

**THIS PRODUCT LEVEL DOCUMENT HAS BEEN REPRODUCED FROM THE SCHRODER INTERNATIONAL SELECTION FUND PROSPECTUS. THIS DOCUMENT IS ONLY VALID IN CONJUNCTION WITH THE PROSPECTUS.**

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** Schroder International Selection Fund Alternative Securitised Income

**Legal entity identifier:** 549300WDWBV63KONLL52

## Environmental and/or social characteristics

**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**. That Regulation does not lay down 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 type="checkbox"/> Yes	●○ <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: __%</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 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 type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective __%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The Fund only invests in assets deemed above a minimum threshold based on the Investment Manager’s rating system.

Securities are ranked across Environmental, Social and Governance factors using a scorecard system and are awarded points on a 100-point /100 percent scale. These scores are then translated into a scoring system of 1-star – 5-stars, with a score of 5-stars deemed the highest. The Investment Manager ensures that at least 80% of the assets in the Fund are ranked in the top 3 Sustainability categories (3, 4, 5-stars) and will invest 100% of its assets in those ranked 2-stars or higher.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The Investment Manager uses different sustainability indicators to score each investment in the Fund dependent on the specific asset-type, e.g. whether the underlying secured assets are mortgages or commercial real estate or another asset type. Indicators are typically either quantitative, data-oriented measures or information provided following engagement with issuers. Indicators include but are not limited to environmental metrics such as environmental transition risk or physical risk, social indicators such as predatory lending risk or consumer education effort and governance metrics such as risk retention or clarity of roles. Compliance with the minimum required score 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.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

This question is not applicable for the Fund.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

This question is not applicable for the Fund.

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

This question is not applicable for the Fund.

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

This question is not applicable for the Fund.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do not significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**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.



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

Yes

No, due to the nature of the Fund’s assets, the Investment Manager is not able to adequately consider the principal adverse impacts on sustainability factors as these metrics only apply to investments in companies, sovereign debt and real estate.

However, the Investment Manager does consider adverse impacts relevant to the strategy in the following way:

- The Investment Manager ensures that investments are aligned with the UN Principles for Responsible Investment (“PRI”). All investments must be compliant with industry standards, be fair, and be fit-for purpose
- The Investment Manager’s rating system takes into account adverse impacts on society such as the asset footprint on the environment or impact on climate change
- Investments that cannot meet minimum standards related to social, environmental or governance concerns are excluded from the portfolio. The list of excluded sectors is reviewed, updated and published quarterly.



## 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 at least two-thirds of its assets in fixed and floating rate securitised investments including, but not limited to, asset-backed securities (ABS), agency and non-agency residential mortgage-backed securities (MBS) including forward-settling securities such as to be announced (TBA) trades, commercial mortgage-backed securities (CMBS), collateralised loan obligations (CLOs) and credit risk transfer securities (CRTs). Underlying assets of the asset-backed securities may include credit card receivables, personal loans, auto loans, transportation finance and small business loans.

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

The Fund may also invest in fixed and floating rate securities issued by governments, government agencies, supranationals and companies worldwide.

The Fund's strategy will have an overall duration of between zero and four years, but this does not preclude the Fund from investing in securities with a duration above four years.

The Fund may invest up to 100% of its assets in fixed and floating rate investments issued worldwide with an investment grade or sub-investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated securities and implied Schroders ratings for non-rated securities).

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, long and short, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

The Investment Manager assesses the sustainability credentials of potential investments using a proprietary tool. The Fund only invests in assets deemed above a minimum threshold 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 "Sustainability-Related Disclosure" on the Fund's webpage <https://www.schroders.com/en-lu/lu/individual/fund-centre>

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

The strategy aims to identify securities offering good or improving sustainability characteristics and credentials.

The Investment Manager seeks to avoid, penalize or exclude collateral, structures or agents that impose a high cost on the environment and society, or those that lack acceptable governance.

This involves:

- The exclusion of sectors, assets or collateral, that the Investment Manager deems impose material uncompensated costs to the environment and those that impose unjustifiable social costs
- The inclusion of securities that evidence improvements to existing assets, lending conditions or governance based on the Investment Manager's rating methodology.

Securities are ranked across Environmental, Social and Governance factors using a scorecard system and are awarded points on a 100-point /100 percent scale. These scores are then translated into a scoring system of 1star -5stars, with a score of 5-stars deemed the highest.

The Investment Manager ensures that at least 80% of the assets in the Fund are ranked in the top 3 Sustainability categories (3, 4, 5-stars) and will invest 100% of its assets in those ranked 2-stars or higher.

The primary sources of information used to perform the analysis are the Investment Manager's proprietary tools, surveys, ESG questionnaires, public information, securitization filings and third-party research.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The following binding elements are applied throughout the investment process:

- At least 80% of the assets in the Fund are ranked in the top 3 Sustainability categories (3, 4, 5-stars) and will invest 100% of its assets in those ranked 2-stars or higher 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 "Sustainability-Related Disclosure" on the Fund's webpage <https://www.schroders.com/en-lu/lu/individual/fund-centre>
- The Fund invests in companies that have good governance practices, as determined by the Investment Manager's rating criteria.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

This question is not applicable for the Fund.

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

Due to the nature of the Fund's assets, the good governance principles of A) sound management structures, B) employee relations, C) remuneration of staff and D) tax compliance are not directly or fully applicable.

As part of our good governance framework, the Investment Manager ensures that the special purpose vehicles (SPVs – the structure holding the assets) are set up in jurisdictions which have well-established corporate legal frameworks and sound corporate governance and are supervised by local law, policies and regulations. One of the many characteristics of securitisation is that as a separate SPV, or pool of assets, the securitisation is not generally a managed "going concern" corporation. We assess the fiduciary behaviour of parties to the structure, such as servicers, collateral managers and trustees, and practices that mitigate risk, align interest and avoid conflict.

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



## What is the asset allocation planned for this financial product?

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

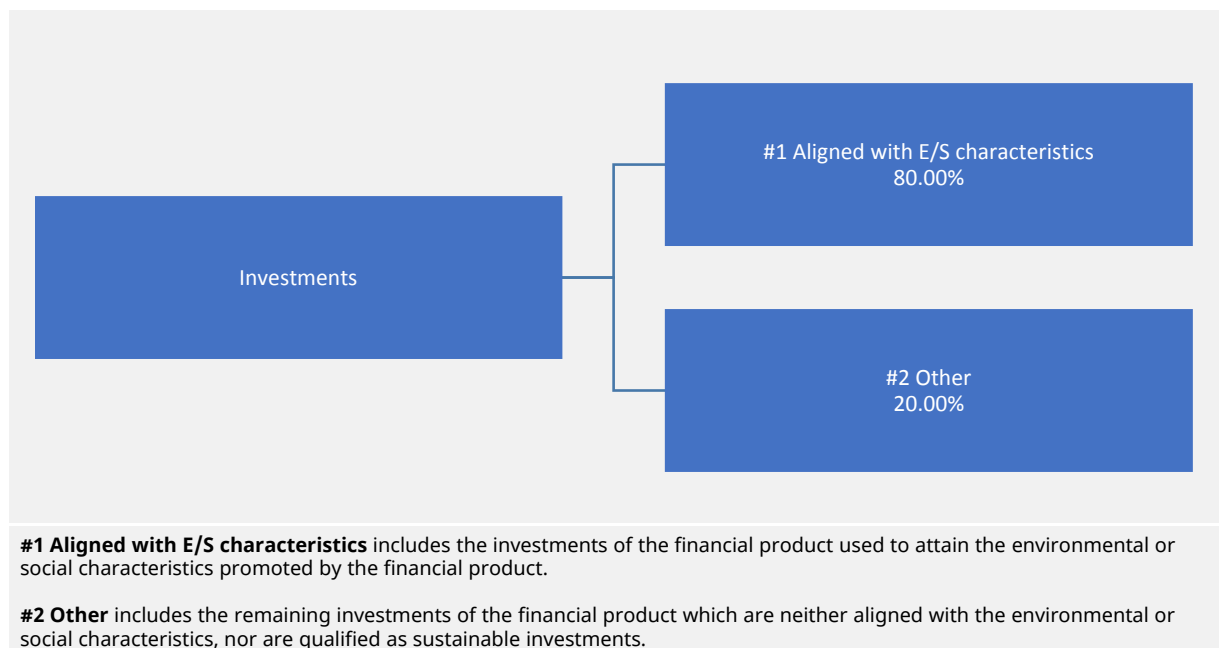
The planned composition of the Fund's investments that are used to meet its environmental or social characteristics are summarised below.

**#1 Aligned with E/S characteristics** includes the minimum proportion of the Fund's assets used to attain the environmental or social characteristics. This means investments that are ranked in the top 3 Sustainability categories according to the Investment Manager's rating criteria. The minimum proportion stated in #1 applies in normal market conditions.

**#2 Other** 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. #2 also includes any investments that are not aligned with the environmental or social characteristics as they are not ranked in the top 3 Sustainability categories according to the Investment Manager's rating criteria.

Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) or 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.



### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

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.

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.

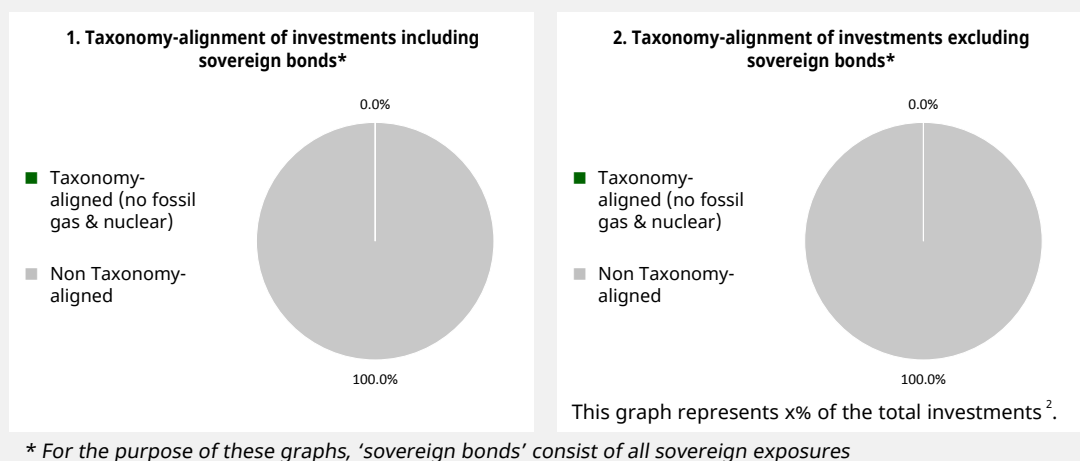
● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:  
 In fossil gas  In nuclear energy  
 No

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.

<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.

<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 an environmental objective that are not aligned with the EU Taxonomy?

This question is not applicable for the Fund.



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



## What is the minimum share of socially sustainable investments?

This question is not applicable for the Fund.



## What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

#2 Other 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. #2 also includes investments that are not aligned with the environmental or social characteristics as they are not ranked in the top 3 Sustainability categories according to the Investment Manager’s rating criteria.

Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) or 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.



## Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

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.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***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>