Schroders

Sustainability-related disclosures

Schroder International Selection Fund - Carbon Neutral Credit

Legal entity identifier: 54930083X6X1LLU8U819

Summary

The Fund's sustainable investment objective is to aim to achieve aggregate carbon neutrality by the year 2025 within its investment portfolio by investing at least 80% of its assets in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide which contribute towards the objective of carbon emission reduction by aiming for, and being on track to achieve, 80% emission reductions by 2030. 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. The Fund will aim to offset residual portfolio emissions with avoided emissions, in order for the portfolio to achieve net zero emissions by 2025.

Aggregate carbon neutrality means achieving net zero carbon emissions intensity by balancing investments in (i) issuers that generate carbon emissions, but that have stated goals to reduce such emissions with (ii) issuers that contribute to reducing carbon emissions.

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

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 minimum proportion of 80% applies in normal market conditions. The actual proportion is expected to be higher. 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 the sustainable investment objective" section. 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 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 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:

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

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 and Refinitiv, 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 companies in the Fund's portfolio are 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 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 policy 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 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/.
- 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.
- 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.

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.

Sustainable investment objective of the financial product

The Fund's sustainable investment objective is to aim to achieve aggregate carbon neutrality by the year 2025 within its investment portfolio by investing its assets in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide that in the Investment Manager's view will contribute towards the objective of carbon emission reduction by one or a combination of the following: (i) being carbon neutral; (ii) aiming for, and being on track to achieve, 80% emission reductions or equivalent by 2030; (iii) otherwise demonstrating a contribution to the reduction of carbon emissions (and companies within (iii) may include those that provide products or services which enable decarbonisation). 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. Aggregate carbon neutrality means achieving net zero carbon emissions intensity by balancing investments in (i) issuers that generate carbon emissions, but that have stated goals to reduce such emissions with (ii) issuers that contribute to reducing carbon emissions.

Source: Schroders, as at May 2025. Screening data is provided by a third party unless otherwise specified.
Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.
Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.
Any tie includes companies with an industry tie to the excluded activity.

The Fund’s objective includes a reduction in carbon emissions, which means that it aims for low carbon emissions, consistent with the long-term objectives of the Paris Agreement on limiting global warming. The Investment Manager seeks to ensure continued reduction in carbon emissions by investing in issuers with set targets to reduce carbon emissions and issuers that contribute to reducing carbon emissions.

The Investment Manager periodically assesses whether an issuer still publicly commits to the emissions reduction targets through which it earlier qualified for investment by the Fund and seeks to identify cases where targets were retracted. The Investment Manager also seeks to identify situations where an issuer’s emissions reduction targets did not keep pace with the emissions reduction trajectory for that sector and reviews any major changes in the emissions profile of an issuer, for example due to mergers or acquisitions. These considerations may lead to divestment by the Investment Manager.

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

At the date of this Prospectus, 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. Taxonomy alignment of this Fund’s investments has therefore not been calculated and has as a result been deemed to constitute 0% of the Fund’s portfolio. However it is expected that the Fund invests in companies and economic activities that contribute to the environmental objectives of climate change mitigation and climate change adaptation within the meaning of the Taxonomy.

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 Prospectus 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 its assets in (a) sustainable investments which are investments that in the Investment Manager's view will contribute towards the objective of carbon emission reduction by one or a combination of the following: (i) being carbon neutral; (ii) aiming for, and being on track to achieve, 80% emission reductions by or equivalent 2030; (iii) otherwise demonstrating a contribution to the reduction of carbon emissions; and (b) 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 environmental or social characteristics” section.

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 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 or from the investible universe to gain insights or request improvement 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 fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, including emerging market countries.

The Fund may invest:

- up to 60% of its assets in securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds);
- up to 30% of its assets in convertible bonds including up to 10% of its assets in contingent convertible bonds; and
- up to 20% of its assets in asset-backed securities and mortgage-backed securities.

The Investment Manager believes that over the long term, companies that manage the risks and invest in the opportunities arising from climate change better than peers will not only experience fewer penalties, but capture financial and non-financial rewards by various stakeholders.

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.

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

The Fund's objective includes a reduction in carbon emissions, which means that it aims for low carbon emissions, consistent with the long-term objectives of the Paris Agreement on limiting global warming.

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

Issuers are assessed using a methodology that identifies companies that have set targets for, and are on course to reduce carbon emissions intensity by at least 80% by 2030. To complement this, the Investment Manager also targets companies that provide carbon savings, or 'avoided emissions'. These are companies that provide products or services which will contribute to reducing the higher emission activities of other companies which use those products or services.

This methodology is data-driven, sourced from established environmental initiatives and data sources such as the CDP and the Science Based Targets initiative (SBTi), MSCI and other credible external and proprietary data sources.

The Investment Manager then screens the resulting universe for issuers it deems to have harmful and controversial practices defined by a specific list of exclusion criteria. The Investment Manager also conducts its own due diligence to identify issuers do no significant harm to environmental or social objectives. Schroders' proprietary sustainability tools and external sustainability ratings are utilised to identify issuers with good governance.

The Investment Manager may also engage with companies to encourage carbon emission intensity reduction. This identifies new investment opportunities, and monitors whether a company's carbon intensity reduction plan is progressing.

Due to the nature of its investments, and in particular the need for currency hedging, 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 Investments.

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 fixed and floating rate securities denominated in various currencies and issued by companies worldwide, including emerging market countries. The universe (for the purpose of this test only) does not include fixed or floating rate securities issued by public or quasi-public issuers.

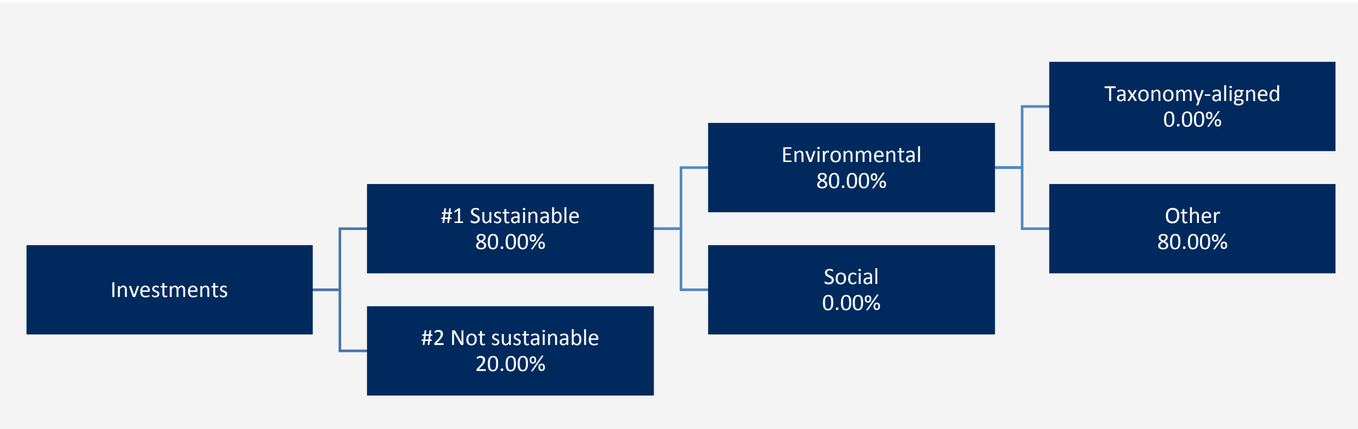
The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

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 80% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide which contribute towards the objective of carbon emission reduction by aiming for, and being on track to achieve, 80% emission reductions by 2030. 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 Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

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

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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 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
Thermal Coal Mining Maximum Percentage of Revenue	5%
Oil and Gas Extraction and Production Maximum Percentage of Revenue	5%
Unconventional Oil and Gas Maximum Percentage of Revenue	5%
Oil Sands Extraction Maximum Percentage of Revenue	5%
Shale Hydraulic Fracking Maximum Percentage of Revenue	5%
Thermal Coal Power Generation Maximum Percentage of Revenue	5%
Liquid Fuel (Oil) Power Generation Maximum Percentage of Revenue	5%
Natural Gas Power Generation Maximum Percentage of Revenue	5%
Nuclear Power Uranium Mining Maximum Percentage of Revenue	5%
Nuclear Power Generation Maximum Percentage of Revenue	5%
Nuclear Power Utility Maximum Percentage of Revenue	5%
Nuclear Power Component Supplier Maximum Percentage of Revenue	5%

Social exclusions

Excluded Activity	Criteria
Tobacco Production Maximum Percentage of Revenue	5%
Tobacco Value Chain Maximum Percentage of Revenue	25%
Conventional Weapons Maximum Percentage of Revenue	5%
Nuclear Weapons Maximum Percentage of Revenue	0%
Gambling Maximum Percentage of Revenue	5%
Adult Entertainment Maximum Percentage of Revenue	5%
Weapons and Civilian Firearms Combined Maximum Percentage of Revenue	5%
Any Tie to Controversial Weapons	Any tie

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Controversy/misconduct exclusions

Excluded Activity	Criteria
Companies Flagged for Severe Business Ethics Failures (Bribery and Fraud)	Red
Companies Flagged for Violating the UN's Guiding Principles of Business and Human Rights	Fail
Companies Flagged for Violating the International Labour Organisation's Broad Labour Standards	Fail
Companies Flagged for Violating the International Labour Organisation's Core Labour Standards	Fail
Company Controversy Summary - Overall Flag	Red
Company Controversy Indicator	Scores 1 and Partially Concluded and Very Severe
Environment Controversy Flag	Red
Companies Flagged for Violating the UN's Global Compact Principles	Fail

Country/territory exclusions

Excluded Activity
'Not free' classified countries according to Freedom House
Countries that are not legally bound to the Paris Agreement
Countries that have a lower score than 35 on the current Corruption Perception Index by Transparency International.
Countries that are not legally bound to the UN Convention on Biological Diversity
Countries that are not legally bound to the Nuclear Non-Proliferation Treaty

Bespoke Schroders exclusions

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

[1] Schroders 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/

Paris Aligned Benchmark Exclusions

Excluded Activity
Companies involved in any activities related to controversial weapons. Controversial weapons shall mean controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation
Companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Companies involved in the cultivation and production of tobacco
Companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite
Companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels
Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels
Companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100g CO_2 e/kWh

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

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

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. Examples of the indicators include, but are not limited to, achieved carbon emission reductions (Scope 1 and Scope 2), decarbonization plans, and avoided emissions per company achieved through climate solutions initiatives.

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 and Refinitiv, which is subject to periodic review and change.

Additional carbon reduction data is sourced from CDP and Science Based Target initiative.

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.

Engagement policies

How we engage

We identify two key methods for practising active ownership:

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

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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:

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.

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.

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.

Ability to monitor progress: We aim to use objective, measurable metrics or indicators that can be used to assess company performance on an issue.

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 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 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 transition plans, net zero targets, the circular economy and other areas that are particularly pertinent to the decarbonisation theme. For example, the investment team engaged with a number of issuers on seeking formal validation of net zero goals by a third party.

For this strategy, proactive and meaningful engagements are vital, and we engage with companies in a systematic and strategic way. This enables us to improve our understanding of emerging risks and opportunities, and to encourage companies to adopt long-term approaches to stakeholder relationships. This, in turn, helps us protect and can enhance the value of our investments and generate better returns.

The investment team, including the lead portfolio manager, frequently engages with companies on behalf of the Carbon Neutral Credit strategy. The aim is to facilitate change by urging improved transparency, target setting, and policies around financed emissions. Through these endeavours, our goal is to encourage corporations to set transparent and quantifiable emissions reduction targets that encompass all three emissions scopes, and which align to the Science Based Targets initiative (SBTi). Moreover, we encourage the integration of these targets into company remuneration policies.

For those firms that we believe are lagging in environmental efforts, or for those that narrowly miss the mark on our eligibility criteria, we encourage them to commit to minimising their carbon footprint, striving towards carbon neutrality. We also engage with environmental leaders to learn about their decarbonisation method and to ensure that they remain on track to meet the goals of their commitments.

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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.

Beyond emissions targets, our engagement extends to other climate-related subjects, alongside social and governance themes. For example, biodiversity integration is essential to our approach, drawing a direct connection between nature and successful climate-related practices.

The investment team have set what we believe to be achievable, realistic and time bound objectives for our engagements. We believe these are achievable in the short to medium term but recognise that some objectives might take longer for a company to achieve.

Attainment of the sustainable investment objective

The Fund's objective includes a reduction in carbon emissions, which means that it aims for low carbon emissions, consistent with the long-term objectives of the Paris Agreement on limiting global warming. The Investment Manager seeks to ensure continued reduction in carbon emissions by investing in issuers with set targets to reduce carbon emissions and issuers that contribute to reducing carbon emissions. The Investment Manager periodically assesses whether an issuer still publicly commits to the emissions reduction targets through which it earlier qualified for investment by the Fund and seeks to identify cases where targets were retracted. The Investment Manager also seeks to identify situations where an issuer's emissions reduction targets did not keep pace with the emissions reduction trajectory for that sector and reviews any major changes in the emissions profile of an issuer, for example due to mergers or acquisitions. These considerations may lead to divestment by the Investment Manager.

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

Source: Schroders, as at May 2025. 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.