

Schroder Special Situations Fund – Sustainable Diversified Alternative Assets

Resumen

El Fondo invierte al menos el 50% de sus activos directa o indirectamente en inversiones sostenibles, que son inversiones que la Gestora de inversiones espera que contribuyan al desarrollo de uno o más ODS de la ONU.

El Fondo se gestiona de forma activa e invierte al menos dos tercios de sus activos directa o indirectamente (a través de Fondos de inversión y/o Investment Trusts) en Clases de activos alternativos de todo el mundo.

El Fondo también puede aplicar determinadas exclusiones. Más adelante, en la sección «Supervisión del seguimiento de las características sociales y medioambientales», se puede encontrar más información sobre todas las exclusiones del Fondo.

El Fondo invierte directa o indirectamente en sociedades con buenas prácticas de gobernanza, según lo determine el criterio de calificación de la Gestora de inversiones.

Dada la naturaleza de los activos subyacentes del Fondo, que son Clases de activos alternativas, como infraestructuras, activos titulizados y energías renovables (en lugar de sociedades y deuda soberana), y que los activos se mantienen principalmente de forma indirecta a través de Fondos de inversión o Investment Trusts, la disponibilidad y la integridad de los datos supone un reto para estos activos. Por lo tanto, la Gestora de inversiones no puede considerar sistemáticamente las incidencias adversas aplicables a estas clases de activos. Sin embargo, se realizan esfuerzos para evaluar el potencial de causar impactos adversos significativos en la sociedad para estos activos, cuando se dispone de los datos.

La proporción mínima de los activos del Fondo utilizados para lograr las características medioambientales o sociales equivale al 50%.

El Fondo invierte como mínimo el 50% de sus activos en inversiones sostenibles.

Con arreglo a lo anterior, no existe ningún compromiso de invertir una proporción mínima de los activos del Fondo en inversiones sostenibles con un objetivo medioambiental o en inversiones sostenibles con un objetivo social. Esto significa que la proporción de inversiones sostenibles con un objetivo medioambiental y las que tienen un objetivo social variará con el tiempo.

El Fondo incluye inversiones que se tratan como neutrales con fines de sostenibilidad, como las inversiones en efectivo y en el mercado monetario y los derivados utilizados con el objetivo de reducir el riesgo (obtener cobertura) o gestionar el Fondo de manera más eficiente. También incluye otras inversiones que no están alineadas con las características medioambientales o sociales del Fondo. No se ha designado ningún valor de referencia con el fin de alcanzar las características medioambientales o sociales promovidas por el producto financiero.

El proceso de inversión y selección de activos del Fondo ha sido revisado y aprobado por el Comité de Desarrollo de Productos de la Gestora de inversiones, que incluye representantes con las funciones de asesoramiento jurídico, cumplimiento normativo, productos e inversión sostenible. El equipo de Cumplimiento

Normativo de la Cartera supervisa la conformidad con los requisitos de sostenibilidad acordados. No existen controles externos como parte de las diligencias debidas.

La exclusión de determinadas actividades, sectores o grupos de emisores que se enumeran en la sección «Supervisión de las características medioambientales o sociales», así como los límites de inversión aplicables al Fondo, se medirán con arreglo al marco de cumplimiento normativo de la cartera de la Gestora de inversiones.

La Gestora de inversiones es responsable de determinar si una inversión cumple los criterios de una inversión sostenible, a través del marco «ABC» del Impact Management Project. El marco clasifica las inversiones en 3 categorías principales: Actuar para evitar perjuicios; Beneficiar a los grupos de interés y Contribuir a las soluciones. Las inversiones que contribuyen a las soluciones («C») se consideran inversiones sostenibles. En el caso de las inversiones directas, este análisis se realiza sobre la propia inversión; en el caso de las inversiones indirectas, este análisis se realiza a nivel de activo subyacente y, a continuación, se suma al nivel del Fondo de inversión o Investment Trust (por ejemplo, un fondo podría tener un 10% en A, un 20% en B y un 70% en C). El resultado de este proceso es la elaboración de una lista de inversiones directas e indirectas, clasificadas con arreglo a su evaluación «ABC». El Fondo invierte como mínimo el 50% de sus activos en estas inversiones «C». El cumplimiento de esta normativa se supervisa a diario a través de nuestros controles de cumplimiento automatizados. El Fondo también aplica ciertas exclusiones, con las que la Gestora de inversiones supervisa el cumplimiento de forma continua a través de su marco de cumplimiento de cartera.

La Gestora de inversiones trabaja con proveedores externos de análisis ESG, como MSCI ESG Research, cuyas calificaciones están sujetas a revisiones y cambios periódicos.

Debido a la naturaleza de los activos subyacentes del Fondo, que pertenecen a Clases de activos alternativas, la disponibilidad y exhaustividad de los datos es difícil en el caso de estos activos. No obstante, se están realizando esfuerzos para mejorar la calidad de los datos.

En la sección «Fuentes de datos y tratamiento» se describe el enfoque adoptado para garantizar que las limitaciones mencionadas no afecten al cumplimiento de las características medioambientales o sociales promovidas por el producto financiero.

La codificación y la supervisión de las restricciones por riesgo de inversión para mandatos de clientes y fondos individuales es responsabilidad del equipo de Cumplimiento Normativo de la Cartera de la Gestora de inversiones como parte del servicio independiente de Riesgo de Inversión.

Los datos del marco de cumplimiento normativo de la cartera constituyen la base para supervisar los límites e indicadores de riesgo, y nuestros equipos de Inversión, Riesgo de Inversión y Cumplimiento Normativo de la Cartera pueden acceder fácilmente a la información más reciente sobre la estructura de la cartera (como la asignación de activos y las posiciones sectoriales y nacionales) y los parámetros de riesgo.

Consideramos que la propiedad activa es el principio por el que pueden regirse los equipos de gestión para garantizar prácticas sostenibles en los activos en los que invertimos. Nuestro objetivo es impulsar un cambio que proteja y mejore el valor de nuestras inversiones, y nos comprometemos a aprovechar el peso de nuestra empresa para optimizar el funcionamiento de un activo. Creemos que este es un aspecto importante de nuestro papel como administradores del capital de nuestros clientes y de cómo ayudamos a los clientes a cumplir sus objetivos financieros a largo plazo en línea con nuestras responsabilidades fiduciarias.

Puede obtener más información sobre nuestro enfoque de la política de propiedad activa:

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

No sustainable investment objective

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

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:

Source: Schroders, as at July 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.

- Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, antipersonnel 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 direct investments 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 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.
- Further information on all of the Fund’s exclusions is to be found further below in the “Monitoring of environmental or social characteristics” section.

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. This framework is subject to ongoing review, particularly as the availability, and quality, of the data evolves.

Companies on Schroders’ ‘global norms’ breach list cannot be categorised as sustainable investments. Schroders’ determination of whether a company should be included on such list considers the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, among other relevant principles. The ‘global norms’ breach list is informed by third party providers and proprietary research, where relevant.

Environmental or social characteristics of the financial product

The Fund invests at least 50% of its assets directly or indirectly in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more of the UN SDGs. Examples of sustainable investments include: wind and solar farms (SDG 7 – Affordable and Clean Energy), care homes (SDG 3 – Good Health and Wellbeing), and energy efficiency retrofitting projects (SDG 9 – Industry, Innovation and Infrastructure). Assets are assessed using the Impact Management Project’s ABC impact framework to determine alignment with the UN SDGs.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

Investment strategy

The Fund is actively managed and invests at least two-thirds of its assets directly or indirectly (through Investment Funds and/or Investment Trusts) in Alternative Asset Classes worldwide.

The Fund will invest across a range of diversified assets through collective investment schemes, Investment Trusts, Exchange Traded Funds, real estate investment trusts or closed-ended funds. Examples of asset classification shall include (but are not limited to) infrastructure, property, private equity, renewables, fixed income, securitised assets and gold. Allocations to these asset classes will vary from time to time depending on

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market conditions. Asset allocation and position sizing is determined on the basis of the underlying exposure, country, product type, market, size, liquidity and instrument type of the investment. The asset allocation is monitored at the portfolio level to ensure sufficient diversification.

The Fund invests at least 50% of its assets directly or indirectly in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more of the UN SDGs. Such sustainable investments do not cause significant environmental or social harm as determined by the Investment Manager's rating criteria. The Investment Manager will select the Fund's assets from a universe of eligible assets that have been determined as meeting the Investment Manager's sustainability criteria including an assessment of investments held directly or indirectly. The sustainability criteria include an assessment of an investment's contribution to the UN SDGs. This means that the extent to which such investments may deliver a direct or indirect positive impact to society in order to advance one or more of the UN SDGs together with the investment's opportunity are considered in the assessment of investments.

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 sustainable investment objective" section.

The Fund invests directly and indirectly in companies that have good governance practices, as determined by the Investment Manager's rating criteria.

In considering good governance practices, each indirect 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.

As the assets are primarily held indirectly through Investment Funds and/or Investment Trusts, the assessment of good governance is applied as described above. To the extent direct investments are made, the Investment Manager utilises a Schroders' proprietary tool to help it develop a complete understanding of a company through a stakeholder lens in order to assess good governance practices.

The Fund may have an indirect exposure to distressed securities, contingent convertible bonds, asset-backed securities, mortgage-backed securities and high yield securities. The Fund may also invest indirectly up to 10% of its assets in commodities. The exposure to commodities, real estate and other Alternative Asset Classes will be achieved through eligible assets (such as exchange traded funds, exchange traded commodities, closed-ended REITs or open-ended Investment Funds).

The Fund may invest up to 20% of its assets in China, either directly (for example, via Bond Connect) or indirectly through mainland China focused Investment Funds. 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, 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 Fund may invest up to 10% of its assets in open-ended Investment Funds (including other Schroders Funds).

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

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

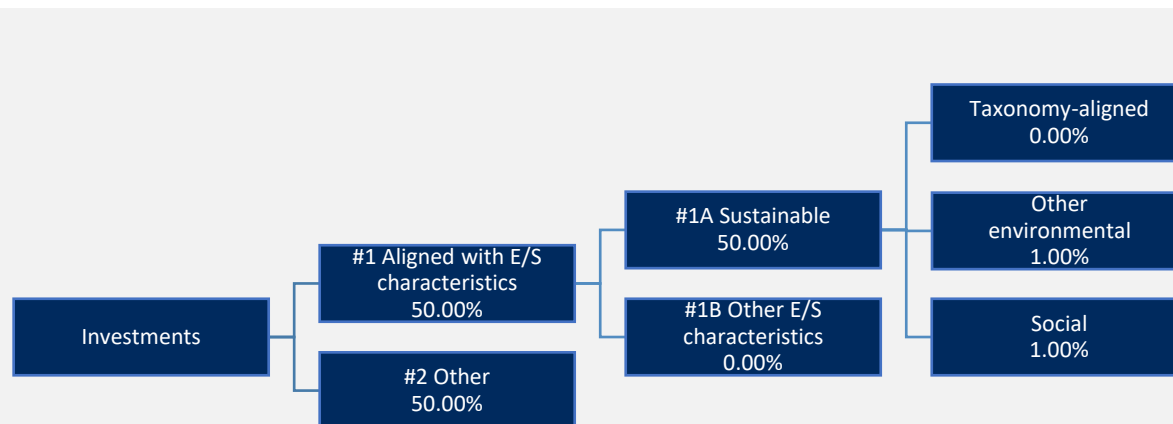
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Any tie includes companies with an industry tie to the excluded activity.

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.

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 investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Asset allocation describes the share of investments in specific assets.

#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 50%. The Fund invests at least 50% of its assets in sustainable investments on a look-through basis, which means included in #1 Aligned with E/S characteristics and #1A are direct or indirect investments in Alternative Asset Classes worldwide which the Investment Manager expects to contribute towards the advancement of one or more of the UN SDGs. There is a commitment to invest at least 1% of the Fund's assets in sustainable investments with an environmental objective and at least 1% of the Fund's assets in sustainable investments with a social objective. The Investment Manager deems sustainable investments to contribute to an environmental objective or a social objective based on the Investment Manager's interpretation of whether the advancement towards the UN SDGs is environmental or social.

#2 Other 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. #2 also includes other investments that are not aligned with the environmental or social characteristics of the Fund.

Minimum safeguards are applied where relevant to Money Market Investments and 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

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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.

Monitoring of environmental or social characteristics

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 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
Fossil fuels extraction and production	Percentage of Revenue 10%
Thermal Coal Power Generation	Maximum Percentage of Revenue 30%

Social exclusions

Excluded Activity	Criteria
Tobacco Value Chain	Maximum Percentage of Revenue 10%
Alcohol Production	Maximum Percentage of Revenue 10%
Gambling	Maximum Percentage of Revenue 10%
Adult Entertainment	Maximum Percentage of Revenue 3%
Civilian Firearms	Maximum Percentage of Revenue 10%
Weapons	Maximum Percentage of Revenue 10%
High interest rate lending	Percentage of Revenue 10%

Bespoke Schroders exclusions

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

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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Methodologies for environmental or social characteristics

The Fund promotes the following characteristic: it invests at least 50% of its assets directly or indirectly in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more of the UN SDGs.

The Fund also invests at least 50% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more environmental and/or social objective(s). The Investment Manager monitors compliance with this characteristic by reference to the impact assessment as determined by the Impact Management Project's ABC framework (see more detail below). Compliance with this is monitored daily via our automated compliance controls.

Data sources and processing

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment, using the Impact Management Project's ABC framework. The framework categorises investments into 3 main categories: those Avoiding harm, Benefitting Stakeholders, or Contributing to Solutions. Those investments contributing to solutions ('C') are deemed sustainable investments. For direct investments, this analysis is done on the investment itself; for indirect investments, this analysis is done at the underlying asset level and then aggregated up to the level of the Investment Fund and/or Investment Trust (for example, a fund might have 10% in A, 20% in B and 70% in C). The output of this process is the production of a list of direct and indirect investments, classified by their 'ABC' assessment. The Fund invests at least 50% of its assets in those 'C' investments. 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 Investment Manager subscribes to external ESG research providers including; MSCI ESG research, which is subject to periodic review and change.

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

The Fund's investment and asset selection process has been reviewed and approved by the Management Company'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

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our investments and we are committed to leveraging the weight of our firm to change how an asset 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.

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 assets 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. 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 assets.

How we engage

We identify three key methods for practicing active ownership:

1. Dialogue: We speak with assets to understand if and how they are preparing for the long-term sustainability challenges they face.
2. Engagement: We work with assets 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.

Designated reference benchmark

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

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