Schroders

Schroder International Selection Fund – Digital Infrastructure

Summary

The Fund's sustainable investment objective is to invest its assets in companies worldwide which help to advance the development of the global digital infrastructure by contributing towards more environmentally resilient socially inclusive and/or innovative digital infrastructure. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

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

The Fund 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, companies worldwide which help to advance the development of the global digital infrastructure by contributing towards more environmentally resilient socially inclusive and/or innovative digital infrastructure. 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 10% 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.

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

The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager's rating criteria.

The Investment Manager's approach to not causing 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 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.

Limitations to the Investment Manager's methodology and data may arise from data availability, and specifically the lack of company reported data.

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 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 for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available to our investment risk, portfolio compliance and investment teams.

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. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

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 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.

Source: Schroders, as at July 2023. Screening data is provided by a third party unless otherwise specified.
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Any tie includes companies with an industry tie to the excluded activity.

- 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 under "Sustainability-Related Disclosure" on the Fund's webpage https://www.schroders.com/en/lu/private-investor/gfc.

Wherever the Investment Manager deems it appropriate, in the context of an incomplete and developing data landscape, the Investment Manager sets levels or principles representing its views of what would constitute significant harm in respect of the indicators for the principal adverse impacts. Investee companies deemed not to satisfy these levels or principles would not be eligible to be considered as a sustainable investment. This framework is subject to ongoing review, particularly as the availability, and quality, of the data evolves.

Sustainable investment objective of the financial product

The Fund's sustainable investment objective is to invest its assets in companies worldwide which help to advance the development of the global digital infrastructure by contributing towards more environmentally resilient socially inclusive and/or innovative digital infrastructure. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

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

Investment strategy

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

The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that contribute towards more environmentally resilient socially inclusive and/or innovative digital infrastructure, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

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.

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, the Investment Manager utilises a Schroders' proprietary tool to help it develop a complete understanding of a company through a stakeholder lens.

Schroders' proprietary tool is data–driven and provides a systematic framework for analysing a company's relationship with its stakeholders. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is a central driver of the assessment of a company's stakeholder management.

The proprietary tool includes over 250 data points to assess how well companies are governed and how likely they are to adapt to changing social and environmental pressures. It draws on both conventional and

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unconventional data sources. Examples of unconventional data are employee review reports, consumer product reviews, revenue from green products, community donations and frequency of lawsuits. By drawing on such unconventional sources that do not rely on company reporting, the Investment Manager is able to build a more complete picture of companies' performance and reduce its reliance on corporate disclosure, which remains incomplete, particularly among smaller companies in emerging regions.

The proprietary tool considers a number of good governance metrics, grouped into the categories of sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Manager may also engage with companies held by the Fund to challenge identified areas of weakness on sustainability issues. More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the webpage: https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.

The Fund invests at least two-thirds of its assets in equity and equity related securities of companies worldwide.

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

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

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

The Investment Manager carries out analysis to assess a company's alignment with UN SDG 9 (Industry, Innovation and Infrastructure), with a focus on digital infrastructure, before it can be deemed eligible for the Fund's portfolio. Companies are scored based on their ability to build resilient environmental infrastructure, promote social inclusivity and sustainable industrialisation, and foster innovation in a digital context.

Further sustainability analysis of the investment universe is carried out by the Investment Manager using a proprietary sustainability tool which rates a company based on its treatment of key stakeholders, including communities and the environment. Companies are given a score based on the strengths and weaknesses of their sustainability policies and infrastructure. The scoring of a company may impact the sizing of positions in the Fund, with the Investment Manager aiming to maximise its investments in those companies with higher scores and avoid those companies which populate the bottom quartile of scores.

The Investment Manager's sustainability analysis is supported by in-house fundamental research and the use of Schroders' range of proprietary sustainability tools. Third party research is also used as a secondary consideration and generally provides a source of challenge or endorsement for the Investment Manager's views.

The Investment Manager may also engage with companies in the portfolio with respect to their commitment to sustainability both in their relationships with stakeholders and in their efforts to mitigate their impact on the natural environment.

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

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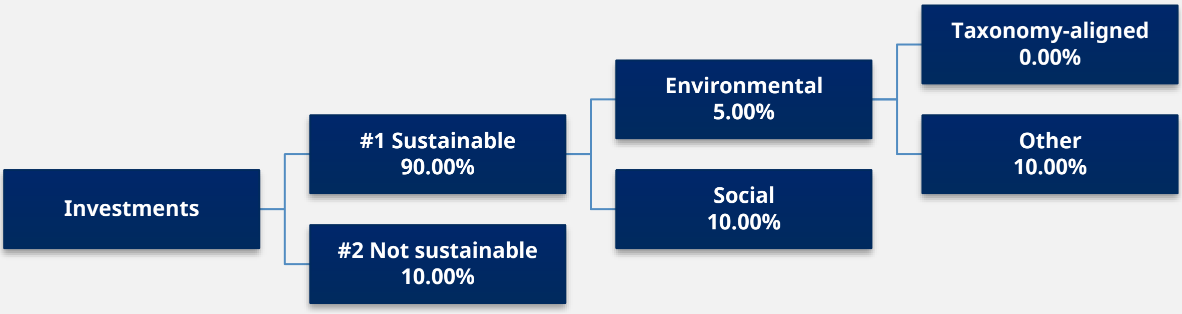
Proportion of investments

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 worldwide which help to advance the development of the global digital infrastructure by contributing towards more environmentally resilient socially inclusive and/or innovative digital infrastructure. 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 10% 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.



#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 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, will be 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.

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

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

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Fossil Fuel[1] Extraction and Production Maximum Percentage of Revenue	5%
Percentage of Power Generation from Oil and Gas[2]	10%
Percentage of Power Generation from Thermal Coal[2]	10%
Percentage of Power Generation from Nuclear[2]	30%

Social exclusions

Excluded Activity	Criteria
Tobacco Value Chain Maximum Percentage of Revenue	5%
Alcohol Value Chain Maximum Percentage of Revenue	10%
Gambling Maximum Percentage of Revenue	5%
Adult Entertainment Maximum Percentage of Revenue	5%
Conventional Weapons Maximum Percentage of Revenue	10%
Civilian Firearms Maximum Percentage of Revenue	10%
Nuclear Weapons Maximum Percentage of Revenue	5%
Any Tie to Controversial Weapons	Any tie

Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List[3]	All
Schroders' 'Global Norms' Breach List	All

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

[2]Assessed only on GICS Subsectors: Multi-Utilities, Gas Utilities, Electric Utilities and Independent Power Producers & Energy Traders. Override applicable for companies with carbon intensity lower than 354 Max. gCO2/kWh.

[3]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/.

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Controversy/misconduct exclusions

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

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 percentage in sustainable investments is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager uses a proprietary sustainability tool which rates companies based on their treatment of key stakeholders, including communities and the environment. Examples of the indicators include, but are not limited to, qualitative assessment of companies' sustainability policies and overall infrastructure.

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.

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).

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Where data for a metric is not sufficiently available to form robust conclusions, we do not include that metric in our tools.

Limitations to methodologies and data

Limitations to the Investment Manager's methodology and data may arise from data availability, and specifically the lack of company reported data.

The section "Data sources and processing" outlines the approach in ensuring the above mentioned limitations do not affect the attainment of the sustainable investment objective.

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

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. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team. As a result, we are able to take a common approach across investment desks.

We focus on sustainability issues which we determine to be material to the long-term value of our investee holdings. When material and relevant, we believe that companies that address these factors, where lacking, will drive improved financial performance for our clients. These issues reflect expectations and trends across a range of stakeholders including employees, customers, and communities, to the environment, suppliers and regulators. By strengthening relationships with that range of stakeholders, business models become more sustainable. The governance structure and management quality that oversee these stakeholder relationships are also a focus for our engagement discussions. In addition, we seek to reflect the priorities of our clients. Based on this process, we identify six broad themes for our engagement: climate, natural capital & biodiversity, human rights, human capital management, diversity & inclusion and governance.

Our themes are underpinned by additional cross-cutting thematic priorities. We also increasingly recognise the interconnectedness of ESG themes, such as the "just transition", which recognises the social dimension of the transition to a resilient and low-carbon economy. We seek to reflect this interconnectedness in our engagements with companies.

How we engage

We identify three key methods for practicing active ownership:

1. Dialogue: We speak with companies to understand if and how they are preparing for the long-term sustainability challenges they face.
2. Engagement: We work with companies to help them to recognise the potential impact of these challenges and to help them take action in the areas where change may be required.
3. Voting (where applicable): We use our voice and rights as shareholders to make sure these changes are effected.

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These forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and Sustainable Investment team; they can also take place in collaboration with other groups. Engagement is therefore a component of the portfolio's investment strategy, both from an environmental and social perspectives.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. We identify a number of methods to escalate our engagements, such as meeting or otherwise communicating with non-executive directors or the chair of the Board, publicly stating our concerns, withholding support or voting against management and directors (where applicable) up to divesting partially or fully.

Our approach to active ownership focusses on achieving real-world outcomes and achieving change. When determining when to engage and setting an objective for the engagement, we consider:

1. Materiality: We seek to focus our engagement on the most material sustainability threats and opportunities to the company.
2. Regional context: The materiality of issues and the expectations we have of companies vary by country and region; for example, differing socio-cultural factors, regulatory maturity and resource constraints. Where possible we reference country or regional initiatives, regulations and leading practice from peers in our dialogue with companies.
3. Realistic outcomes: We consider both leading practice and what could realistically be achieved by the company in the next few years, including considering the size of the company.
4. Ability to monitor progress: We use objective, measurable metrics or indicators that can be used to assess company performance on an issue.
5. Length of engagement: We aim to set short- to mid-term objectives – that can often be achieved over a 12- to 24-month period depending on the intensity of the engagement – but with a longer-term vision in mind.

We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually, and at a frequency that is appropriate for the priority of the engagement and materiality of the issue or holding. That said, we recognise that the length of time to achieve an objective will vary depending upon its nature, and that key strategic changes will take time to implement into a company's business processes. 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.

Further details on our approach to active ownership policy is publicly available: https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf.

Attainment of the sustainable investment objective

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

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