

Schroder International Selection Fund – Global Cities

Summary

The Fund's sustainable investment objective is to invest at least 90% of its assets in real estate companies worldwide that contribute towards more environmentally resilient and innovative cities and infrastructure. 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 used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

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

The Fund invests at least 90% of its assets in sustainable investments, in real estate companies worldwide that contribute towards more environmentally resilient and innovative cities and infrastructure. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 5% of its assets in sustainable investments with a social objective. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria. Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently. Please refer to the chart under the Proportion of investments section.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under the "Monitoring of 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 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.

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 exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons. A detailed list of all companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>.

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

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing".

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points.

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.

Where data for a metric is not sufficiently available to form robust conclusions, that metric is not included in the proprietary tools.

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.

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.

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses a combination of a revenue based approach in this assessment, by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable), and 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 this 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 coding and monitoring of investment risk restrictions 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 available to our investment risk, portfolio compliance and investment teams.

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.

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

<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/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.
- The Fund excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.

Source: Schroders, as at Nov 2024. 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 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.

Sustainable investment objective of the financial product

The Fund’s sustainable investment objective is to invest its assets in real estate companies worldwide that contribute towards more environmentally resilient and innovative cities and infrastructure. 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 used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

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

Investment strategy

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

The Fund is actively managed and invests at least 90% of its assets in (i) sustainable investments, which are investments that contribute towards more environmentally resilient and innovative cities and infrastructure, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under 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.

In order to assess good governance practices, a central Good Governance Test is applied. This test is based on a data-driven quantitative framework, which uses a scorecard to assess companies across the categories of sound management structures, employee relations, remuneration of staff, and tax compliance. Schroders has defined a number of criteria across these pillars. Compliance with the test is monitored centrally and companies which do not pass this test cannot be held by the Fund, unless the Investment Manager has agreed that the issuer demonstrates good governance based on additional insights beyond that quantitative analysis.

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 webpage:

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

The Fund invests at least two-thirds of its assets in equity and equity related securities of real estate companies worldwide with a focus on companies that invest in cities that the Investment Manager believes will exhibit continued economic growth, supported by factors such as strong infrastructure and supportive planning regimes.

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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 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, warrants and Money Market Investments, and hold cash.

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

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

The investment universe is analysed in two distinct phases. Each phase leads to companies being excluded based on weak sustainability metrics, reducing the universe from about 900 companies to 200 companies in the investable universe:

- Stage 1 analyses cities on a range of environmental and social metrics. Companies are then scored based on their exposure to the superior/ inferior locations. At least 25% of companies are removed from the Fund's investment universe.
- Stage 2 focusses on determining the quantum to be invested in each company, using both internal (i.e. Schroders' proprietary sustainability tools) and external sustainability measurement tools. The analysis awards a sustainability score to each company.

The process excludes companies (based on their sustainability score) from investment by the Fund.

The Investment Manager may also engage with companies in the portfolio, which are expected to demonstrate a clear commitment to sustainability both in their relationships with stakeholders and in their efforts to mitigate their impact on the natural environment.

The Investment Manager performs its analysis using its own research and Schroders' sustainable proprietary tools. Third party research is used as a secondary consideration and generally provides a source of challenge or endorsement for its proprietary view.

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.

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 real estate companies worldwide.

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 sustainable investment objective are summarised below. The Fund invests at least 90% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in real estate companies worldwide that contribute towards more environmentally resilient and innovative cities and infrastructure. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 5% of its assets in sustainable investments with a social objective. The minimum proportions stated apply in normal market conditions.

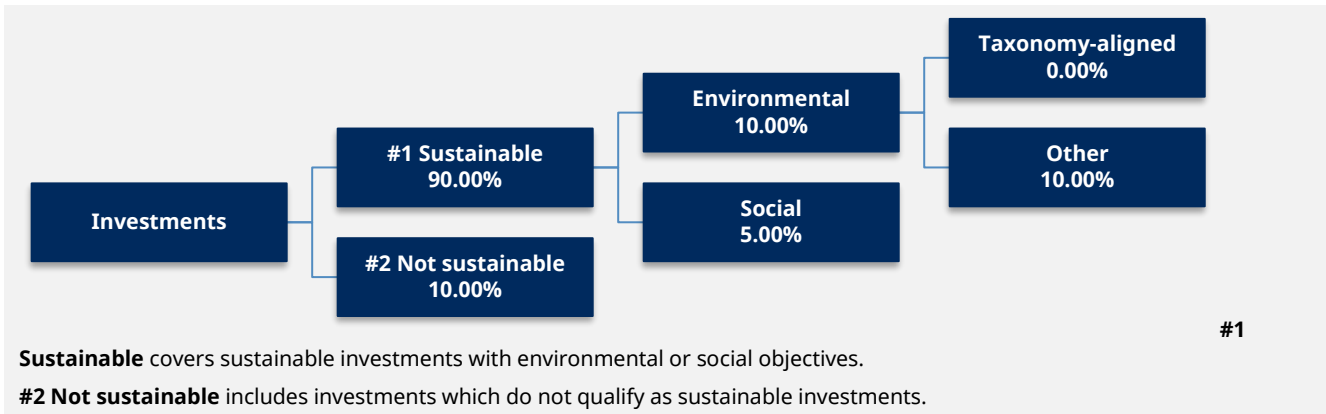
#2 Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

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Minimum safeguards are applied where relevant to Money Market Investments 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.

Monitoring of the sustainable investment objective

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, are 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 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 available. Users are able to build customised reports to focus on specific aspects of the portfolio.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Oil and Gas Value Chain Maximum Percentage of Revenue	5%

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

Percentage of Power Generation from Oil and Gas ^{1&2}	1%
Percentage of Power from Nuclear ²	1%
Percentage of Power Generation from Thermal Coal ²	30%
Percentage of Power from Thermal Coal and Oil ³	1%
Carbon Underground 200	Full list
Increasing absolute production of or capacity for thermal-coal related products/services	True
Involvement in coal exploration or the exploitation or development of new coal mines	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration, extraction, processing, and transportation of thermal coal	25%
Increasing absolute production of or capacity for unconventional oil & gas ³ related products/services	True
Involvement in exploration, exploitation or development of new unconventional oil & gas fields	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration and extraction of unconventional oil & gas	25%
Involvement in exploration, exploitation or development of new conventional oil & gas fields	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas	25%
Structurally increasing absolute production of or capacity for coal-based energy-related products/services	True
Absolute production of or capacity for coal-based energy-related products/services	5 GW
Current involvement in building new coal-fired power stations	True

Social exclusions

Excluded Activity	Criteria
Tobacco Value Chain Maximum Percentage of Revenue	1%
Alcohol Value Chain Maximum Percentage of Revenue	10%
Alcohol Production Maximum Percentage of Revenue	1%
Gambling Maximum Percentage of Revenue	1%
Adult Entertainment Maximum Percentage of Revenue	1%
Weapons Maximum Percentage of Revenue	1%
Civilian Firearms Maximum Percentage of Revenue	1%

¹ Unconventional oil & gas includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

² Assessed only on GICS Subsectors: Multi-Utilities, Gas Utilities, Electric Utilities and Independent Power Producers & Energy Traders. Override applicable for companies with carbon intensity lower than 375 Max. gCO₂/kWh.

³ Assessed only on GICS Subsectors: Multi-Utilities, Gas Utilities, Electric Utilities and Independent Power Producers & Energy Traders.

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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.

Nuclear Weapons Maximum Percentage of Revenue	0%
Any Tie to Controversial Weapons	Any tie
Maximum revenue from production of tobacco, tobacco products or e-cigarettes and wholesale trading of tobacco products or e-cigarettes	5%
Maximum revenue from bespoke products, equipment or services dedicated to enabling the production of tobacco products (value chain)	25%
Maximum revenue from manufacture of weapons or tailor-made components thereof and sale of weapons ⁴	5%
Involvement in manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the manufacturing or sale of weapons and tailor-made components thereof	25%

Transition exclusions:

Excluded Activity

Companies with exposure to coal that do not meet one of the relevant transition criteria:

- Have a SBTi target aligned with 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an annual thermal coal production less than 10Mt and derive less than 5% of revenues from exploration, extraction, processing, and transportation of thermal coal
- Have less than 10% of CapEx dedicated to exploration, extraction, processing, and transportation of thermal coal and not with the objective of increasing revenue
- Have more than 50% of CapEx dedicated to contributing activities⁵

Companies with exposure to unconventional oil & gas that do not meet one of the relevant transition criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment
- Derive less than 5% of revenues from exploration and extraction of unconventional oil & gas
- Unconventional oil and gas production is less than 5% of total oil and gas production
- Have more than 50% of CapEx dedicated to contributing activities⁵

Companies with exposure to conventional oil & gas that do not meet one of the relevant transition criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 57.57 gCO₂e/MJ in 2024, or other science-based alignment assessment)
- Derive less than 5% of its revenues from exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas
- Have less than 15% of CapEx dedicated to exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities⁵

⁴ A weapon is defined as any implement or device expressly designed for the purpose of causing material damage, inflicting physical or mental harm, or to kill, in the context of a (military) conflict.

⁵ Contributing activities is defined as economic activities included in the EU Taxonomy, except for activities under 4.27-4.31 that were included by the Complementary Climate Delegated Act.

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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.

Companies with exposure to non-renewable power or heat generation that do not meet one of the relevant transition criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0.318 tCO₂e/MWh in 2024, or other science-based alignment assessment)
- Derive less than 5% of its revenues from non-renewable power or heat generation
- Derive more than 50% of its revenues from contributing activities⁵
- Have more than 50% of CapEx dedicated to contributing activities⁵

Controversy/misconduct exclusions

Excluded Activity	Criteria
Companies Flagged for Violating the UN's Global Compact Principles	Fail

Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List ⁶	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 a combination of a revenue based approach in this assessment, by considering whether a certain percentage of the relevant issuer’s revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable), and 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 uses a proprietary sustainability tool which rates companies based on their treatment of key stakeholders, including communities and the environment. Examples of the indicators include, but are not limited to, employee fatality rates, board independence and carbon intensity.

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.

⁶Schroders 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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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, GRESB, 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.

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Engagement policies

How we engage

We identify two key methods for practising active ownership:

1. **Engagement:** We work with companies using a variety of approaches to: a) Gain insights into their understanding and management of relevant ESG risks and their assessment of ESG opportunities, and; b) Encourage them to take action in the areas where we believe that change may be required to deliver long-term value for our clients. We refer to these two approaches as insights and outcomes engagements respectively
2. **Voting:** We use our voting rights as shareholders to encourage companies to take action where we believe it to be in the interests of our clients through regular voting as well as targeted voting as part of engagement escalation, where appropriate.

These two forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and/or our Sustainable Investment team; they can also take place in collaboration with other investor and stakeholder groups. Forms of engagement can include telephone conversations, face-to-face meetings and written correspondence. In our Engagement Blueprint (available on our website, here), we set out the sustainability issues that we determine to have the potential to be material to the long-term value of our investee holdings: climate change, natural capital and biodiversity, human rights, human capital management, diversity and inclusion and corporate governance.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Decisions on whether and how to escalate are made on a case-by-case basis, considering the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. These may take place in any order or frequency depending on the nature of the engagement.

Our approach to active ownership focusses on achieving meaningful outcomes to drive better returns for our clients; that's why we prioritise the depth and quality of our engagements over the volume of activity. When determining our engagement priorities and strategy, we would expect to consider the following factors amongst others:

1. **Materiality:** We seek to focus our engagement on what we consider to be the most material sustainability threats and opportunities to the company. These are areas which could have a significant impact, both negative and positive, on a company's long-term value. While we look at the sustainability issues companies themselves deem material, we also apply our own understanding and judgement. This may include using our proprietary ESG tools and research.
2. **Regional context:** Our regionally-focused teams are well placed to ensure that engagement objectives are tailored to market-specific and regional contexts. Considerations such as ownership structure, regulatory environment or cultural factors are important to take into account when considering engagement strategies. Where possible we reference country or regional initiatives, regulations and leading practice from regional 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, having regard to the size of the company or its market capitalisation, and how quickly it might effect change.
4. **Ability to monitor progress:** We aim to 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. Some objectives may be achieved more quickly than others.

We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives where they are suitable for the engagement. We aim to monitor progress against the engagement objectives at a frequency that is appropriate to the issue or holding, typically at least annually. That said, we

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recognise that the length of time to achieve an objective will vary depending upon its nature. Key strategic changes might take time to implement into a company's business processes, however additional disclosure requests could be achieved on a faster timeline. 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. We recognise that success factors may be subjective, and that Schroders' influence is rarely the sole driving force for change. Regardless, we believe it is critical to track companies' progress and measure the outcomes of our engagement, no matter how large or small our influence may be.

Engagement is a core part of the investment process of the fund. The fund holdings are continually monitored for environmental and social related issues and/ or controversies. Where there are issues that are deemed to be material or there are specific controversies, the investment team will work to quickly assess the nature of the issue/controversy and, if appropriate, engage with the company. The team engages with companies throughout the year via one or more regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. The team have conducted a number of dedicated sustainability engagements across the investible universe on a number of different topics, including but not limited to climate change, biodiversity and corporate governance, as well as other areas that are particularly pertinent to the sustainable cities theme. For example, the investment team in collaboration with the Sustainable Investment team engaged with a property developer about establishing greenhouse gas emission targets and increasing the proportion of affordable housing in their developments.

In terms of concrete objectives, the Global Listed Real assets team are committed to undertaking at least two engagement projects on an annual basis across a group or sub-sector of companies most exposed to specific issues or sustainability challenges in order to encourage change and drive better outcomes. We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives.

The key area of focus is climate change, specifically in terms of encouraging companies within our investment universe to enhance their sustainability disclosures, set measurable targets, and to hold companies accountable for achieving these targets.

The investment team also collaborates with other external investors through the Global Real Estate Engagement Network to engage with companies within the investment universe on sustainability topics, thereby giving investors more influence over these companies through the strength of numbers.

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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