Schroders

Schroder International Selection Fund – BlueOrchard Emerging Markets Climate Bond

Rezumat

Obiectivul de investiţii durabile al Fondului este să-şi investească activele în titluri de valoare emise de guverne şi companii din toată lumea, inclusiv ţări cu pieţe emergente, care contribuie la ODD ale ONU privind măsurile pentru combaterea schimbărilor climatice. Fondul poate face şi investiţii pe care Managerul de investiţii le consideră neutre în raport cu criteriile sale de durabilitate, precum numerarul, investiţiile în piaţa monetară şi instrumentele derivate, utilizate cu scopul de a reduce riscul (garantare) sau de a gestiona Fondul mai eficient.

Nu a fost desemnat niciun indice de referinţă cu scopul atingerii obiectivului de investiţii durabile.

Fondul este administrat în mod activ şi îşi investeşte activele în (i) investiţii durabile, care se preconizează că vor contribui la combaterea schimbărilor climatice (consultaţi criteriile de durabilitate pentru mai multe detalii); şi (ii) investiţii pe care Managerul de investiţii le consideră neutre conform criteriilor sale de durabilitate, precum numerarul şi investiţiile în piaţa monetară şi instrumentele derivate, utilizate cu scopul de a reduce riscul (garantare) sau de a gestiona Fondul mai eficient. Fondul nu investeşte direct în sectoarele incluse în BlueOrchard's Public Asset Exclusion List.

Abordarea Managerului de investiţii de a investi în emitenţi care nu provocă daune semnificative niciunui obiectiv de investiţii durabile de mediu sau sociale include următoarele: Excluderile la nivelul companiei se aplică fondurilor Schroders. Acestea se referă la convenţii internaţionale privind muniţiile cu dispersie, minele antipersonal şi armele chimice şi biologice. Lista detaliată cu toate companiile excluse este disponibilă la https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/.

Fondul nu investeşte direct în sectoarele incluse în BlueOrchard's Public Asset Exclusion List.

https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf.

Managerul de investiţii extrage informaţii despre companiile în care investeşte din informaţiile corporative disponibile pentru public şi din adunările companiilor, din rapoartele brokerilor, de la organisme de profil şi organizaţii de cercetare, grupuri de reflecţie, organe legislative, consultanţi, organizaţii neguvernamentale şi instituţii de învăţământ. Pot fi utilizate studii de cercetare terţe, dar analiştii noştri creează o imagine originală despre fiecare companie pe care o analizăm. Managerul de investiţii s-a abonat la furnizori externi de studii de cercetare privind ESG inclusiv: MSCI ESG research, Bloomberg, RepRisk, Refinitiv, Sustainalytics şi Morningstar, care sunt supuşi periodic examinării şi schimbării.

Limitările sunt cauzate, în principal, de erorile din date, de disponibilitatea şi estimarea datelor, după cum se detaliază în secţiunea intitulată „Sursele şi prelucrarea datelor".

Când datele nu sunt disponibile, Schroders va contacta companiile pentru a le încuraja să dezvăluie datele lipsă.

Unele dintre instrumentele noastre brevetate pot să deducă valorile lipsă. De obicei, modelele noastre utilizează o serie de tehnici pentru estimarea valorilor lipsă, când este adecvat şi există un nivel de certitudine rezonabil.

Când pentru o anumită metrică nu sunt disponibile suficiente date pentru a trage concluzii ferme, metrica respectivă nu este inclusă în instrumentele noastre.

Managerul de investiţii se asigură că cel puţin 90 % din valoarea activului net al Fondului este compusă din investiţii în companii care sunt evaluate conform criteriilor de durabilitate. Ca urmare a aplicării criteriilor de durabilitate, cel puţin 20 % din universul investiţional potenţial al Fondului este exclus din selecţia de investiţii.

Procesul Fondului de investiţie şi de selecţie a activelor a fost examinat şi aprobat de Comisia de dezvoltare a produselor a Managerului de investiţii, care include reprezentanţi din departamentele Juridic, de Conformitate, Produse şi investiţii durabile. Respectarea constantă a caracteristicilor de durabilitate agreate este monitorizată de Echipa de conformitate a portofoliului. Nu există controale externe pentru această verificare prealabilă.

Managerul de investiţii este responsabil să stabilească dacă o investiţie îndeplineşte criteriile unei investiţii durabile. Managerul de investiţii ia în considerare măsura în care veniturile, activităţile comerciale ale emitentului sau utilizarea veniturilor unei obligaţiuni cu scop special contribuie la un obiectiv de mediu, precum şi indicatorii cheie de performanţă specifici privind durabilitatea, pentru a evalua contribuţia investiţiei la un obiectiv de mediu. Rezultatul Strategiei de investiţii, subliniat mai jos, este crearea unei liste de investiţii care îndeplinesc criteriile de selecţie, acestea reprezintă universul investiţional. Respectarea procentului minim de investiţii durabile este monitorizată zilnic prin intermediul controalelor noastre automate de conformitate. Fondul aplică şi anumite excluderi, cu ajutorul cărora Managerul de investiţii monitorizează continuu conformitatea prin intermediul cadrului său de conformitate a portofoliului.

Codificarea şi monitorizarea restricţiilor privind riscurile investiţiilor este responsabilitatea Echipei de conformitate a portofoliului Managerului de investiţii, parte din departamentul Riscul investiţiilor independente.

Datele din cadrul de conformitate a portofoliului formează baza pentru monitorizarea limitelor şi indicatorilor de risc, iar cele mai noi informaţii despre structura portofoliului (de ex., alocarea activelor, poziţiile sectoarelor şi ţărilor) şi metricile de risc sunt accesibile pentru echipele noastre responsabile de riscul investiţiilor, conformitatea portofoliului şi investiţii.

Considerăm că exercitându-ne în mod activ dreptul de proprietate putem influenţa echipele de conducere pentru a asigura folosirea unor practici durabile privind activele în care investim. Intenţionăm să promovăm schimbarea care va proteja şi îmbunătăţi valoarea investiţiilor noastre şi ne angajăm să folosim influenţa firmei noastre pentru a schimba în bine modul în care o companie îşi desfăşoară activitatea.

Mai multe detalii despre abordarea noastră privind politica de exercitare activă a dreptului de proprietate sunt disponibile în mod public:
https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf.

No significant harm to the sustainable investment objective

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

– Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/.

– 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

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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 does not directly invest in the sectors included in BlueOrchard's Public Asset Exclusion List.

  https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf.

Sustainable investment objective of the financial product

The Fund's sustainable investment objective is to invest at least 80% of its assets in securities issued by governments and companies worldwide, including emerging market countries, that contribute towards the UN SDG of taking action to combat climate change. 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 sustainable investments from a universe that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the investment's contribution to the UN SDG of taking action to combat climate change alongside the Investment Manager's assessment of impact 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.

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 (i) sustainable investments, which are investments that are expected to contribute towards combating climate change; and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

The Investment Manager will select sustainable investments from a universe that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of an investment's contribution to the UN SDG of taking action to combat climate change alongside the Investment Manager's assessment of impact via its proprietary impact investment management framework and tools (including an impact scorecard).

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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 the sectors included in the below BlueOrchard's Public Asset Exclusion List.

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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 proprietary framework includes an assessment of the good governance practices of each investment, including on factors such as a company's code of conduct and ESG incident screening. The good governance score represents at least 33% of the proprietary framework ESG scorecard's score and comprises topics such as business integrity, compliance with local regulation, corporate governance accountability or transparency and disclosure maturity.

Post-investment, changes to these factors will be monitored, assessed and where appropriate engaged with. Where potential issues arise, the performance of an issuer is below expected, or when the reported data is incomplete to reach a conclusion, the Investment Manager will engage with the issuer to evaluate the performance. The Investment Manager will encourage investee companies to improve their good governance practices and disclosure as well as their end contribution to the social and climate related transformation.

The Investment Manager may also engage with companies held by the Fund 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 fixed and floating rate securities denominated in various currencies and issued by governments, government agencies, supranationals and companies worldwide, including emerging market countries. The Fund will increase its exposure to emerging markets over time. At the Fund's launch, the exposure to emerging markets will be at least of 50% of its net assets and this exposure will increase progressively with the intention to reach at least 67% of its net assets after three years.

The Fund may invest up to 50% 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).

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

Investments are composed of bonds where the issuer's products and services, business activities or use of proceeds for a purpose bond contribute positively to at least one of the UN SDGs taking action to combat climate change, including SDG 7, 11 and 13. In order to identify bonds with a direct link to a UN SDG, the Investment Manager applies a two step approach:

- The first considers the extent to which the issuer's revenues, business activities, or the use of proceeds of a purpose bond contribute to an environmental objective.
- The second is a detailed ESG and impact assessment of the company and/or bond (as applicable) via the completion of proprietary impact and ESG scorecards. The Investment Manager considers a

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range of ESG criteria and different aspects of impact such as: what outcome and UN SDGs the bond or company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including the Investment Manager's influence and engagement); and consideration of impact risks. The assessment typically includes Key Performance Indicators (KPIs) that are used to track the company's or the bond's positive contribution over time

The impact and ESG scorecards are validated and approved by the BlueOrchard Sustainability & Impact (S&I) team, in order for the company or bond to be eligible for inclusion in the Fund's investible universe. The S&I team is independent from the investment teams, and is responsible for the consistent application of impact and ESG assessments and scorecards and that all investments meet minimum ESG and impact ratings, as set out in BlueOrchard's ESG & Impact Policy.

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.

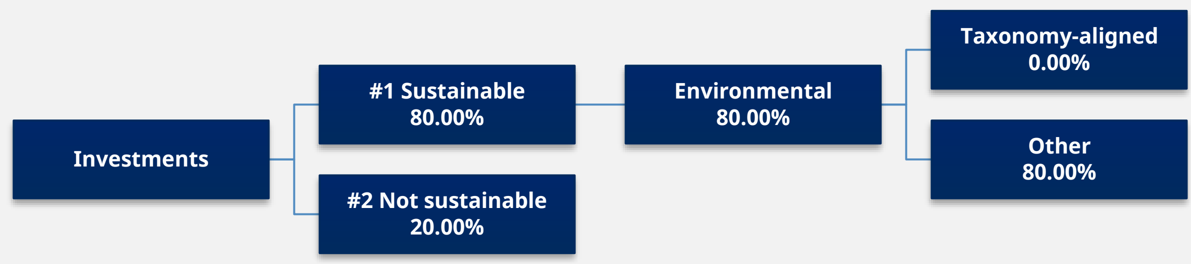
The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

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 securities issued by governments and companies worldwide, including emerging market countries, that contribute towards the UN SDG of taking action to combat climate change. 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.

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#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 statements, indices and world governance indicators issued by the UN, the European Union, the UK Government, the Financial Action Task Force and several Non-Government Organisations (NGOs), such as Transparency International and the Basel Committee.

In addition, new counterparties are reviewed by Schroders' credit risk team and approval of a new counterparty is based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework. Ongoing monitoring is performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.

Monitoring of the sustainable investment objective

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, are measured within the Investment Manager's portfolio compliance framework. Exclusions and limits are coded into this framework to seek to ensure that pre-trade compliance correctly flags the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data.

The coding and monitoring of investment risk restrictions is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is available. Users are able to build customised reports to focus on specific aspects of the portfolio.

The Fund does not directly invest in the sectors, included in the below BlueOrchard's Public Asset Exclusion List.

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Exclusion Criteria

Bespoke Schroders exclusions

Excluded Activity	Criteria
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 considers the extent to which the issuer's revenues, business activities, or the use of proceeds of a purpose bond contribute to an environmental objective, and specific sustainability key performance indicators to assess the investment's contribution to an environmental objective. 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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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. In particular, the Investment Manager uses a proprietary sustainability tool to verify that every bond included in the investment universe has satisfactory ESG and impact scores and is aligned to the Fund's investment objective of combatting climate change. There is a detailed impact assessment of every company and/or bond (as applicable) via the completion of a proprietary scorecard. The impact scorecard focuses on the impact that a bond is expected to have. The Investment Manager considers different aspects of impact such as: what outcome and UN SDGs the bond or company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including the Investment Manager's 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 or the bond's positive contribution over time via an annual review. Examples of the indicators include, but are not limited to, CO2 emissions reduction, MW of renewable energy capacity or of energy saved, MWh of renewable energy generated, m3 of water savings, m2 of total floor area of buildings achieving green certification or km of clean transportation infrastructure built or improved.

Once these steps have been completed, the bond's or company's impact scorecard and the company's ESG scorecard (as applicable) are validated and approved by the BlueOrchard Sustainability & Impact (S&I) team, in order for the company or bond to be eligible for inclusion in the Fund's investible universe. The S&I team is independent from the investment teams, and is responsible for the consistent application of impact and ESG assessments and scorecards and that all investments meet minimum ESG and impact ratings, as set out in BlueOrchard's ESG & Impact Policy.

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, RepRisk, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data errors may occur. To address this, a dedicated ESG Data Governance team pro-actively monitors for errors and resolves data queries. This involves close collaboration with the third-party data providers, and managing and tracking data corrections.

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points. Our proprietary tools provide flexibility allowing analysts to input data that is not publicly disclosed however has been disclosed during engagement into a common framework. This additional information will be used alongside data from conventional and unconventional data sources.

Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values where appropriate and reasonably robust. For example, in one tool,

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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

Engagement is a core part of BlueOrchard's B.Impact Framework.

In listed markets, engagement is a tool to build relationships with our issuers, gain a better understanding and visibility of their sustainability strategies and impact thesis and allow BlueOrchard to help improve practices and disclosure around sustainability and impact.

The purpose of engagement can be the creation of positive change for our investee companies, their employees and clients, as well as the societies and environment in which they operate. Impact engagement 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 the labelled bonds and the general issuers products & services where relevant and contribute to furthering impact outcomes through enhancing and expanding the impact of portfolio companies. In addition to engaging on impact, we also engage on material sustainability issues.

BlueOrchard classifies all its engagement with investees/issuers into two categories for listed debt:

1. Engagements for insights, which represent most of the Fund's engagements. The objective of this type of engagement is principally to gather information for the ESG and impact assessments when assessing an issuer and its bond issuances.

Within the engagement for insights category, the Impact Management Team carries out engagements at primary issuance roadshows. The team either participates in one-on-one calls with the issuer, or in calls as part of a larger group of investors, and asks sustainability and impact-related questions, raising awareness about material sustainability topics among investors and the issuer, as well as gathering additional data to improve the ESG and impact assessment quality of the bonds and sustainability documentation. Such engagements take place in the context of primary issuance investments. We perceive primary issuance investments as

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creating stronger investor contribution and seek to prioritise such investments and therefore use roadshow engagements to ensure all ESG and impact criteria of our assessments are complete and appropriate.

The Impact Management Team also carries out sustainability and impact reporting engagements throughout the holding period of the bonds in the Fund. The objective is to gain a better understanding and fill the information gap on sustainability practices, sustainability and impact indicators and disclosure of the issuer and its bonds. The Impact Management Team closely monitors impact reporting on use of proceeds bonds and will engage with issuers that are not reporting within the expected timeline of the framework.

The information gathered during such engagements feed directly into the impact and ESG scorecards and can play a crucial role in the decision to approve the bond and issuer.

2. Engagements for outcomes are used if the Impact Management Team identifies the potential for an enhancement of the impact proposition of the issuer. Examples may include a new product or target population, or negative sustainability practices. The objective is to capture these positive impact opportunities and to mitigate these risks by sharing actionable suggestions and best practice with issuers. Ultimately, this positive ESG momentum and impactful products and services should be perceived and valued by the broader market, consequently improving the bonds' performance on top of the improved sustainability practices. We distinguish two main 'engagement for outcome' categories:

    I. Disclosure engagements take place when the Impact Management Team identifies important gaps in labelled bonds frameworks, corporate policies, or sustainability disclosures. Issuers often have the required documents, but may not appreciate the value for investors and other stakeholders to have them publicly available. In other instances, they need resources, suggestions, and guidance to measure and report on positive outcomes (e.g. impact KPIs) in their disclosure information, documents or data. For example, impact reports, environmental footprints disclosures, or key governance related policies.

    II. Sustainability practices engagements arise following the ESG assessment or a RepRisk alert, or when an issuer of a very impactful bond is nonetheless considered as "high ESG risk" and the Impact Management Committee recommends further engagement to mitigate and improve the negative practices. For example, we engage to seek improvement in ESG performance, processes and policies, to enhance and protect the value of our investments and to monitor developments in ESG practices within a company and to enhance our analysis of a company's risks and opportunities. Sustainability engagements may include, but are not limited to, climate change, transparency & disclosure and corporate governance.

The Impact Management Team engages regularly with our companies throughout the calendar year and take place via one-on-one virtual meetings with company management, in-person meetings, emails and letters. Engagements are led by the Impact Managers, and 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.

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.

Attainment of the sustainable investment objective

Source: Schroders, as at Nov 2024. Screening data is provided by a third party unless otherwise specified.
Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.
Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.
Any tie includes companies with an industry tie to the excluded activity.

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

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