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Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name: Schroder International Selection Fund European Innovators**

**As of May 8 2024 the Fund's name will change to SISF European Equity Impact**

**Legal entity identifier: OZ21W1QBRG4B97S8ZE25**

## Sustainable investment objective

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good Governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
●● <input checked="" type="checkbox"/> Yes	●○ <input type="checkbox"/> No
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 10.00%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective 10.00%</b>	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

The Fund commits to invest at least 90% of its assets in sustainable investments. Within this overall commitment, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 10% of its assets in sustainable investments with a social objective.



## What is the sustainable investment objective of this financial product?

The Fund's sustainable investment objective is to invest its assets in European companies that contribute towards the advancement of one or more of the UN SDGs using a science or engineering-driven, innovation-led approach. 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.

**As of May 8 2024 the above answer will change to:**

The Fund's sustainable investment objective is to invest its assets in European companies that the Investment Manager expects to contribute positive impact by advancing by advancing an environmental or social objective linked to one or more of the UN SDGs using a science or engineering-driven, innovation-led approach. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

The Investment Manager will select companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs alongside the Investment Manager's assessment of the company via its proprietary scorecard. The investment process is aligned with the Operating Principles for Impact Management. No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses a revenue based approach in this assessment by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable). 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 contribution at an investee company level. In particular, the Investment Manager use a bottom-up mapping process that establishes the extent of each company's contribution to the UN SDGs. Examples of the indicators include, revenues generated via the production or distribution of energy-efficient products, or services using a science or engineering-driven approach to reduce CO2 emissions such as natural refrigerants or eco-friendly heat pumps.

**As of May 8 2024 the above answer will change to:**

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses a combination of a revenue based approach in this assessment, by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable), and specific sustainability key performance indicators to assess the investment's contribution to an environmental or social objective (as applicable). The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with the minimum percentage in sustainable investments is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the contribution at an investee company level. In particular, the Investment Manager uses a quantitative screening tool to identify companies that derive a certain minimum percentage of their revenues from whose main activity is contributing to an environmental or social objective. In addition, there is a detailed impact assessment of every company via the completion of a proprietary scorecard. The impact scorecard focuses on the impact that a company's products and services are expected to have. The Investment Manager considers different aspects of impact such as: what outcome and UN SDGs the company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including Schroders influence and engagement); and consideration of impact risks. The assessment includes tracking Key Performance Indicators (KPIs) that are used to measure and monitor the company's impact over time via an annual review. Examples of the indicators include, revenues generated via the production or distribution of energy-efficient products, or services using a science or engineering-driven approach to reduce CO2 emissions such as natural refrigerants or eco-friendly heat pumps.

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

● **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

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

- Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.
- The Fund excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.
- The Fund excludes companies that are assessed by Schroders to have breached one or more 'global norms' thereby causing significant environmental or social harm; these companies comprise Schroders' 'global norms' breach list. Schroders' determination of whether a company has been involved in such a breach considers relevant principles such as those contained in the UN Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The 'global norms' breach list may be informed by assessments performed by third party providers and by proprietary research, where relevant to a particular situation.

- The Fund may also apply certain other exclusions in addition to those summarised above.

Further information on all of the Fund's investment exclusions is to be found under "Sustainability-Related Disclosure" on the Fund's webpage <https://www.schroders.com/en-lu/lu/individual/fund-centre>

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

When seeking to identify significant harm, Schroders' approach to taking into account the Principal Adverse Impacts (PAI) indicators involves a quantitative and a qualitative assessment. Where it is not considered appropriate or feasible to set quantitative thresholds, the Investment Manager engages, where relevant. Investee companies deemed not to satisfy the quantitative thresholds would generally be excluded, unless on a case-by-case basis the data is deemed not representative of a company's performance in the relevant area.

This framework is subject to ongoing review, particularly as the availability and quality of the data evolves.

Our approach includes:

1. **Quantitative:** this includes indicators where specific thresholds have been established:

- Via the application of exclusions. This approach is relevant to **PAI 4** (Exposure to companies active in the fossil fuel sector), **PAI 5** (Share of non-renewable energy consumption and production) and **PAI 14** (Exposure to controversial weapons). Further, the following PAIs are assessed as part of Schroders 'global norms' breach list exclusion (which seeks to exclude companies where significant harm is occurring):

- **PAI 7** (Activities negatively affecting biodiversity-sensitive areas)
- **PAI 8** (Emissions to water)
- **PAI 9** (Hazardous waste and radioactive waste ratio)
- **PAI 10** (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises)
- **PAI 11** (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises and Voluntary)
- **PAI 14** in Table 3 (Number of identified cases of severe human rights issues and incidents)

- Via the application of an alert system flag if the relevant indicator(s) exceeds a threshold. These quantitative thresholds to assess significant harm are established centrally by our Sustainable Investment team and monitored systematically. This approach applies to indicators where we have segmented the population into harm groups to establish a threshold, such as carbon related PAI metrics, **PAI 1** (GHG emissions), **PAI 2** (Carbon footprint) and **Voluntary PAI 4 in Table 2** (Investing in companies without carbon emission reduction initiatives). **PAI 3** (GHG intensity of investee companies) operates in a similar way but the threshold is based on a revenue metric. A threshold for **PAI 6** (Energy consumption intensity per high impact climate sector) is established based on the above mentioned carbon measures. A similar approach has been taken for **PAI 15** (GHG intensity). **PAI 16** (Investee countries subject to social violations) also operates in the same way but based on data availability regarding social violations. Through this process the relevant issuer(s) that is/are deemed not to satisfy the quantitative thresholds is/are flagged to the Investment Manager for consideration, whose response may involve selling the holdings(s) or maintaining the position if on a case-by-case basis the data is deemed not representative of a company's performance in the relevant area. Investee companies deemed to cause significant harm are excluded from the Fund.

2. **Qualitative:** This includes PAI indicators where Schroders' believes that the data available does not enable us to make a quantitative determination regarding whether significant harm is done so as to warrant excluding an investment. In such cases, the Investment Manager engages wherever possible with the company or companies held, in accordance with the priorities documented in Schroders' Engagement Blueprint and/or voting policy. This approach applies to indicators such as **PAI 12** (Unadjusted gender pay gap) and **PAI 13** (Board gender diversity), where we engage and may use our voting rights where we consider appropriate. Both board gender diversity and disclosure of gender pay gap information are captured in our Engagement Blueprint.

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?***

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.



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, the Investment Manager's approach to considering principal adverse impacts on sustainability factors involves classifying the indicators into three categories:

1. Set thresholds: these involve very explicit thresholds for considering an investment to be a "sustainable investment". For example, PAI 10 on violations of UNGC principles.
2. Active ownership: these involve indicators on which we have a plan to engage with the underlying holding as set out in the Schroders Group document <https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>, outlining our approach to active ownership. For example, PAI 1, 2 and 3 covering GHG emissions and PAI 13 on board gender diversity.
3. Improve coverage: these involve indicators where we consider data coverage to be too sparse to properly consider them and our focus is primarily on engaging with the underlying holdings to increase reporting. For example, PAI 7 on biodiversity, PAI 9 on hazardous waste ratio and PAI 12 on the gender pay gap.

Our approach is subject to ongoing review, particularly as the availability, and quality, of PAI data evolves.

The Management Company's statement on principal adverse impacts on sustainability factors is available at <https://mybrand.schroders.com/m/467910ac8e6da45c/original/Statement-on-principal-adverse-impacts-of-investment-decisions-on-sustainability-factors.pdf>. The Fund level information is disclosed or will be (as applicable) in the Fund's annual report.

No



## What investment strategy does this financial product follow?

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 in companies that contribute towards the advancement of one or more of the UN SDGs using a science or engineering-driven, innovation-led approach, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability-Related Disclosure" on the Fund's webpage <https://www.schroders.com/en-lu/lu/individual/fund-centre>

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 may 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/lu/individual/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/disclosures-and-statements/>

The Fund will invest at least two thirds of its assets in a concentrated range of equity and equity related securities of European companies. This means typically holding fewer than 30 companies.

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.

The Investment Manager seeks to identify science and engineering-led European companies whose business contributes to addressing challenges faced in society such as reducing CO2 emissions, tackling air pollution and managing the use of scarce resources. The Investment Manager also seeks to identify companies that provide solutions to address the needs of growing and aging populations in areas including healthcare, transport, food and access to crucial services.

The Investment Manager will assess how a company is helping to solve problems in society by drawing links between the products and services it sells and one, if not several, of the UN SDGs.

Companies held by the Fund are expected to show a commitment to their stakeholders, including customers, employees, suppliers and regulators. The Fund invests in those companies which consider stakeholders fairly and have good governance.

Companies meeting the above criteria are considered as potential holdings in the Fund. The Investment Manager performs its own due diligence on potential holdings including, where possible, meetings with senior management.

This analysis is supported by quantitative analysis gained from Schroders' proprietary sustainability tools. Such tools are key inputs to measure how companies in the portfolio are meeting the sustainability credentials outlined above.

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 European companies.

**As of May 8 2024 the above section will change to:**

The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments in companies that contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs using a science or engineering-driven, innovation-led approach (please see the Fund Characteristics section for more details), 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 companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs alongside the Investment Manager's assessment of the company's impact via its proprietary impact investment management framework and tools (including an impact scorecard).

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

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability-Related Disclosure" on the Fund's webpage <http://www.schroders.com/en/lu/private-investor/gfc>

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 (please see the Fund Characteristics section for more details).

The Investment Manager may also engage with companies held by the Fund to seek to improve sustainability practices and enhance social and environmental impacts generated by underlying investee companies. More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the webpage <https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures>

The Fund will invest at least two thirds of its assets in a concentrated range of equity and equity related securities of European companies. This means typically holding fewer than 30 companies.

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 (subject to the restrictions provided in Appendix I).

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.

The Investment Manager seeks to identify science and engineering-led European companies whose business contributes to addressing challenges faced in society such as reducing CO2 emissions, tackling air pollution and managing the use of scarce resources. The Investment Manager also seeks to identify companies that provide solutions to address the needs of growing and aging populations in areas including healthcare, transport, food and access to crucial services.

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

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

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

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

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 European companies.

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

- The Fund is actively managed and invests at least 90% of its assets in sustainable investments, which are investments in companies that the Investment Manager expects contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs using a science or engineering driven, innovation-led approach.
- Exclusions are applied to direct investments in companies. The Fund applies certain exclusions relating to international conventions on cluster munitions, antipersonnel mines, and chemical and biological weapons. The Fund also excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal, especially companies that generate revenues from tobacco production or any other part of the tobacco value chain (suppliers, distributors, retailers, licensors), and companies that generate revenues from thermal coal mining and coal fired power generation. 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. Details of the revenue thresholds together with certain other exclusions the Fund applies are listed under "Sustainability-Related Disclosure" on the Fund's webpage <https://www.schroders.com/en-lu/lu/individual/fund-centre>.
- 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 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.

● **What is the policy to assess good governance practices of the investee companies?**

In order to assess good governance practices, a central Good Governance Test is applied. This test is based on a data-driven quantitative framework, which uses a scorecard to assess companies across the categories of sound management structures, employee relations, remuneration of staff, and tax compliance. Schroders has defined a number of criteria across these pillars.

Compliance with the test is monitored centrally and companies which do not pass this test cannot be held by the Fund, unless the Investment Manager has agreed that the issuer demonstrates good governance based on additional insights beyond that quantitative analysis.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation and the minimum share of sustainable investments?

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

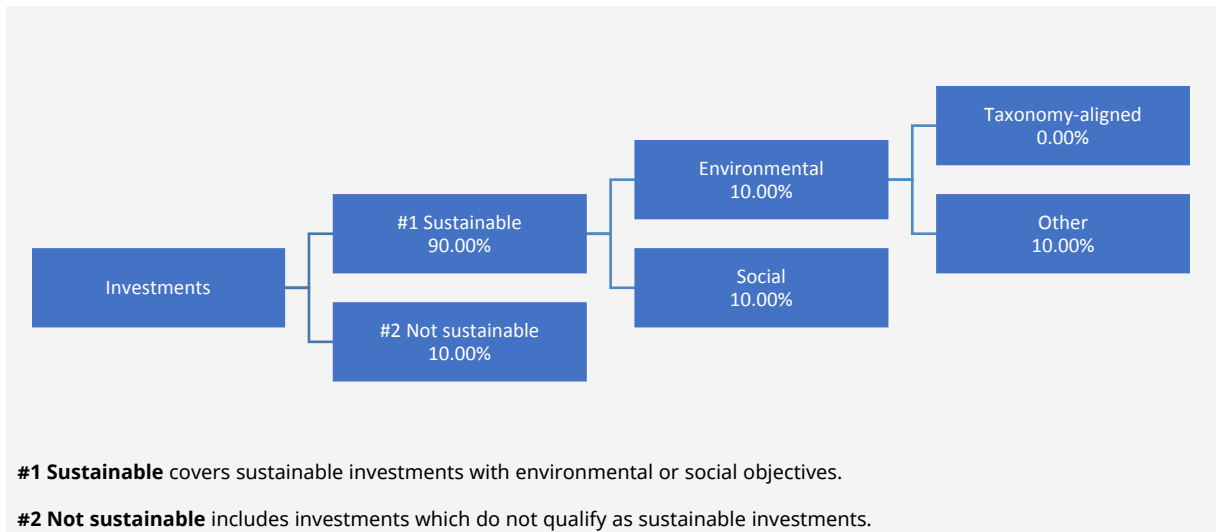
The planned composition of the Fund's investments that are used to meet its sustainable investment objective are summarised below. The Fund invests at least 90% of its assets in sustainable investments, which means included in #1 Sustainable are investments in European companies that contribute towards the advancement of one or more of the UN SDGs using a science or engineering-driven, innovation-led approach. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% 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.

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.



● **How does the use of derivatives attain the sustainable investment objective?**

This question is not applicable for the Fund



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

There is no minimum extent to which the Fund's investments (including transitional and enabling activities) with an environmental objective are aligned with the Taxonomy. 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.

In future it is 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.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas  In nuclear energy  
 No

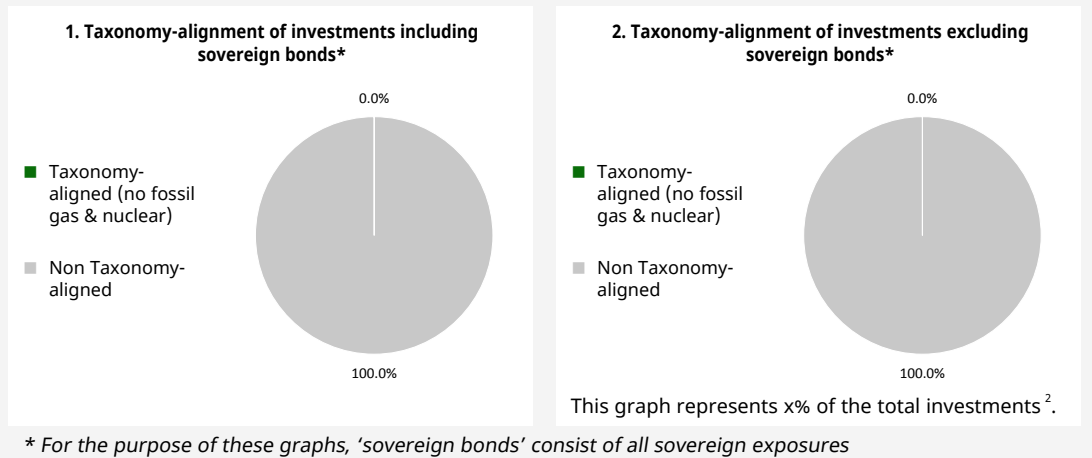
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

● **What is the minimum share of investments in transitional and enabling activities?**

As per the above, at the date of this Prospectus the share of investments by the Fund in transitional and enabling activities is currently deemed to constitute 0% of the Fund's portfolio.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund commits to invest at least 10% of its assets in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

<sup>2</sup> As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.





## What is the minimum share of sustainable investments with a social objective?

The Fund commits to invest at least 10% of its assets in sustainable investments with a social objective.



## What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

#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.

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.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**

This question is not applicable for the Fund

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

This question is not applicable for the Fund

- **How does the designated index differ from a relevant broad market index?**

This question is not applicable for the Fund

- **Where can the methodology used for the calculation of the designated index be found?**

This question is not applicable for the Fund



## Where can I find more product specific information online?

More product-specific information can be found on the webpage: <https://www.schroders.com/en-lu/lu/individual/fund-centre>