

**10 April 2024**

Dear Shareholder,

**Schroder International Selection Fund (the “Company”) – BlueOrchard Emerging Markets Impact Bond (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.

**Background and rationale**

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.

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.

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

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](http://www.schroders.com).

If you have any questions or would like more information about Schroders’ products please visit [www.schroders.com](http://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 and income in excess of the ICE BofA 3 Month US Treasury Bill Index + 2.5% before fees have been deducted* over a three to five year period by investing in fixed and floating rate securities. The Fund will invest in securities issued by governments, government agencies, supra-nationals and companies of emerging market countries, which help to advance the UN SDGs and which the Investment Manager deems to be sustainable investments.</p> <p>*For the target return after fees for each Share Class please visit the Schroder webpage: <a href="https://www.schroders.com/en/lu/private-investor/investing-with-us/historical-ongoingcharges/">https://www.schroders.com/en/lu/private-investor/investing-with-us/historical-ongoingcharges/</a></p>	<p>The Fund aims to provide capital growth and income in excess of the ICE BofA 3 Month US Treasury Bill Index + 2.5% before fees have been deducted* over a three to five year period by investing in fixed and floating rate securities.</p> <p>The Fund will invest in securities issued by governments, government agencies, supra-nationals and companies of emerging market countries <b>whose activities the Investment Manager considers create positive social or environmental impact</b>, <del>which help to advance the UN</del> SDGs and which the Investment Manager deems to be sustainable investments.</p> <p>*For the target return after fees for each Share Class please visit the Schroder webpage: <a href="https://www.schroders.com/en/lu/private-investor/investing-with-us/historical-ongoingcharges/">https://www.schroders.com/en/lu/private-investor/investing-with-us/historical-ongoingcharges/</a></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 contribute towards the advancement of one or more of the UN SDGs by contributing positively towards social development and environmental themes (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 Fund will invest in fixed and floating rate securities issued by governments, government agencies, supranationals and companies with the aim to foster financial inclusion and provide decisive funding to economically vulnerable communities globally as well as fixed and floating rate securities related to sustainable infrastructure projects and clean energy initiatives. Such issuers may be involved in activities such as micro, small, and medium enterprise (MSME) lending, affordable housing, affordable education, health, agriculture, clean energy, improvements in energy efficiency, renewable energy, green energy products and humanitarian relief activities, among others.</p> <p>The Fund will help to advance one or more of the UN SDGs, including but not limited to: the end of poverty in all its forms; the provision of access to affordable, reliable, sustainable and modern energy; the provision of inclusive and sustainable economic growth, employment and decent work for all; the building of resilient</p>	<p>The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that contribute towards the advancement of <b>an environmental or social objective linked to</b> one or more of the UN SDGs by contributing positively towards social development and environmental themes (please see the Fund Characteristics section for more details), and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria, <b>such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.</b></p> <p><b>The Investment Manager will select sustainable investments from a universe that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include an assessment of an investment's contribution to the UN SDGs alongside the Investment Manager's assessment of impact via its proprietary impact investment management framework and tools (including an impact scorecard).</b></p> <p><b>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</b></p>

infrastructure, promotion of sustainable infrastructure and fostering of innovation; and the reduction of inequality within and among countries.

The Fund does not directly invest in the sectors included in the below International Finance Corporation Exclusion List and BlueOrchard's Public Assets Exclusion List.

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/companyresources/ifcexclusionlist#2007](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/companyresources/ifcexclusionlist#2007)

[https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy\\_Public-Assets.pdf](https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf)

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 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 invests at least two-thirds of its assets in fixed and floating rate securities denominated in various currencies and issued by governments, government agencies, supranationals and companies of emerging market countries.

The Fund may invest up to 50% of its assets in securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds).

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 investment strategy of the Fund and the use of derivatives may lead to situations where it is considered appropriate that prudent levels of cash and Money

**investment process. All sustainable investments in the Fund are subject to this framework.**

The Fund will invest in fixed and floating rate securities issued by governments, government agencies, supranationals and companies with the aim to foster financial inclusion and provide decisive funding to economically vulnerable communities globally as well as fixed and floating rate securities related to sustainable infrastructure projects and clean energy initiatives. Such issuers may be involved in activities such as micro, small, and medium enterprise (MSME) lending, affordable housing, affordable education, health, agriculture, clean energy, improvements in energy efficiency, renewable energy, green energy products and humanitarian relief activities, among others.

The Fund will help to advance one or more of the UN SDGs, including but not limited to: the end of poverty in all its forms; the provision of access to affordable, reliable, sustainable and modern energy; the provision of inclusive and sustainable economic growth, employment and decent work for all; the building of resilient infrastructure, promotion of sustainable infrastructure and fostering of innovation; and the reduction of inequality within and among countries.

The Fund does not directly invest in the sectors included in ~~below International Finance Corporation Exclusion List~~ and BlueOrchard's Public Assets Exclusion List **below**.

~~[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/companyresources/ifcexclusionlist#2007](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/companyresources/ifcexclusionlist#2007)~~

~~[https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy\\_Public-Assets.pdf](https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf)~~

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 challenge identified areas of weakness on sustainability issues.~~ **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/lu/individual/what-we-do/sustainable-investing/our->

<p>Market Investments will be maintained, which may be substantial or even represent (exceptionally)</p> <p>100% of the Fund's assets. This will be limited to a maximum of six months (otherwise the Fund will be liquidated). During this period, the Fund will not fall within the scope of MMFR.</p> <p>The Fund may use derivatives with the aim of reducing risk or managing the Fund more efficiently.</p>	<p>sustainable-investment-policies-disclosures-voting-reports/disclosures-and-statements/</p> <p>The Fund invests at least two-thirds of its assets in fixed and floating rate securities denominated in various currencies and issued by governments, government agencies, supranationals and companies of emerging market countries.</p> <p>The Fund may invest up to 50% of its assets in securities that have a below investment grade credit rating (as measured by Standard &amp; Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds).</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</p> <p>Investments, and hold cash (subject to the restrictions provided in Appendix I).</p> <p>The investment strategy of the Fund and the use of derivatives may lead to situations where it is considered appropriate that prudent levels of cash and Money Market Investments will be maintained, which may be substantial or even represent (exceptionally)</p> <p>100% of the Fund's assets. This will be limited to a maximum of six months (otherwise the Fund will be liquidated). During this period, the Fund will not fall within the scope of MMFR.</p> <p>The Fund may use derivatives with the aim of reducing risk or managing the Fund more efficiently.</p>
<p><b>Current sustainability criteria</b></p>	<p><b>New sustainability criteria</b></p>
<p>The Investment Manager applies sustainability criteria when selecting investments for the Fund.</p> <p>Issuers are assessed via an ESG and impact analysis, which consists of</p> <ul style="list-style-type: none"> <li>a) screening against an exclusion list based on the International Finance Corporation Exclusion List;</li> <li>b) an assessment of the issuer's performance on a range of ESG criteria, informed by both internal and external research;</li> <li>c) an impact assessment of how a company is achieving its sustainable goals based on a proprietary tool and resulting in a rating; and</li> </ul>	<p>The Investment Manager applies sustainability criteria when selecting investments for the Fund.</p> <p><del>Issuers are assessed via an ESG and impact analysis, which consists of</del></p> <ul style="list-style-type: none"> <li><del>a) screening against an exclusion list based on the International Finance Corporation Exclusion List;</del></li> <li><del>b) an assessment of the issuer's performance on a range of ESG criteria, informed by both internal and external research;</del></li> <li><del>c) an impact assessment of how a company is achieving its sustainable goals based on a proprietary tool and resulting in a rating; and</del></li> </ul>

d) in the case of purpose bonds, second party opinion reports produced by third party data providers.

Through this assessment, the Investment Manager selects bonds that it deems eligible in accordance with the Fund's investment objective and policy.

The sources of information used to perform the analysis include information provided by the

companies, such as company sustainability reports and other relevant company material, as well as the Investment Manager's proprietary sustainability tools and third-party data.

Due to the nature of its investments, and in particular the need for currency hedging, the Fund may also hold a portion of investments that the Investment Manager deems to be neutral under its sustainability criteria. These may include (but are not limited to) derivatives for hedging purposes, cash and Money Market Investments.

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 fixed and floating rate securities denominated in various currencies and issued by companies worldwide, including emerging market countries. The universe (for the purpose of this test only) does not include fixed or floating rate securities issued by public or quasi-public issuers.

~~d) in the case of purpose bonds, second party opinion reports produced by third party data providers.~~

**Investments are composed of bonds where the issuer's products and services, business activities or use of proceeds for a purpose bond contribute positively to at least one of the UN SDGs. In order to identify bonds with a direct link to a UN SDG, the Investment Manager applies a two step approach:**

- **The first considers the extent to which the issuer's revenues, business activities, or the use of proceeds of a purpose bond contribute to an environmental or social objective (as applicable).**
- **The second is a detailed ESG and impact assessment of the company and/or bond (as applicable) via the completion of proprietary impact and ESG scorecards. The Investment Manager considers a range of ESG criteria and different aspects of impact such as: what outcome and UN SDGs the bond or company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including the Investment Manager's influence and engagement); and consideration of impact risks. The assessment typically includes Key Performance Indicators (KPIs) that are used to track the company's or the bond's positive contribution over time.**

**The impact and ESG scorecards are validated and approved by the BlueOrchard Sustainability & Impact (S&I) team, in order for the company or bond to be eligible for inclusion in the Fund's investible universe. The S&I team is independent from the investment teams, and is responsible for the consistent application of impact and ESG assessments and scorecards and that all investments meet minimum ESG and impact ratings, as set out in BlueOrchard's ESG & Impact Policy.**

Through this assessment, the Investment Manager selects bonds that it deems eligible in accordance with the Fund's investment objective and policy.

~~The sources of information used to perform the analysis include information provided by the companies, such as company sustainability reports and other relevant company material, as well as the Investment Manager's proprietary sustainability tools and third-party data.~~

Due to the nature of its investments, and in particular the need for currency hedging, the Fund may also hold a portion of investments that the Investment Manager deems to be neutral under its sustainability criteria.

	<p>These may include (but are not limited to) derivatives for hedging purposes, cash and Money Market Investments.</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 fixed and floating rate securities denominated in various currencies and issued by companies worldwide, including emerging market countries. The universe (for the purpose of this test only) does not include fixed or floating rate securities issued by public or quasi-public issuers.</p>
--	--

ISIN codes of the share classes impacted by this change:

<b>Share class</b>	<b>Share class currency</b>	<b>ISIN code</b>
A Accumulation	USD	LU2498532915
C Accumulation	USD	LU2498533053
I Accumulation	USD	LU2498533137
A Accumulation	CHF Hedged	LU2498533210
C Accumulation	CHF Hedged	LU2498533301
A Accumulation	EUR Hedged	LU2498533483
C Accumulation	EUR Hedged	LU2498533566
C Accumulation	GBP Hedged	LU2498533640
C Distribution	GBP Hedged	LU2600601988
C Accumulation	SEK Hedged	LU2498533723
X Accumulation	SEK Hedged	LU2498533996