

10 April 2024

Dear Shareholder,

Schroder International Selection Fund (the “Company”) – US Smaller Companies Impact (the “Fund”)

We are writing to advise you that the Fund’s investment objective, policy, sustainability criteria and Article 9 Pre-contractual disclosure in Appendix IV of the Company’s prospectus in accordance with SFDR and Commission Delegated Regulation (EU) 2022/1288 have been updated and enhanced to better reflect the impact investment process. In addition, the S&P Smaller Cap 600 (Net TR) Lagged Index comparator benchmark has been removed.

Background and rationale

Updates to investment objective, policy and sustainability criteria

The Fund is classified as Article 9 under the Sustainable Finance Disclosure Regulation (SFDR) and invests in sustainable investments, which are investments that are expected to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs. The Fund also holds 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 Fund is part of Schroders’ Impact Driven strategies. As such, it applies highly selective investment criteria and references to reflect this impact investment process have been added to the investment objective, investment policy, sustainability criteria and the pre-contractual disclosure.

Removal of comparator benchmark

The Fund transitioned from SFDR Article 8 to SFDR Article 9 on 16 August 2022. The S&P Small Cap 600 (Net TR) Lagged Index was a comparator benchmark of the Fund before this transition, as this benchmark was appropriate when using the sustainability scoring system for Article 8 accreditation. However, following the transition of the Fund to Article 9, the Fund no longer applies a sustainability scoring method and the S&P Small Cap 600 (Net TR) Lagged Index is no longer relevant as a comparator.

Full details of the changes being made can be seen in Appendix 1 to this letter.

There are no other changes to the Fund’s investment style, investment philosophy, investment strategy, and the operation and/or manner in which the Fund is being managed following these changes.

All other key features of the Fund, including the relevant risk indicator and fees, will remain the same.

You can find the Fund’s updated key information document (the KID) for the relevant share class and the Company’s Prospectus at www.schroders.com.

If you have any questions or would like more information about Schroders' products please visit www.schroders.com or contact your local Schroders office, your usual professional adviser, or Schroder Investment Management (Europe) S.A. on (+352) 341 342 202.

Yours faithfully,

The Board of Directors

Appendix 1

New wording is shown in bold, removed wording is shown in the strikethrough format.

Current investment objective	New investment objective
<p>The Fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies which help to advance the UN SDGs and which the Investment Manager deems to be sustainable investments.</p>	<p>The Fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies which help to advance the UN SDGs whose activities the Investment Manager considers create positive social or environmental impact and which the Investment Manager deems to be sustainable investments.</p>
Current investment policy	New investment policy
<p>The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term (please see the Fund Characteristics section for more details), and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria).</p> <p>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. This means that the extent to which companies deliver a direct or indirect positive impact to society in order to advance the UN SDGs together with the impact that these actions could have on a company’s value are considered in the assessment of companies.</p> <p>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</p> <p>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).</p> <p>The Investment Manager may also engage with companies held by the Fund to challenge identified areas of weakness on sustainability issues. More details on the Investment Manager’s approach to sustainability and its engagement with companies are available on the webpage https://www.schroders.com/en-lu/lu/individual/what-we-do/sustainableinvesting/our-sustainable-investment-policies-disclosuresvoting-reports/disclosures-and-statements/</p>	<p>The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term (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.</p> <p>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) This means that the extent to which companies deliver a direct or indirect positive impact to society in order to advance the UN SDGs together with the impact that these actions could have on a company’s value are considered in the assessment of companies.</p> <p>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.</p> <p>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</p> <p>The Fund invests in companies that do not cause significant environmental or social harm and have good</p>

<p>The Fund invests at least two-thirds of its assets in a concentrated range of equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market. The Fund typically holds 40 – 60 companies.</p> <p>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).</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p>	<p>governance practices, as determined by the Investment Manager’s rating criteria (please see the Fund Characteristics section for more details).</p> <p>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.</p> <p>The Investment Manager may also engage with companies held by the Fund to challenge identified areas of weakness on sustainability issues. More details on the Investment Manager’s approach to sustainability and its engagement with companies are available on the webpage https://www.schroders.com/en-lu/lu/individual/what-we-do/sustainableinvesting/our-sustainable-investment-policies-disclosuresvoting-reports/disclosures-and-statements/.</p> <p>The Fund invests at least two-thirds of its assets in a concentrated range of equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market. The Fund typically holds 40 – 60 companies.</p> <p>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).</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p>
<p>Current sustainability criteria</p>	<p>New sustainability criteria</p>
<p>The Investment Manager applies sustainability criteria when selecting investments for the Fund.</p> <p>Investments are composed of companies whose products and services solve one of the UN SDG gaps or that operate in a mainstream industry that indirectly solves one of the UN SDG gaps.</p> <p>In order to identify companies with a direct link to a UN SDG, the Investment Manager uses a proprietary screening tool to map company revenue to UN SDGs. The tool splits revenue into numerous different categories linked to UN SDGs. While the Investment Manager uses the tool to</p> <p>assess individual companies, it also enables it to measure the overall revenue link to UN SDGs on a consolidated portfolio level. The Investment Manager has identified three types of companies that will make up the portfolio.</p> <p>The first type are highly innovative companies whose business model solves a direct need within the UN SDGs. These are growth companies whose solution to an UN SDG gap can be scaled.</p>	<p>The Investment Manager applies sustainability criteria when selecting investments for the Fund.</p> <p>Investments are composed of companies whose products and services solve one of the UN SDG gaps or that operate in a mainstream industry that indirectly solves one of the UN SDG gaps.</p> <p>In order to identify companies with a direct link to a UN SDG, the Investment Manager uses a proprietary screening tool to map company revenue to UN SDGs. The tool splits revenue into numerous different categories linked to UN SDGs. While the Investment Manager uses the tool to</p> <p>assess individual companies, it also enables it to measure the overall revenue link to UN SDGs on a consolidated portfolio level. 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:</p>

<p>The second type are companies that are already generating revenues that have an impact, but do not articulate or highlight that impact. These are companies the Investment Manager can identify due to its deep understanding of the US Small Cap universe where it sees a re-rating opportunity. In so doing the companies can better articulate and become more transparent about their impact opportunity. This is expected to be the largest group in the Fund’s portfolio.</p> <p>The third type will tend to have the lowest level of revenue link. These are companies who require a business model transition in order to survive. These are companies the Investment Manager believes have the ability and desire to transition and where it sees the ability to help guide such companies on that journey. Each investment must have some revenue linking to an UN SDG. Based on where the investment falls within the three types the level of linked revenue will vary.</p> <p>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.</p> <p>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 small-sized US companies or companies which derive a significant proportion of their revenues or profits from small-sized US companies.</p>	<ul style="list-style-type: none"> • 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 Schrodgers 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. <p>The company and impact scorecard are then validated and approved by Schrodgers’ 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 Schrodgers’ 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).</p> <p>The Investment Manager has identified three types of companies that will make up typically be considered for inclusion in the portfolio.</p> <p>The first type are highly innovative companies whose business model solves a direct need within the UN SDGs. These are growth companies whose solution to an UN SDG gap can be scaled.</p> <p>The second type are companies that are already generating revenues that have an impact, but do not articulate or highlight that impact. These are companies the Investment Manager can identify due to its deep understanding of the US Small Cap universe where it sees a re-rating opportunity. In so doing the companies can better articulate and become more transparent about their impact opportunity. This is expected to be the largest group in the Fund’s portfolio.</p> <p>The third type will tend to have the lowest level of revenue link. These are companies whose business models are transitioning towards higher impact activities and where the Investment Manager sees the ability to help guide such companies on that journey with active engagement. This is expected to be the smallest group in the Fund’s portfolio who require a business model transition in order to survive. These are companies the Investment Manager believes have the ability and desire to transition and where it sees the ability to help guide</p>
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	<p>such companies on that journey. Each investment must have some revenue linking to an UN SDG. Based on where the investment falls within the three types the level of linked revenue will vary.</p> <p>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.</p> <p>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 small-sized US companies or companies which</p> <p>derive a significant proportion of their revenues or profits from small-sized US companies.</p>
<p>Current Benchmark</p>	<p>New Benchmark</p>
<p>The Fund’s performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The Fund’s investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 Lagged (Net TR) index. The comparator benchmark is only included for performance comparison purposes and does not determine how the Investment Manager invests the Fund’s assets. The Investment Manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund’s portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The Investment Manager will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities.</p> <p>The target benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide. The comparator benchmark has been selected because the Investment Manager believes that it is a suitable comparison for performance purposes given the Fund’s investment objective and policy.</p> <p>The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund.</p>	<p>The Fund’s performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The Fund’s investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 Lagged (Net TR) index. The comparator benchmark is only included for performance comparison purposes and does not determine how the Investment Manager invests the Fund’s assets. The Investment Manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund’s portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The Investment Manager will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities.</p> <p>The target benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide. The comparator benchmark has been selected because the Investment Manager believes that it is a suitable comparison for performance purposes given the Fund’s investment objective and policy.</p> <p>The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund.</p>

ISIN codes of the share classes impacted by this change:

Share class	Share class currency	ISIN code
A Distribution	USD	LU0012050646
B Distribution	USD	LU0052718862
C Distribution	USD	LU0062903702
A Accumulation	USD	LU0106261612
B Accumulation	USD	LU0106261885
C Accumulation	USD	LU0106262180
A1 Accumulation	USD	LU0133716109
IZ Accumulation	USD	LU2016221744
I Accumulation	USD	LU0134344257
C Accumulation	GBP	LU2526491316