

**Schroder International Selection Fund**  
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**IMPORTANT: This letter is important and requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Europe) S.A., as the Management Company to Schroder International Selection Fund, accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.**

**27 September 2021**

Dear Shareholder,

### **Schroder International Selection Fund – US Smaller Companies (the “Fund”)**

We are writing to advise you that the Fund will incorporate binding environmental and/or social characteristic(s), within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”) with effect from 29 October 2021 (the “Effective Date”). 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. Note that the target benchmark and comparator benchmark(s) will not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund. Specific risk considerations in relation to SFDR will also be added to the prospectus.

In addition, there has been a change to the Fund’s comparator benchmark, i.e. a new comparator benchmark has been added for the Fund.

### **Rationale**

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.

### **Investment Policy Change**

From the Effective Date the following will be added to the Fund’s investment policy which is contained in Schroder International Selection Fund (the “Company”)'s Hong Kong offering documents (comprising the prospectus, Hong Kong Covering Document and Product Key Facts Statement of the Fund):

“The Fund maintains a higher overall sustainability score than the S&P Small Cap 600 Lagged (Net TR) Index, based on the Investment Manager’s rating criteria. 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](http://www.schroders.com/en/lu/private-investor/gfc)<sup>1</sup>

## SFDR Sustainability Criteria

From the Effective Date 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:

“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.

The Investment Manager performs its own due diligence on potential holdings including, where possible, meetings with senior management. The Investment Manager analyses information provided by the companies, including information provided in company sustainability reports and other relevant company material. The Investment Manager will also scrutinise other disclosures, including third party reports, and will typically engage with the company during the assessment process and afterwards if the company is selected for the portfolio.

This assessment is supported by quantitative analysis from Schroders’ proprietary sustainability tools. Through such tools, analysts are able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge.

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](http://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures)<sup>2</sup>.

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.”

For the avoidance of doubt, the Fund is not classified as an environmental, social and governance fund in Hong Kong.

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<sup>1</sup> For Hong Kong investors, please refer to the following website: <https://www.schroders.com/en/hk/retail-investors/funds/fund-centre> (this website has not been reviewed by the SFC).

<sup>2</sup> For Hong Kong investors, please refer to the following website: <https://www.schroders.com/en/hk/retail-investors/sustainability/making-an-impact-through-sustainability> (this website has not been reviewed by the SFC).

### **New Comparator Benchmark**

A new comparator benchmark, the S&P Small Cap 600 Lagged (Net TR) index, has been added for the Fund in the Company's Hong Kong offering documents. As such, 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.

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

The Hong Kong offering documents of the Company will be revised to reflect the above changes and will be available free of charge at [www.schroders.com.hk](http://www.schroders.com.hk)<sup>3</sup> or upon request from the Hong Kong Representative of the Company, Schroder Investment Management (Hong Kong) Limited.

### **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 authorized by the Securities and Futures Commission ("SFC")<sup>4</sup> before the relevant changes to the Fund, other than the addition of new comparator benchmark, become effective, you may do so at any time up to and including the dealing cut-off at 5:00 p.m. Hong Kong time on **28 October 2021**. Please ensure that your redemption or switch instruction reaches the Hong Kong Representative before this deadline. We will execute your redemption or switch instructions in accordance with the provisions of the Company's Hong Kong offering documents, 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 dealing cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach the Hong Kong Representative before the dealing cut-off at 5:00 p.m. Hong Kong time on **28 October 2021**.

If you have any questions or would like more information, please contact your usual professional advisor or the Hong Kong Representative at Level 33, Two Pacific Place, 88 Queensway, Hong Kong or calling the Schroders Investor Hotline on (+852) 2869 6968.

The Board of Directors

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<sup>3</sup> This website has not been reviewed by the SFC.

<sup>4</sup> SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.