis of publicly available information provided by the Investment Funds, including information provided in company sustainability reports and other relevant company material.

The Investment Manager ensures that at least 90% of the Fund's portfolio is rated against the sustainability criteria.

As a result of the application of sustainability criteria, at least 20% of the Fund's potential investment universe is excluded from the selection of investments. For the purposes of this test, the potential investment universe is the core universe of issuers that the Investment Manager may select for the Fund prior to the application of

sustainability criteria, in accordance with the other limitations of the Investment Objective and Policy. This universe is comprised of investments, directly or indirectly (through Investment Funds and/or Investment Trusts), in Alternative Asset Classes worldwide.

In order to achieve its environmental and social characteristics, the Fund does not directly invest in the following sectors:

Environmental exclusions

Excluded sectors	Exclusionary criteria (max. revenue)	Description
Fossil Fuels	10%	Maximum percentage of revenue from oil and gas production (conventional and unconventional including shale oil and gas, coal seam gas, coal bed methane, Arctic onshore/offshore deep-water, shallow water, other onshore/offshore), extraction, and refining. It also includes maximum percentage of revenue from thermal coal and tar sands.

Social and human rights exclusions

Excluded sectors	Exclusionary criteria (max. revenue)	Description
Pornography	3%	Maximum percentage of revenue from adult entertainment.
Arms	0%	Maximum percentage of revenue from manufacture of chemical or biological weapons and related systems or components and from the production of nuclear weapons. Also includes any companies that have any industry tie to cluster munitions; the manufacture of landmines; and the production of depleted uranium weapons, ammunition, and armour.
	10%	Maximum percentage of revenue from weapons systems, components, support systems and from manufacture or retail of civilian firearms and ammunition.
Alcohol	10%	Maximum percentage of revenue from manufacturing of alcoholic products.
Gambling	10%	Maximum percentage of revenue from ownership or operation of gambling facilities.
Tobacco	10%	Maximum percentage of revenue from distributing, licensing, producing, retailing and supplying tobacco products.
Predatory Lending	10%	Maximum percentage of revenue from predatory lending activities.
Schroders controversial weapons curated list ¹	All	

¹Full details of the criteria and company names available via the following link:
<https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>

Schroders' approach to Sustainability

Further information on Schroders' approach to sustainable investment can be found in the following Schroder group site: <https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/>