

## Schroder Special Situations Fund – Wealth Management Global Sustainable Equity

### Resumen

El Fondo mantiene una puntuación general de sostenibilidad superior a la del índice MSCI AC World (Net TR), según el sistema de calificación de la Gestora de inversiones. Este valor de referencia (que es un índice de mercado amplio) no tiene en cuenta las características medioambientales o sociales promovidas por el Fondo. No se ha designado ningún valor de referencia con el fin de alcanzar las características medioambientales o sociales promovidas por el producto financiero. La puntuación de sostenibilidad del Fondo se mide con SustainEx™, una herramienta propia de Schroders que proporciona una estimación del «impacto» neto que un emisor puede crear en términos de «costes» o «beneficios» sociales y medioambientales.

El Fondo se gestiona de forma activa e invierte al menos dos tercios de sus activos en valores de renta variable y relacionados con la renta variable de empresas de todo el mundo. Por lo general, el Fondo mantiene menos de 50 empresas.

El Fondo también puede aplicar determinadas exclusiones. Más adelante, en la sección «Seguimiento de las características medioambientales o sociales», se puede encontrar más información sobre todas las exclusiones del Fondo. La exclusión de determinadas actividades, sectores o grupos de emisores que se enumeran a continuación, así como los límites de inversión aplicables al Fondo, se medirán con arreglo al marco de cumplimiento normativo de la cartera.

El Fondo invierte en empresas con prácticas de buena gobernanza, según lo determinen los criterios de calificación de la Gestora de inversiones. La Gestora de inversiones utiliza una herramienta propia de Schroders para ayudarle a desarrollar un conocimiento completo de una empresa a través de una perspectiva de grupos de interés con el fin de evaluar las prácticas de buena gobernanza.

Este producto financiero promueve características medioambientales o sociales, pero no tiene como objetivo una inversión sostenible.

La proporción mínima de los activos del Fondo utilizados para lograr las características medioambientales o sociales equivale al 70%.

El Fondo invierte como mínimo el 50% de sus activos en inversiones sostenibles. Cada inversión sostenible demuestra un efecto positivo neto en una serie de objetivos medioambientales o sociales, según la puntuación obtenida por la herramienta propia de Schroders.

El Fondo incluye el efectivo, que se trata como neutral a efectos de la sostenibilidad. También puede incluir inversiones que no están puntuadas por la herramienta de sostenibilidad propia de Schroders y, por lo tanto, no contribuyen a la puntuación de sostenibilidad del Fondo.

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

Normativo de la Cartera supervisa la conformidad con los requisitos de sostenibilidad acordados. No se efectúan controles externos como parte de la diligencia debida.

Las empresas se evalúan y califican en función de una serie de cuestiones que abarcan aspectos como el respeto al medioambiente; el trato justo y equitativo de los empleados, proveedores y clientes; la ciudadanía corporativa; la asignación de capital y la gobernanza. La Gestora de inversiones decidirá, caso por caso, si una empresa es apta para su inclusión en el universo de inversión, teniendo en cuenta estas calificaciones. Si bien todas las empresas se evalúan con respecto a todas las cuestiones, la decisión de la Gestora de inversiones se centrará en aquellas áreas que sean más relevantes para la actividad concreta de esa empresa. En estas áreas, la empresa debería ser generalmente valorada al menos como «fuerte» para ser aceptada en el universo de inversión.

Las principales fuentes de información utilizadas para realizar el análisis son las herramientas de sostenibilidad propias de Schroders, los análisis externos, los datos no convencionales obtenidos por nuestra Data Insights Unit, los informes de ONG y las redes de expertos. La Gestora de inversiones también analiza los informes de sostenibilidad de la empresa y otras declaraciones, que pueden complementarse con la colaboración directa con la empresa durante el proceso de evaluación.

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

Aunque los terceros que proporcionan la gran mayoría de los datos utilizados se han elegido cuidadosamente, pueden producirse errores en los datos. Para solucionar este problema, un equipo dedicado a la gobernanza de datos ESG revisa la información proactivamente en busca de errores y resuelve las consultas de datos. Esto implica una estrecha colaboración con los proveedores de datos externos, así como la gestión y el seguimiento de las correcciones de datos.

La metodología y el proceso de recopilación de datos de la Gestora de inversiones pueden verse limitados por la disponibilidad de los datos, en concreto por la falta de datos proporcionados por las empresas en algunos casos, y por la estimación de los mismos, tal y como se detalla en la sección titulada «Fuentes de datos y tratamiento».

Cuando los datos no estén disponibles, Schroders se pondrá en contacto con las empresas para animarlas a revelar los datos que faltan.

Algunas de nuestras herramientas deducen los valores que faltan cuando corresponde. Nuestros modelos suelen emplear una serie de técnicas para estimar los valores que faltan cuando procede y se dispone de suficiente información.

Cuando no hay datos suficientes para evaluar un parámetro, no lo incluimos en nuestras herramientas.

La codificación y la supervisión de las restricciones por riesgo de inversión son responsabilidad del equipo de Cumplimiento Normativo de la Cartera como parte del servicio independiente de Riesgo de Inversión.

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

Consideramos que la propiedad activa es el principio por el que pueden regirse los equipos de gestión para garantizar prácticas sostenibles en los activos en los que invertimos. Nuestro objetivo es impulsar un cambio que proteja y mejore el valor de nuestras inversiones, y nos comprometemos a aprovechar el peso de nuestra empresa para optimizar el funcionamiento corporativo.

Puede obtener más información sobre nuestro enfoque de la política de propiedad activa:  
<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>.

## No sustainable investment objective

Source: Schroders, as at April 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.

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

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

- 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.

Further information on all of the Fund's exclusions is to be found further below in the "Monitoring of environmental or social characteristics" section.

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

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

## Environmental or social characteristics of the financial product

The Fund maintains a higher overall sustainability score than the MSCI AC World (Net TR) index, based on the Investment Manager's rating system. This benchmark (which is a broad market index) does not take into account the environmental and social characteristics promoted by the Fund. For more information on how the sustainability score is measured please refer to the "Methodologies for environmental or social characteristics" section.

The Fund invests at least 50% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more environmental and/or social objective(s).

## Investment strategy

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

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

The Fund typically holds fewer than 50 companies.

The Fund maintains a higher overall sustainability score than MSCI AC World (Net TR) index, based on the Investment Manager's rating system.

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 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 Schrodgers' proprietary tool to help it develop a complete understanding of a company through a stakeholder lens.

Schrodgers' 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 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.schrodgers.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures>.

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.

Companies are assessed rated against a set of questions covering issues such as respect for the environment; fair and equitable treatment of employees, suppliers and customers; corporate citizenship; capital allocation and governance.

The Investment Manager will decide on a case by case basis whether a company is eligible for inclusion in the investible universe, taking into account these ratings. While all companies are assessed against all questions, the Investment Manager's decision will focus on those areas that are most relevant to the particular business of that company. In these areas, the company should generally be appraised as at least "strong" in order to be accepted into the investible universe. The eligibility of each company in the Fund's portfolio is then reviewed at least annually.

The primary sources of information used to perform the analysis are Schrodgers' proprietary sustainability tools, third-party research, unconventional data sourced by our Data Insights Unit, NGO reports and expert networks. The Investment Manager also scrutinises company sustainability reports and other disclosures, which may be complemented by direct engagement with the company during the assessment process.

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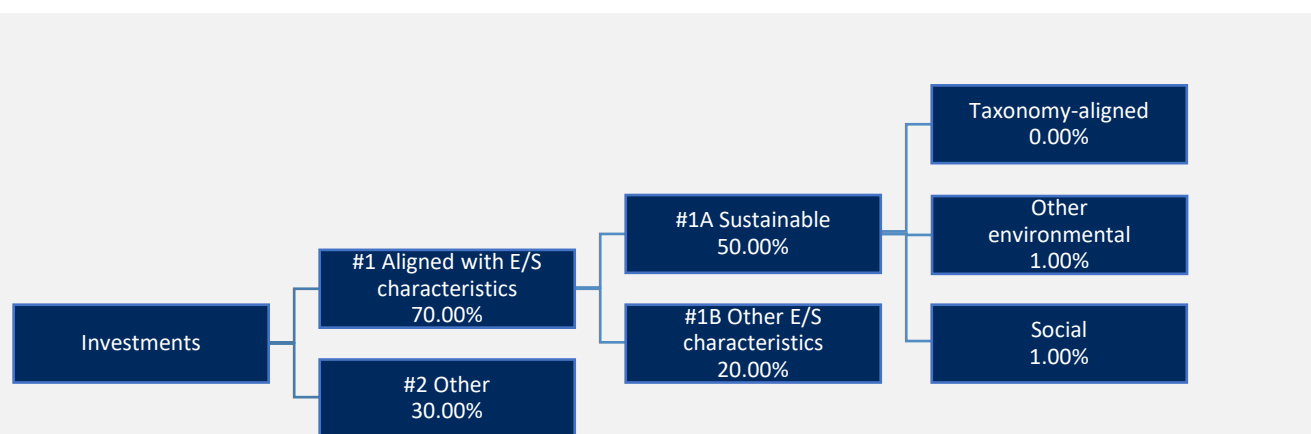
The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies is rated against the sustainability criteria. As a result of the application of sustainability criteria, at least 20% of the Fund's potential investment universe is excluded 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 Fund also considers companies' commitments to decarbonisation, which may be taken into account when selecting investments. The Investment Manager analyses relevant data on a company, such as decarbonisation progress and targets, in order to assess the company against the Investment Manager's alignment criteria. By considering decarbonisation through this methodology, the Fund may be able to achieve net zero emissions by 2050. However, this does not form part of the Fund's objectives and there is no guarantee that the Fund will be able to do so.

## Proportion of investments

The planned composition of the Fund's investments that are used to meet its environmental or social characteristics are summarised below.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

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

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

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

**Asset allocation** describes the share of investments in specific assets.

**#1 Aligned with E/S characteristics** includes the minimum proportion of the Fund's assets used to attain the environmental or social characteristics, which is equal to 70%. The Fund commits to maintain a higher overall sustainability score than the MSCI AC World (Net TR) index, and so the Fund's investments that are scored by Schroders' proprietary sustainability tool are included within the minimum proportion stated in #1 on the basis that they will contribute to the Fund's sustainability score (whether such individual investment has a positive or a negative score). Also included within #1 is the minimum proportion of assets that are invested in sustainable investments, as indicated in #1A. The minimum proportions stated apply in normal market conditions. The

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actual proportion stated in #1 is expected to be higher. The Fund will invest at least 50% of its assets in sustainable investments.

For more information on how the sustainability score is measured please refer to the "Methodologies for environmental or social characteristics" section.

**#2 Other** includes cash which is treated as neutral for sustainability purposes. #2 also includes investments that are not scored by Schroders' proprietary sustainability tool and so do not contribute towards the Fund's sustainability score. As #1 states a minimum proportion that is in practice expected to be higher, the proportion stated in #2 is expected to be lower.

Minimum safeguards are applied where relevant to money market investments and other investments by restricting (as appropriate) investments in counterparties where there are ownership links or exposure to higher risk countries (for the purpose of money 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 environmental or social characteristics

The Investment Manager monitors compliance with the characteristic to maintain a higher overall sustainability score than the MSCI AC World (Net TR) index by reference to the weighted average sustainability score of the Fund in Schroders' proprietary tool compared against the weighted average sustainability score of the MSCI AC World (Net TR) index in Schroders' proprietary tool over the previous six month period, based on month-end data.

The Investment Manager monitors compliance with the characteristic to invest at least 50% of its assets in sustainable investments by reference to the sustainability score of each asset in Schroders' proprietary tool. Compliance with this is monitored daily via our automated compliance controls.

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 portfolio compliance framework.

The coding and monitoring of investment risk restrictions is the responsibility of the 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.

### Exclusion Criteria

#### Environmental exclusions

Excluded Activity	Criteria
Fossil fuels extraction and production	Percentage of Revenue 10%

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Thermal Coal Power Generation Maximum Percentage of Revenue	30%
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## Social exclusions

Excluded Activity	Criteria
Tobacco Value Chain Maximum Percentage of Revenue	10%
Gambling Maximum Percentage of Revenue	10%
Civilian Firearms Maximum Percentage of Revenue	10%
Weapons Maximum Percentage of Revenue	10%
Predatory Lending Maximum Percentage of Revenue	10%

## Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List <sup>1</sup>	All
Schroders' 'Global Norms' Breach List	Fail

## Methodologies for environmental or social characteristics

The Fund promotes the following characteristic: it maintains a higher overall sustainability score than the MSCI AC World (Net TR) index, based on the Investment Manager's rating system. This benchmark (which is a broad market index) does not take into account the environmental and social characteristics promoted by the Fund. As stated above, the sustainability score of the Fund is measured by SustainEx™, Schroders' proprietary tool that provides an estimate of the net "impact" that an issuer may create in terms of social and environmental "costs" or "benefits". It does this by using certain metrics with respect to that issuer, and quantifying them positively and negatively to produce an aggregate measure of the effect that the relevant underlying issuer may have on society and the environment. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. Examples of such indicators are greenhouse gas emissions, water usage, and salaries compared to the living wage.

As part of the Fund's investment processes, the SustainEx™ score, and the drivers of that score, are reviewed at the overall fund level. Schroders proprietary tools, including SustainEx™, may not cover all of the Fund's holdings from time to time, in which case the Investment Manager may use alternative methods to assess relevant holdings in the Fund. In addition, certain types of assets (such as cash) are treated as neutral and are therefore not considered by our proprietary tools.

The Fund also invests at least 50% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more environmental and/or social objective(s). Each sustainable investment demonstrates a net positive effect across a range of environmental or social objectives, as scored by Schroders' proprietary tool. A sustainable investment is classified as having an environmental or social objective depending on whether the relevant issuer has a higher score in Schroders' proprietary tool relative to its applicable peer group for its environmental indicators or its social indicators. In each case, indicators are comprised of both "costs" and "benefits".

<sup>1</sup>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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## 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 internal 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, 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. 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).

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.

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 mainly arise from data errors, data availability, specifically the lack of company reported data in some cases and data estimation as detailed in the section titled "Data sources and processing". Due to the range of data sources and due to combining both qualitative and quantitative elements involving a degree of subjectivity and judgement from the investment manager, we believe that these data limitations do not in aggregate materially impact our attainment of the environmental or social characteristics of the Fund.

## Due diligence

The Fund's investment and asset selection process has been reviewed and approved by the Management Company's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability

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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 an asset is operating for the better.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team.

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

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

### How we engage

We identify three key methods for practicing active ownership:

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

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.

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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>.

## Designated reference benchmark

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

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