

Schroders Capital Semi-Liquid – Circular Economy Private Plus

Santrauka

Fondo tvaraus investavimo tikslas – investuoti bent 75% savo turto į privačias ir viešas pasaulio įmones, kurios, investicijų valdytojo manymu, prisidės prie aplinkosaugos tikslo pereiti prie žiedinės ekonomikos. Žiedinė ekonomika – tai sistema, kuria siekiama aplinkosauginio tikslo mažinti atliekų kiekį, taršą ir naudoti natūralius išteklius, naudojant medžiagas kuo ilgiau. Fondas taip pat gali investuoti į investicijas, kurias investicijų valdytojas pagal savo tvarumo kriterijus laiko neutraliomis, kaip antai grynieji ir pinigų rinkos investicijos bei išvestinės finansinės priemonės grynujų valdymo tikslais, siekiant sumažinti riziką (apsidraudimas) arba veiksmingiau valdyti subfondą.

Nėra nustatyto lyginamojo indekso, pagal kurį būtų siekiama tvaraus investavimo tikslo.

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Minimali 75 % dalis taikoma įprastomis rinkos sąlygomis.

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Žr. schemą po skirsniu „Investicijų dalis“.

Fondas taip pat gali taikyti tam tikras kitas išimtis. Daugiau informacijos apie visas fondo išimtis pateikiama toliau skirsnyje „Tvaraus investavimo tikslo stebėseną“.

Fondas investuoja į įmones, kurios nedaro didelės ekologinės ar socialinės žalos ir taiko gerą valdymo praktiką, kaip nustatyta investicijų valdytojo reitingavimo kriterijuose.

Visoje įmonėje taikomi neįtraukimo principai taikomi ir „Schroders“ fondams. Jie susiję su tarptautinėmis konvencijomis dėl kasetinių šaudmenų, priešpėstinių minų ir cheminių bei biologinių ginklų. Išsamus visų neįtraukiamų įmonių sąrašas pateikiamas šiuo adresu

<https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>.

Investicijų valdytojas renka informaciją apie investuojamąsias bendroves iš viešai prieinamos bendrovės informacijos ir bendrovės susitikimų, tarpininkų ataskaitų, pramonės institucijų ir tyrimų organizacijų, mokslinių institutų, teisės aktų leidėjų, konsultantų, nevyriausybinių organizacijų ir akademikų. Gali būti naudojami trečiųjų šalių tyrimai, tačiau mūsų analitikai parengia nuosavybinę nuomonę apie kiekvieną mūsų analizuojamą bendrovę. Investicijų valdytojas prumeruoja išorinių ESG tyrimų teikėjų informaciją, įskaitant „MSCI ESG research“, „Bloomberg“, „Refinitiv“, „Sustainalytics“ ir „Morningstar“, kuri yra reguliariai peržiūrima ir keičiama.

Investicijų valdytojo metodologijos ir duomenų apribojimų gali atsirasti dėl duomenų prieinamumo ir ypač dėl susijusių su įmone duomenų trūkumo.

Jei nėra duomenų, „Schroders“ kalbėsis su įmonėmis, siekdama įtikinti jas atskleisti trūkstamas duomenų vietas.

Kai kurios iš mūsų patentuotų priemonių tam tikrais atvejais papildo trūkstamą vertę. Mūsų modeliuose paprastai naudojami įvairūs metodai, kuriais apskaičiuojamos trūkstamos vertės, jei tai tinkama ir pagrįsta racionalu.

Jei neturima pakankamai parametrų duomenų tvirtoms išvadoms padaryti, tas parametras neįtraukiamas į nuosavybinius įrankius.

Investicijų valdytojas užtikrina, kad bent 90 % fondo grynojo turto vertės sudarytų investicijos į įmones, reitinguojamas pagal tvarumo kriterijus.

Fondo investicijų ir turto atrankos procesą peržiūri ir tvirtina investicijų valdytojo Produkto plėtojimo komitetas, kurio nariais yra teisės, atitikties, produkto ir tvarumo investicijų funkcijų atstovai. Nuolatinę atitikties priimtoms tvarumo ypatybėms stebėseną vykdo Portfelio atitikties komanda. Nėra išorinės to deramo stropumo kontrolės.

Investicijų valdytojas naudoja įvairiais tvarumo rodikliais, vertindamas poveikį investuojamosios įmonės lygmenyje. Konkrečiai, investicijų valdytojas vertina potencialių investicijų pagrindinius veiklos rezultatų rodiklius (PVRR) penkiose svarbiausiose srityse: žiedinės tiekimo grandinės, atliekų naudojimo ir perdirbimo, produkto naudojimo trukmės pailginimo ir technologijų įgalinimo veiksmų. PVRR nuolat stebimi siekiant užtikrinti, kad investuojamosios bendrovės daromas poveikis investavimo metu atitiktų investicijų valdytojo lūkesčius. Šių kitų vertinimų pobūdis kokybinis, jie susiję su įvairiais veiksniais, kaip antai rizikomis – vykdymo rizika, kuri yra įmonės rizika nepasiekti norimo ar tikimosi poveikio. Investicijų valdytojas naudoja balu, siekdamas nustatyti, ar investuojamoji bendrovė gali būti laikoma tvaria investicija, ir investuoja tik į turtą, kuris pagal reitingavimo sistemą laikomas viršijančiu minimalią ribą.

Už investicijų rizikos apribojimų kodavimą ir stebėseną, siekiant suteikti individualius fondo ir kliento įgaliojimus, yra atsakinga investicijų valdytojo portfelio atitikties komanda, veikianti nepriklausomoje Investicijų rizikos funkcijoje.

Duomenys portfelio atitikties sistemoje sudaro pagrindą rizikos riboms ir rodikliams stebėti, o naujausia informacija apie portfelio struktūrą (kaip antai turto paskirstymą, sektorių ir šalies pozicijas) ir rizikos parametrus yra lengvai prieinama mūsų investicijų rizikos, portfelio atitikties ir investicijų komandoms.

Laikome, kad aktyviai tvarkoma nuosavybė galime daryti įtaką valdymo komandoms, siekdami užtikrinti tvarias turtų, į kuriuos investuojame, praktikas. Siekiame skatinti pokyčius, kuriais bus apsaugota ir padidinta mūsų investicijų vertė, ir esame įsipareigoję pasinaudoti savo įmonės įtaka bendrovės veiklai pakeisti į gera. Tikime, kad tai svarbus mūsų, kaip mūsų klientų kapitalo valdytojų, vaidmens aspektas, taip pat svarbu, kaip padedame klientams įgyvendinti savo ilgalaikius finansinius tikslus, vykdydami savo, kaip patikėtinio, pareigas.

Daugiau informacijos apie mūsų aktyviai tvarkomos nuosavybės politikos nuostatas pateikiama viešai šiuo adresu: <https://mybrand.schroders.com/m/5ba6ba6196b02795/original/schroders-engagement-blueprint.pdf>.

No significant harm to the sustainable investment objective

The Investment Manager's approach to investing in issuers that do not cause significant harm to any environmental or social sustainable investment objective includes the following:

- Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.

Source: Schroders, as at October 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 excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.
- 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. Schroders' determination of whether a company has been involved in such a breach considers relevant principles such as those contained in the UN Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The 'global norms' breach list may be informed by assessments performed by third party providers and by proprietary research, where relevant to a particular situation.
- The Fund may also apply certain other exclusions in addition to those summarised above.

Further information on all of the Fund's investment exclusions is to be found further below in the "Monitoring of the sustainable investment objective" section.

The Investment Manager's rating criteria will be used to assess that all potential investments do not cause significant harm to the sustainable investment objective of the Fund. These rating criteria encompass the ESG and impact assessment of primary fund investments, direct-, and co-investments in the pre-investment selection, due diligence and post-investment monitoring phase. Specifically, the impact component of the Investment Manager's rating criteria aims at capturing the impact intent, contribution, and measurement framework for direct and co-investments. It uses a third party framework as guiding principle, following a "what, who, how much, contribution risk" assessment. It is complemented with proprietary tools like an ESG scorecard used to assess potential investments to identify any significant harm or principal adverse sustainability impacts towards the sustainable investment objective of a financial product. The framework also comprises reference calls and the integration of tools and data sources such as RepRisk, WorldCheck or the ESG Data Convergence Initiatives.

Wherever the Investment Manager deems it appropriate, in the context of an incomplete and developing data landscape, the Investment Manager sets levels or principles representing its views of what would constitute significant harm in respect of the indicators for the principal adverse impacts. Investee companies deemed not to satisfy these levels or principles would not be eligible to be considered as a sustainable investment. All relevant indicators for adverse impacts on sustainability factors will be assessed at the time of investment. As part of the ongoing monitoring of its investments, the Fund may reassess any investment against significant harm during the holding period. This framework is subject to ongoing review, particularly as the availability, and quality, of the data evolves.

Sustainable investment objective of the financial product

The Fund's sustainable investment objective is to invest at least 75% of its assets in private and public companies worldwide that the Investment Manager believes will contribute towards the environmental objective of the transition to a circular economy. A circular economy is a system that has the environmental aim of reducing waste, pollution and the use of natural resources by keeping materials in use for as long as possible. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria such as cash and Money Market Investments and derivatives for cash management purposes/with the aim of reducing risk (hedging) or managing the sub-fund more efficiently.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

At the date of this document, it is not yet possible to commit to the Fund maintaining a minimum alignment with the Taxonomy, as the Investment Manager is currently not in a position to accurately determine to what extent the Fund's investments are in taxonomy-aligned environmentally sustainable activities. However it is expected that the Fund invests in companies and economic activities that contribute to the environmental objective of the transition to a circular economy within the meaning of the Taxonomy.

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

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

In future it is therefore expected that the Fund will assess and report on the extent to which its underlying investments are in economic activities that qualify as environmentally sustainable under the Taxonomy, along with information relating to the proportion of enabling and transitional activities. This document will be updated once it is possible in the Investment Manager's opinion to accurately disclose to what extent the Fund's investments are in Taxonomy-aligned environmentally sustainable activities, including the proportions of investments in enabling and transitional activities selected for the Fund.

Investment strategy

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

The Fund is actively managed and invests at least 75% of its assets in sustainable investments, which are investments that the Investment Manager believes will contribute towards the environmental objective of the transition to a circular economy. A circular economy is a system that has the environmental aim of reducing waste, pollution and the use of natural resources by keeping materials in use for as long as possible. The Fund may also hold a portion of investments that the Investment Manager deems to be neutral under its sustainability criteria. These may include, but are not limited to, derivatives for hedging purposes, cash and money market instruments.

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 the sustainable investment objective" section.

The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager's rating criteria.

The Fund may invest in companies that the Investment Manager believes will improve their sustainability practices within a reasonable timeframe, typically up to two years.

The Investment Manager may also engage with companies held by the Fund to challenge identified areas of weakness on sustainability issues. More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website:

<https://www.schroders.com/en-lu/lu/individual/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/disclosures-andstatements/>.

The Fund will invest directly and indirectly in the equity interests of companies that are not listed on stock exchanges (private equity) and in public equities or equity related securities.

The Fund may invest up to 100% in private equity strategies. The Fund may invest up to 50% in public equities or equity related securities under normal circumstances. Private equity strategies (the "Strategies") are linked to the financial stage of the underlying interests. These Strategies include providing seed capital to companies at an early stage (Venture Capital), providing follow-on or expansion financing to companies in their development stage (Growth Capital) or providing finance for the acquisition of more mature companies (Buyout).

The Fund may access investment opportunities directly or indirectly within the Strategies through primary and secondary investments in private equity funds and direct investments or co-investments, as well as investment opportunities in listed equities. Primary investments entail investing in private equity funds during their initial fundraising which in turn invest in privately held companies or make private investments in public companies, potentially in order to take them private. Secondary investments entail acquiring existing fund investments from another private equity investor who wishes to exit their investment before the end of its life. Direct private equity investment or co-investments relate to holdings in unlisted equities of companies, whether directly or through a special purpose vehicle, typically alongside a general partner.

The Fund may invest in money market instruments, money market funds and hold cash and may exceptionally hold up to 100% in such assets.

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

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Potential investments are assessed on key performance indicators (“KPIs”) relating to the circular economy.

The Investment Manager understands the circular economy to be an economy that moves away from the consumption of finite resources and “take-make-waste” practices towards a system that designs out waste and pollution and keeps materials in use for as long as possible.

The transition to a circular economy requires several developments including, but not limited to:

- i. Support for, and improvements in, sustainable and/or circular production
- ii. Avoidance, and/or reduction, of pollution and the use of non-renewable resources
- iii. Maximisation of product and/or service usage
- iv. Maximisation of recovered, refurbished, remanufactured and recycled materials from waste
- v. Improved economic and social empowerment through innovative technologies promoting the circular economy

The Investment Manager looks at KPIs of potential investments informed by these aims. Examples of the KPIs include, but are not limited to, the percentage of waste that avoids landfill (%), reduction of GHG emissions (tCo2e), water savings per annum (m3), product life extension of shared assets (years) and the share of sustainably sourced raw materials (%).

These KPIs are used to measure the impact contribution at an investee company level and are tracked over time in order to ensure that an investee's impact contribution is in line with the expectations of the Investment Manager at the time of investment. These KPIs are used, in conjunction with other assessments made by the Investment Manager, to score each investee company on a circular economy impact basis. These other assessments are qualitative in nature and relate to factors such as risks, for example execution risk, which is the risk of the company not achieving the desired or expected impact. The Investment Manager uses the score to determine whether an investee company can be deemed a sustainable investment and only invests in assets deemed above a minimum threshold based on the rating system.

The Fund invests across five key focus areas/business models which the Investment Manager see as essential in enabling the transition to a circular economy. They are as follows:

Circular supply chain: companies involved in the introduction of fully renewable, recyclable or biodegradable materials that can be used in consecutive lifecycles to reduce costs and increase predictability and control over a supply chain.

Recovery and recycling: companies involved in production and consumption systems where everything that used to be considered waste is revived for other uses, and companies which can recover end-of-life products to recapture and reuse valuable material, energy and components. **Sharing platforms and product as a service:** companies involved in the hosting of sharing platforms that use technology to increase the utilisation of assets and prevent idle capacity in an economy; **product as a service** involves consumers paying for the use of a product rather than the product itself, thereby shifting manufacturers' focus to longevity, reliability and reusability.

Product life extension: companies involved in increasing longevity of assets or capturing the value from products that may be broken, out of fashion or no longer needed, by maintaining and improving products through repairs, upgrades or remanufacturing or by finding a new owner.

Technology enablers: companies involved in the production or provision of products/services that provide the tools for a transition to a circular economy; these companies can operate across the software, electronics and industrial sectors but all provide necessary tools for a successful circular transition.

The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies 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.

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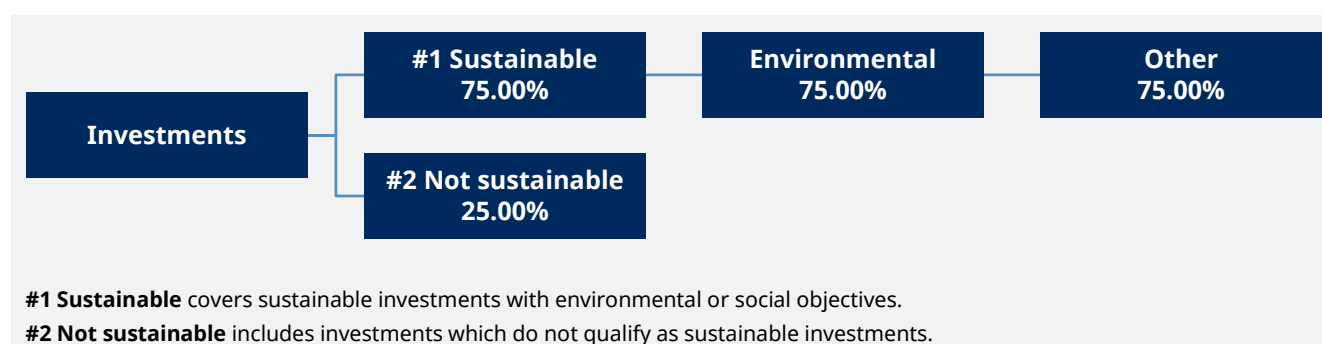
For the purposes of this test, the potential investment universe is the core universe of issuers that the Investment Manager may select for the Fund prior to the application of sustainability criteria, in accordance with the other limitations of the Investment Objective and Policy. This universe is comprised of equity and equity related securities of public and private companies worldwide.

The investment restrictions mentioned above will not be applicable during the “Ramp-up Period”. The “Ramp-up Period” is defined as the first 24 months after the Fund’s Launch Date. The Ramp-Up Period can be shortened at the discretion of the Board of Directors. The Fund may therefore, during its Ramp-up Period, be subject to concentration risk in the underlying investments.

Proportion of investments

The planned composition of the Fund’s investments that are used to meet its sustainable investment objective are summarised below. The Fund invests at least 75% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in private and public companies worldwide that the Investment Manager believes will contribute towards the environmental objective of the transition to a circular economy. The minimum proportion stated applies in normal market conditions.

#2 Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and money market instruments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.



Minimum safeguards are applied on assets treated as neutral for sustainability purposes, specifically in relation to money market instruments and derivatives used with the aim of reducing risk (hedging) 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.

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.

The asset allocation mentioned will not be applicable during the “Ramp-up Period”. The “Ramp-up Period” is defined as the first 24 months after the Fund’s Launch Date. The Ramp-Up Period can be shortened at the discretion of the Board of Directors. The Fund may therefore, during its Ramp-up Period, be subject to concentration risk in the underlying investments.

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Monitoring of the sustainable investment objective

Each investment is expected to have different characteristics in its contributions towards the sustainability investment objective of the Fund and will therefore combine some standard and some custom contribution indicators. These indicators will be determined pre-investment, and tracked and reported regularly during the holding period.

Each investment will track and report:

- Scope 1 GHG emissions and intensity figures
- Scope 2 GHG emissions and intensity figures
- Scope 3 GHG emissions and intensity figures (where available)

These KPIs are tracked over time in order to seek to ensure that an investee's impact contribution is in line with the expectations of the Investment Manager at the time of investment. The Investment Manager uses the score to determine whether an investee company can be deemed a sustainable investment and only invests in assets deemed above a minimum threshold based on the rating system.

At least one additional investment specific indicator, aligned to the investment's relevant circular economy theme, will be tracked and reported. Examples of such KPIs include, but are not limited to: the percentage of waste that avoids landfill (%), reduction of GHG emissions (tonnes of carbon dioxide equivalent (tCo2e)), water savings per annum (cubic meters (m3)), product life extension of shared assets (years) and the share of sustainably sourced raw materials (%). These KPIs are tracked over time in order to seek to ensure that an investee's impact contribution is in line with the expectations of the Investment Manager at the time of investment. These other assessments are qualitative in nature and relate to factors such as risks, for example execution risk, which is the risk of the company not achieving the desired or expected impact. The Investment Manager uses the score to determine whether an investee company can be deemed a sustainable investment and only invests in assets deemed above a minimum threshold based on the rating system.

The investment process will follow best practice alignment with the Operating Principles for Impact Management ("OPIM") which require annual disclosure and external independent verification of the investment process and tools.

Additionally, the strategy is monitored on a continuous basis through ongoing engagement with the lead GP and when possible the portfolio company directly. External tools such as RepRisk are also used to monitor the ESG performance of the portfolio on an ongoing basis.

The Risk function has formal ESG risk controls and monitoring processes in place to ascertain the ESG commitments of the Fund are met.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Conventional Oil and Gas Extraction & Production Maximum Percentage of Revenue	0%
Unconventional Oil and Gas Extraction & Production Maximum Percentage of Revenue	0%
Thermal Coal Mining Maximum Percentage of Revenue	0%
Thermal Coal and Oil Power Generation Maximum Percentage of Revenue	3%
Percentage of Power from Thermal Coal and Oil	3%

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Social exclusions

Excluded Activity	Criteria
Alcohol Production Maximum Percentage of Revenue	3%
Alcohol Value Chain (exc Production) Maximum Percentage of Revenue	10%
Tobacco Production Maximum Percentage of Revenue	0%
Tobacco Value Chain (exc Production) Maximum Percentage of Revenue	5%
Gambling Maximum Percentage of Revenue	3%
Adult Entertainment Maximum Percentage of Revenue	3%
Weapons Maximum Percentage of Revenue	1%
Civilian Firearms Maximum Percentage of Revenue	0%
Nuclear Weapons Maximum Percentage of Revenue	0%

Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List ¹	All
Schroders' 'Global Norms' Breach List	All

Methodologies

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses specific sustainability key performance indicators to assess the investment's contribution to an environmental or social objective (as applicable). The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with the minimum percentage in sustainable investments is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager looks at KPIs of potential investments across five key areas: circular supply chain, recovery and recycling, sharing platforms/products as a service, product life extension and technology enablers. Examples of the KPIs include, but are not limited to, the percentage of waste that avoids landfill (%), reduction of GHG emissions (tonnes of carbon dioxide equivalent (tCo2e)), water savings per annum (cubic meters (m3)), product life extension of shared assets (years) and the share of sustainably sourced raw materials (%). These KPIs are tracked over time in order to seek to ensure that an investee's impact contribution is in line with the expectations of the Investment Manager at the time of investment. These other assessments are qualitative in nature and relate to factors such as risks, for example execution risk, which is the risk of the company not achieving the desired or expected impact. The Investment Manager uses the score to determine whether an investee company can be deemed a sustainable investment and only invests in assets deemed above a minimum threshold based on the rating system.

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/>

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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 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. Our proprietary tools provide flexibility allowing analysts to input data that is not publicly disclosed however has been disclosed during engagement into a common framework. This additional information will be used alongside data from conventional and unconventional data sources.

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

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing". In order to assess alignment with sustainable investment objectives, we draw upon a variety of data sources, meeting companies, studying research and analysing assets. 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 sustainable investment objective of the Fund.

Due diligence

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.

Source: Schroders, as at October 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.

Engagement policies

Schroders Capital has fiduciary responsibilities as investor and as guardian of our clients' assets. That's why we seek to actively influence corporate behaviour to ensure the companies we invest in are managed in a sustainable manner. As such, we engage with our private equity investments partners on their general approach, fund strategies, as well as the underlying portfolio companies in this Fund on circular economy and broader ESG performance matters throughout the entire investment process and business model at least once a year. Such engagement focus on overall approaches to sustainability, structured and market-aligned data collection and reporting and specifically to climate-related commitments such as TCFD and SBTi, with the purpose of improving impact and ESG performance, changing a sustainability outcome, and improving transparency. Schroders Capital aims to actively support its partners and portfolio companies on sustainability matters, by providing advice and guidance.

Engagement activities are prioritised based on several factors, including level of influence and magnitude of positive and negative impact potential.

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.

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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.

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/5ba6ba6196b02795/original/schroders-engagement-blueprint.pdf>.

Attainment of the sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

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