

Schroder International Selection Fund – Emerging Markets Equity Impact

Summary

The Fund's sustainable investment objective is to invest its assets in companies that the Investment Manager expects to contribute positive impact by advancing an environmental or social objective linked to one or more of the UN SDGs and to deliver returns to shareholders over the long term. 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 Investment Manager will select companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs alongside the Investment Manager's assessment of the company via its proprietary scorecard. The investment process is aligned with the Operating Principles for Impact Management.

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 Fund invests at least 90% of its assets in sustainable investments, in emerging and frontier markets companies worldwide, or companies which derive a significant proportion of their revenues or profits from emerging markets or frontier markets countries worldwide which are expected to contribute towards the advancement of one or more of the UN SDGs, to be managed in the interests of all stakeholders, and to deliver returns to shareholders over the long term. Within this overall commitment of 90%, there is a minimum commitment to invest at least 5% 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 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:

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/>.

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, 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 companies in the Fund's portfolio are rated against the sustainability criteria.

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 policy is publicly available:

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

Source: Schroders, as at Dec 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.

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.
- 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 companies that the Investment Manager expects to contribute positive impact by advancing an environmental or social objective linked to one or more of the UN SDGs and to deliver returns to shareholders over the long term. 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 Investment Manager will select companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs alongside the Investment Manager's assessment of the company via its proprietary scorecard. The investment process is aligned with the Operating Principles for Impact Management.

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 its assets in (i) sustainable investments, which are investments that are expected to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

The Investment Manager will select companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs, alongside the Investment Manager's assessment of the company's

Source: Schroders, as at Dec 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.

impact via its proprietary impact investment management framework and tools (including an impact scorecard).

The Fund is part of Schroders' Impact Driven strategies. As such, it applies highly selective investment criteria and its investment process is aligned with the Operating Principles for Impact Management which means that an assessment of impact is embedded in the steps of the investment process. All sustainable investments in the Fund are subject to this framework.

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 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 seek to improve sustainability practices and enhance social and environmental impacts generated by underlying investee companies. 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 a concentrated range of equity and equity related securities of emerging and frontier markets companies or companies which derive a significant proportion of their revenues or profits from emerging markets or frontier markets countries. This means typically holding fewer than 50 companies.

Companies held by the Fund are subject to a financial assessment by the Investment Manager to help identify the potential for long term shareholder returns.

The Fund may invest directly in China B-Shares and China H-Shares and may invest up to 30% of its assets (on a net basis) directly or indirectly (for example via participatory notes) in China A-Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and shares listed on the STAR Board and the ChiNext.

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 achieving investment gains, reducing risk or managing the Fund more efficiently.

The Fund may buy or sell equity index futures and buy and sell index options on indices or individual stocks. To obtain exposure to equity indices and individual stocks, the Fund may also enter into contracts for difference where the underlying investments are not delivered and settlement is made in cash. Contracts for difference may be used to gain long and short exposure or to hedge exposure on equity and equity related securities. The gross exposure of contracts for difference will not exceed 20% and is expected to remain within the range of 0% to 20% of the Net Asset Value.

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

Source: Schroders, as at Dec 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.

Investments are composed of companies whose products and services contribute positively to at least one of the UN SDGs. In order to identify companies with a direct link to a UN SDG, the Investment Manager applies a two step approach:

- The first is a revenue based approach that considers whether a certain percentage of the relevant company's revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable).
- The second is a detailed impact assessment of the company via the completion of a proprietary impact scorecard. The Investment Manager considers different aspects of impact such as: what outcome and UN SDGs the company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including Schrodgers influence and engagement); and consideration of impact risks. The assessment typically includes Key Performance Indicators (KPIs) that are used to track the company's impact over time.

The company and impact scorecard are then validated and approved by Schrodgers' Impact Assessment Group (IAG), in order for the company to be eligible for inclusion in the Fund's investible universe. The IAG consists of members from Schrodgers' impact and sustainable investment teams and portfolio managers from the Investment team. There may be some limited instances where step 2 and the IAG approval may follow subsequently (such as a particularly time sensitive investment).

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 emerging and frontier markets companies or companies which derive a significant proportion of their revenues or profits from emerging markets or frontier markets countries.

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 companies which are expected to contribute towards the advancement of one or more of the UN SDGs, to be managed in the interests of all stakeholders, and to deliver returns to shareholders over the long term. Within this overall commitment of 90%, there is a minimum commitment to invest at least 5% 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.

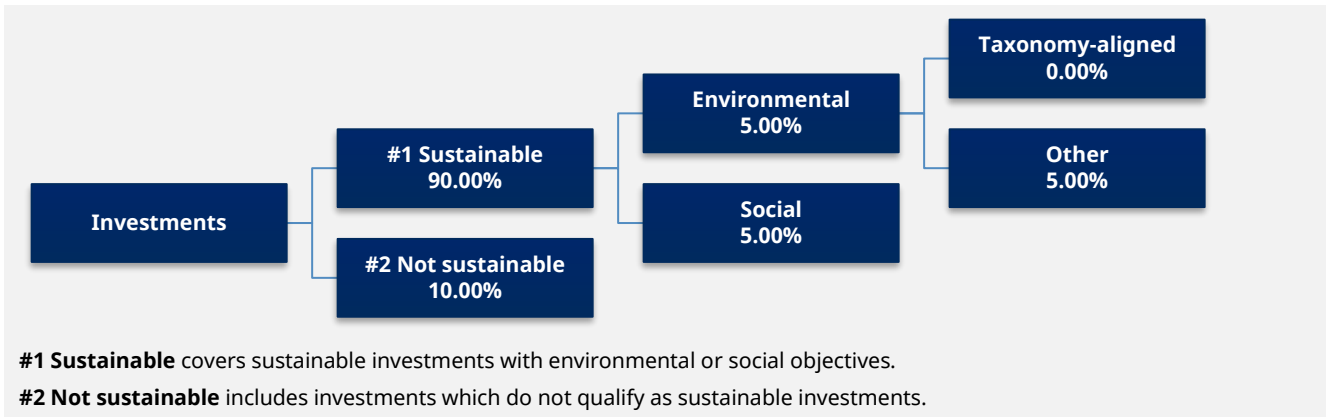
#2 Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

Source: Schrodgers, as at Dec 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.



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 to our investment risk, portfolio compliance and investment teams.

Source: Schroders, as at Dec 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.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Fossil Fuel ¹ Extraction and Production Maximum Percentage of Revenue	0%
Thermal Coal and Oil Power Generation Maximum Percentage of Revenue	3%
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 ² 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 Production Maximum Percentage of Revenue	0%
Tobacco Value Chain (exc. Production) Maximum Percentage of Revenue	5%
Alcohol Production Maximum Percentage of Revenue	3%
Alcohol Value Chain (exc. Production) Maximum Percentage of Revenue	10%
Gambling Maximum Percentage of Revenue	3%
Adult Entertainment Maximum Percentage of Revenue	3%

¹Fossil fuels refer to conventional and unconventional oil and gas and thermal coal.

² 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.

Source: Schroders, as at Dec 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.

Weapons Maximum Percentage of Revenue	0%
Civilian Firearms Maximum Percentage of Revenue	0%
Nuclear Weapons Maximum Percentage of Revenue	0%
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 ³	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 activities⁴

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 activities⁴

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

³ 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.

⁴ 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.

Source: Schroders, as at Dec 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.

- 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 activities⁴

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 activities⁴
- Have more than 50% of CapEx dedicated to contributing activities⁴

Controversy/misconduct exclusions

Excluded Activity	Criteria
Companies Flagged for Violating the UN's Global Compact Principles ⁵	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 quantitative screening tool to identify companies that derive a certain minimum percentage of their revenues from whose main activity is contributing to an environmental or social objective. In addition, there is a detailed impact assessment of every company via the completion of a proprietary scorecard. The impact scorecard focuses on the impact that a company's products and services are expected to have. The Investment Manager considers different aspects of impact such as: what outcome and UN SDGs the company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including

⁵The list of UNGC violators is provided by a third party. Exceptions may apply, if there is evidence to demonstrate that the company has addressed the violation and is not causing significant harm.

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/>

Source: Schroders, as at Dec 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.

Schroders influence and engagement); and consideration of impact risks. The assessment includes tracking Key Performance Indicators (KPIs) that are used to measure and monitor the company's impact over time via an annual review.

Once these steps have been completed, the company and scorecard are then validated and approved by Schroders' Impact Assessment Group (IAG), in order for the company to be eligible for inclusion in the Fund's investible universe. The IAG consists of members from Schroders' impact and sustainable investment teams and members of the investment team.

As part of its broader assessment, the Investment Manager also considers the following:

CONTEXT

Context is a proprietary ESG research tool which provides a systematic framework for analysing a company's relationship with its stakeholders and the sustainability of its business model. Comprising over 260 metrics across over 13,000 companies, it is designed to support the Investment Manager's understanding of the sustainability of companies' business models and profitability, and provides structured, logical and wide-ranging data.

The tool enables analysts to select the most material ESG factors for each sector, weight their importance and apply relevant metrics. Analysts are then able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge. The tool is fully integrated within Schroders' global research platform, which is readily accessible across investment desks and geographies.

External Research

The Investment Manager uses information from several external ESG research firms, but only ever as one input into the Investment Manager's own company assessments to be questioned, examined and built on. External data providers are used to challenge or endorse the proprietary view of the Investment Manager.

The Investment Manager's Sustainable Investment team has extensive networks within its respective field. Information is drawn from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organizations and academics; wherever it is felt the information would add value to the Investment Manager's analysis.

Through this process, the Investment Manager aims to evaluate the relevance and materiality of a range of ESG factors on future earnings growth and as potential risk factors for a company.

Data sources and processing

In order to assess and understand the potential impact of sustainability risks and opportunities, Schroders has developed a range of proprietary tools. These tools rely on data that is available at the level of the underlying investment holdings.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

Third party research may be used, however our analysts form a proprietary view on each of the companies we analyse. Financial analysts may also use third-party research to support their assessment of ESG issues when analysing companies, in addition to consulting with our in-house ESG specialists. Through this process, we aim to evaluate the relevance and materiality of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors for a company.

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

Source: Schroders, as at Dec 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.

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. This additional information will be used alongside data from conventional and unconventional data sources that feed into our proprietary tools.

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

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 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

Engagement is a core part of the investment process of the fund. We recognise that a differentiated approach to engagement is needed for impact – one that touches on all three dimensions of impact: intent, contribution and measurement. Engagement should be closely tied to the core intent and impact objectives of the strategy; it should seek to improve the measurement of the impact of a company's products & services where relevant, and contribute to furthering impact outcomes through enhancing and expanding the impact of portfolio companies.

We engage regularly with our companies throughout the calendar year. In addition to engaging on impact, we also engage on sustainability and financial issues. For example, we engage to seek improvement in ESG performance and processes, to enhance and protect the value of our investments, to monitor developments in ESG practices, business strategy and financial performance within a company and to enhance our analysis of a company's risks and opportunities.

Engagements take place via one-on-one meetings with company management or subject matter experts but will also include site visits, emails and letters. Engagements are led by the Fund Managers and/or the analyst.

Source: Schroders, as at Dec 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.

When appropriate, we will also incorporate views and feedback from Schroders' central impact and active ownership teams to ensure engagements are as constructive and additive as possible. We monitor and track our engagements closely using our proprietary system, ActiveIQ, to ensure that companies are progressing along the milestones that we have identified. This enables us to implement corrective or escalatory actions where needed. The fund aims to address social and environmental challenges in five key areas: Environment, Health and Wellness, Responsible Consumption, Sustainable Infrastructure and Inclusion, set out in the Theory of Change. Engagements are directly linked to these five key areas set out in the Theory of Change. The focus is on increasing the contribution to society and improving stakeholder outcomes by working with companies on how they can achieve best practice, driving positive change by focussing on specific KPIs and tracking progress through time. Engagement relates to both operations of the companies but also on accelerating the impact of companies through their products and services. Impact and sustainability engagement topics covered may include: accessibility and affordability of essential medicines and treatments, new product innovations promoting responsible consumption and production, current and future initiatives to reduce GHG emissions for carbon-intensive businesses, expansion of renewable energy use, impact of operations on local populations, accuracy of third-party ESG data, increased disclosure of impact-driven products and services, as well as governance and corporate strategy.

While it is difficult to attribute each engagement we have to specific company actions, some examples of actions that have taken place following our engagement include: publishing of inaugural sustainability and/or Impact report, enhanced measurement of impact outcomes, increased disclosure of Impact KPIs and/or ESG metrics, positive third-party sustainability re-ratings (e.g. MSCI), declaration of carbon emissions reduction targets, increased board diversity, expansion of board to capture broader or more relevant range of expertise, better alignment of executive remuneration policies to shareholder priorities and strategic capital allocation decisions.

We recognise that requests for change can take longer when they are more closely related to the business model or products and services that a company provides. We aim to set short- to mid- term objectives. Some objectives may be achieved more quickly than others; however, we recognise that objectives which require the company to make more robust change may require a more substantial amount of time.

Attainment of the sustainable investment objective

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

Source: Schroders, as at Dec 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.