

27 September 2021

Dear Shareholder,

Schroder International Selection Fund – European Alpha Absolute Return (the “Fund”)

We are writing to advise you that on 29 October 2021 the following changes will be made to the Fund:

- the holding range of 30 – 60 companies will be removed; and
- the Fund will incorporate binding environmental and/or social characteristic(s), within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”). Details of the Fund’s environmental and/or social characteristics and how it seeks to achieve them will be disclosed in the Fund’s investment policy and under a new section called “Sustainability Criteria” in the Fund Characteristics section of the prospectus.

In addition, from 1 January 2022, the benchmark used in relation to the Fund’s performance fee and as a comparator will change from the 3 Month EUR London Interbank Offer Rate Act 360 to the Euro Short-Term Rate.

Rationale

The existing holding range was intended to reflect the concentrated nature of the Fund’s portfolio. However, the strategy is currently implemented with a broader portfolio and so the range will be removed to avoid constraining the investment manager.

We believe that incorporating sustainability factors into the Fund’s strategy aligns with the increasing desire among investors to put their money into investments that can clearly demonstrate their sustainability credentials.

The existing performance fee benchmark is an “interbank offered rate” (an “IBOR”). These rates are intended to reflect the average cost to certain banks of borrowing or obtaining unsecured short-term funds in the interbank market. Following regulatory developments, the use of such rates as benchmarks is being phased out. The replacement performance fee benchmark will be the Euro Short-Term Rate. It is a “risk free rate” (the theoretical return of an investment with zero risk) and such rates have been recommended by regulators and central banks as the best alternatives to IBORs.

Investment Policy Change

From 29 October 2021, the investment policy of the Fund, which is contained in Schroder International Selection Fund (the “Company”)'s prospectus, will change from:

“Investment Policy

The Fund is actively managed and invests at least two-thirds of its assets directly, or indirectly through derivatives, in equity and equity related securities of European companies.

'Alpha' funds invest in companies in which the Investment Manager has a high conviction that the current share price does not reflect the future prospects for that business. The Fund typically holds 30-60 companies.

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 represent (exceptionally) 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.

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 and warrants (subject to the restrictions provided in Appendix I).

The Fund may use derivatives (including total return swaps) with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. The Fund may have synthetic long and short positions and may be net long or short when long and short positions are combined. Where the Fund uses total return swaps and contracts for difference, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. In particular, total return swaps and contracts for difference may be used to gain long and short exposure or to hedge exposure on equity and equity related securities. The gross exposure of total return swaps and contracts for difference will not exceed 250% and is expected to remain within the range of 0% to 150% of the Net Asset Value. In certain circumstances this proportion may be higher.”

To:

“Investment Policy

The Fund is actively managed and invests at least two-thirds of its assets directly, or indirectly through derivatives, in equity and equity related securities of European companies.

'Alpha' funds invest in companies in which the Investment Manager has a high conviction that the current share price does not reflect the future prospects for that business.

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 represent (exceptionally) 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.

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The Fund maintains a positive absolute sustainability score, based on the Investment Manager's rating system. More details on the investment process used to achieve this can be found in the Fund Characteristics section.

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

SFDR Sustainability Criteria

From 29 October 2021 the following section will be added to the Fund's details in the Company's prospectus to detail how it will seek to achieve the Fund's environmental and/or social characteristics:

"Sustainability Criteria

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

Companies in the investment universe are assessed on their governance, environmental and social profile, across a range of factors. This analysis is a combination of quantitative and qualitative inputs, gained from Schroders' proprietary sustainability tools as well as the Investment Manager's own research and analysis.

These factors are considered as part of the investment decision making process to determine which companies the Investment Manager includes within the Fund.

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 Schroders' proprietary sustainability tools and third-party data.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.

The Investment Manager ensures that at least:

- 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries,

held in the Fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion."

Performance Fee Benchmark Change

From 1 January 2022 the performance fee section of the Fund, which is contained in Company's prospectus, will change from:

"20% of the outperformance over 3 Month EUR London Interbank Offer Rate Act 360, subject to a High Water Mark as per the methodology in section 3.1. Performance fee will be applied to all Share Classes except the I Shares"

To

"20% of the outperformance over the Euro Short-Term Rate, subject to a High Water Mark as per the methodology in section 3.1. Performance fee will be applied to all Share Classes except the I Shares"

Comparator Benchmark Change

From 1 January 2022 the Euro Short-Term Rate will replace 3 Month EUR London Interbank Offer Rate Act 360 as a comparator benchmark of the Fund.

All other key features of the Fund will remain the same.

Redeeming or switching your shares to another Schroders fund

We hope that you will choose to remain invested in the Fund following these changes, but if you do wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the changes become effective you may do so at any time up to and including deal cut-off on 28 October 2021 (31 December 2021 for the performance fee and comparator benchmark changes). Please ensure that your redemption or switch instruction reaches HSBC Continental Europe, Luxembourg ("HSBC") before this deadline. HSBC will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, free of charge, although in some countries local paying agents, correspondent banks or similar agents might charge transaction fees. Local agents might also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach HSBC before the deal cut-off on 28 October 2021 (31 December 2021 for the performance fee and comparator benchmark changes).

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

The Board of Directors

Appendix

ISIN codes of share classes affected by the changes

Share class	Share class currency	ISIN code
A Accumulation	EUR	LU1046234768
A Distribution	EUR	LU1933819440
B Accumulation	EUR	LU1046234842
C Accumulation	EUR	LU0995125985
C Distribution	EUR	LU1651856921
E Accumulation	EUR	LU1056829218
I Accumulation	EUR	LU1388563725
IZ Accumulation	EUR	LU2016215183
C Accumulation	CHF Hedged	LU1640503279
C Accumulation	GBP Hedged	LU0995126108
A Accumulation	USD Hedged	LU1065104314
A1 Accumulation	USD Hedged	LU1067354842
B Accumulation	USD Hedged	LU1067351400
C Accumulation	USD Hedged	LU0995126363
C Distribution	USD Hedged	LU1651856848