# **Schroders**

Schroder International Selection Fund Société d'Investissement à Capital Variable 5, rue Höhenhof, L-1736 Senningerberg Grand Duchy of Luxembourg

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## 25 August 2023

Dear Shareholder,

### Schroder International Selection Fund (the "Company") – Carbon Neutral Credit (the "Fund")

We are writing to inform you that the Fund's investment policy and sustainability criteria have been clarified.

Since the Fund's launch in June 2021, climate-focused investing has continued to evolve. Against this backdrop our processes for screening and building a portfolio that addresses key climate change issues have also evolved. This ensures the Fund continues to align with the current market standards, developments in eligibility screening, and ultimately continues to meet the sustainability and investment needs of investors.

In light of these developments the Fund's investment policy and sustainability criteria have been updated, along with the Sustainable Finance Disclosure Regulation pre-contractual disclosures, in the Company's prospectus.

The extent of the change to the risk/reward profile of the Fund as a result of these changes is non-significant.

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 <u>www.schroders.lu</u>.

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

New wording is shown in bold. Removed wording is shown as strikethrough text.

# Schroder ISF Carbon Neutral Credit

Current investment policy	New investment policy
The Fund is actively managed and invests at least 75% of	The Fund is actively managed and invests at least 75% of
its assets in (i) sustainable investments which are	its assets in (ia) sustainable investments which are
investments that contribute towards the objective of	investments that in the Investment Manager's view will
carbon emission reduction by aiming for, and being on	contribute towards the objective of carbon emission
track to achieve, 80% emission reductions by 2030 and (ii)	reduction by one or a combination of the following: (i)
investments that the Investment Manager deems to be	being carbon neutral (ii) aiming for, and being on track to
neutral under its sustainability criteria. The Fund will aim	achieve, 80% emission reductions or equivalent by 2030;
to offset residual portfolio emissions with avoided	(iii) otherwise demonstrating a contribution to the
emissions, in order for the portfolio to achieve net zero	reduction of carbon emissions (please see the Fund
emissions by 2025. Please see the Fund Characteristics	Characteristics section for more details) and (iib)
section for more details.	investments that the Investment Manager deems to be
	neutral under its sustainability criteria. The Fund will aim
The Fund does not directly invest in certain activities,	to offset residual portfolio emissions with avoided
industries or groups of issuers above the limits listed	emissions, in order for the portfolio to achieve net zero
under "Sustainability Information" on the Fund's	emissions by 2025.
webpage, accessed via	
www.schroders.com/en/lu/private-investor/gfc.	The Fund does not directly invest in certain activities,
	industries or groups of issuers above the limits listed
The Fund invests in companies that do not cause	under "Sustainability Information" on the Fund's
significant environmental or social harm and have good	webpage, accessed via
governance practices, as determined by the Investment	www.schroders.com/en/lu/private-investor/gfc.
Manager's rating criteria (please see the Fund	
characteristics section for more details).	The Fund invests in companies that do not cause
	significant environmental or social harm and have good
The Fund may invest in companies that the Investment	governance practices, as determined by the Investment
Manager believes will improve their sustainability	Manager's rating criteria (please see the Fund
practices within a reasonable timeframe, typically up to	characteristics section for more details).
two years.	
	The Fund may invest in companies that the Investment
The Investment Manager may also engage with	Manager believes will improve their sustainability
companies held by the Fund to challenge identified areas	practices within a reasonable timeframe, typically up to
of weakness on sustainability issues. More details on the	<del>two years.</del>
Investment Manager's approach to sustainability and its	
engagement with companies are available on the website	The Investment Manager may also engage with
www.schroders.com/en/lu/private-investor/strategic-	companies held by the Fund or from the investible
capabilities/sustainability/disclosures.	universe to gain insights or request improvement to
	challenge identified areas of weakness on sustainability
The Fund invests at least two-thirds of its assets in fixed	issues. More details on the Investment Manager's
and floating rate securities issued by governments,	approach to sustainability and its engagement with
government agencies, supra-nationals and companies	companies are available on the website
worldwide, including emerging market countries.	www.schroders.com/en/lu/private-investor/strategic-
The Fund may invest:	capabilities/sustainability/disclosures.
– up to 60% of its assets in securities that have a below	
investment grade credit rating (as measured by Standard	The Fund invests at least two-thirds of its assets in fixed
& Poor's or any equivalent grade of other credit rating	and floating rate securities issued by governments,
agencies for rated bonds and implied Schroders ratings	government agencies, supra-nationals and companies
for non-rated bonds);	worldwide, including emerging market countries.
<ul> <li>up to 30% of its assets in convertible bonds including</li> </ul>	The Fund may invest:
up to 10% of its assets in contingent convertible bonds;	– up to 60% of its assets in securities that have a below
and	investment grade credit rating (as measured by Standard

<ul> <li>up to 20% of its assets in asset-backed securities and mortgage backed securities</li> </ul>	& Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings	
mortgage-backed securities.	for non-rated bonds);	
The Investment Manager believes that over the long	<ul> <li>up to 30% of its assets in convertible bonds including</li> </ul>	
term, companies that manage the risks and invest in the	up to 10% of its assets in contingent convertible bonds;	
opportunities arising from climate change better than	and	
peers will not only experience fewer penalties, but	<ul> <li>up to 20% of its assets in asset-backed securities and</li> </ul>	
capture financial and non-financial rewards by various	mortgage-backed securities.	
stakeholders.		
The Fundamental increases the sure the industrial sector	The Investment Manager believes that over the long	
The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other	term, companies that manage the risks and invest in the	
asset classes), countries, regions, industries or currencies,	opportunities arising from climate change better than peers will not only experience fewer penalties, but	
warrants and Money Market Investments, and hold cash	capture financial and non-financial rewards by various	
(subject to the restrictions provided in Appendix I).	stakeholders.	
The Fund may use derivatives with the aim of achieving	The Fund may also invest up to one-third of its assets	
investment gains, reducing risk or managing the Fund	directly or indirectly in other securities (including other	
more efficiently.	asset classes), countries, regions, industries or currencies,	
	warrants and Money Market Investments, and hold cash	
	(subject to the restrictions provided in Appendix I).	
	The Fund may use derivatives with the aim of achieving	
	investment gains, reducing risk or managing the Fund	
	more efficiently.	
Current sustainability criteria	New sustainability criteria	
The Fund's objective includes a reduction in carbon	The Fund's objective includes a reduction in carbon	
emissions, which means that it aims for low carbon	emissions, which means that it aims for low carbon	
emissions, consistent with the long-term objectives of the	emissions, consistent with the long-term objectives of the	
Paris Agreement on limiting global warming.	Paris Agreement on limiting global warming.	
The Investment Manager applies sustainability criteria	The Investment Manager applies sustainability criteria	
when selecting investments for the Fund. Issuers are	when selecting investments for the Fund. Issuers are	
assessed using a methodology that identifies companies	assessed using a methodology that identifies companies	
that have set targets for, and are on course to reduce	that in the Investment Manager's view will contribute	
carbon emissions intensity by at least 80% by 2030. To	towards the objective of carbon emission reduction.	
complement this, the Investment Manager also targets companies that provide carbon savings, or 'avoided	have set targets for, and are on course to reduce carbon emissions intensity by at least 80% by 2030. To	
emissions'. These are companies that provide products or	complement this, the Investment Manager also targets	
services which will contribute to reducing the higher	companies that provide carbon savings, or 'avoided	
emission activities of other companies which use those	emissions'. These are companies that provide products or	
products or services.	services which will contribute to reducing the higher	
	emission activities of other companies which use those	
This methodology is data-driven, sourced from	products or services.	
established environmental initiatives and data sources	This methodology to succee the cash or neutral universe	
such as the CDP and the Science Based Targets initiative (SBTi), MSCI and other credible external and proprietary	This methodology <b>to create the carbon neutral universe</b> is data-driven, sourced from established environmental	
data sources.	initiatives and data sources such as the CDP and the	
	Science Based Targets initiative (SBTi), MSCI and other	
The Investment Manager then screens the resulting	credible external and proprietary data sources.	
universe for issuers it deems to have harmful and		
controversial practices defined by a specific list of	The Investment Manager then screens the resulting	
exclusion criteria. The Investment Manager also conducts	universe for issuers it deems to have harmful and	
its own due diligence to identify issuers do no significant	controversial practices defined by a specific list of	
harm to environmental or social objectives. Schroders'	exclusion criteria.	
proprietary sustainability tools and external	The Investment Manager also conducts its own due diligence and uses third narty data to identify issuers that	
	diligence and uses third party data to identify issuers that	

sustainability ratings are utilised to identify issuers with	do no significant harm to environmental or social
good governance.	objectives. Schroders' proprietary sustainability tools and
The law shares at Manager and shares and shares with	external
The Investment Manager may also engage with	sustainability ratings are utilised to identify issuers with
companies to encourage carbon emission intensity	good governance.
reduction. This identifies new investment opportunities,	
and monitors whether a company's carbon intensity	The Investment Manager may also engage with
reduction plan is progressing.	companies to encourage carbon emission intensity reduction. This identifies new investment opportunities,
Due to the nature of its investments, and in particular the	
Due to the nature of its investments, and in particular the need for currency hedging, the Fund may also hold a	and monitors whether a company's carbon intensity reduction plan is progressing.
portion of investments that the Investment Manager	
deems to be neutral under its sustainability criteria. These	Due to the nature of its investments, and in particular the
may include (but are not limited to) derivatives for	need for currency hedging, the Fund may also hold a
hedging purposes, cash and Money Market Investments.	portion of investments that the Investment Manager
nedsing purposes, cash and money market investments.	deems to be neutral under its sustainability criteria. These
The Investment Manager ensures that at least 90% of	may include (but are not limited to) derivatives for
companies in the Fund's portfolio are rated	hedging purposes, cash and Money Market Investments.
against the sustainability criteria. As a result of the	
application of sustainability criteria, at least 20% of	The Investment Manager ensures that at least 90% of the
the Fund's potential investment universe is excluded from	portion of the Fund's Net Asset Value composed of
the selection of investments.	investments in companies in the Fund's portfolio is rated
	against the sustainability criteria. As a result of the
For the purposes of this test, the potential investment	application of sustainability criteria, at least 20% of the
universe is the core universe of issuers that the	Fund's potential investment universe is excluded from the
Investment Manager may select for the Fund prior to the	selection of investments.
application of sustainability criteria, in	
accordance with the other limitations of the Investment	For the purposes of this test, the potential investment
Objective and Policy. This universe is comprised of fixed	universe is the core universe of issuers that the
and floating rate securities denominated in various	Investment Manager may select for the Fund prior to the
currencies and issued by companies worldwide, including	application of sustainability criteria, in accordance with
emerging market countries. The universe (for the purpose	the other limitations of the Investment Objective and
of this test only) does not include fixed or floating rate	Policy. This universe is comprised of fixed and floating rate securities denominated in various currencies and
securities issued by public or quasi-public issuers.	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.

ISIN codes of the share classes impacted by this change:	

Share class	Share class currency	ISIN code
A Accumulation	EUR	LU2343327081
A Distribution	EUR	LU2343327164
B Accumulation	EUR	LU2343327248
C Accumulation	EUR	LU2343327321
E Accumulation	EUR	LU2343327594
I Accumulation	EUR	LU2343327677

Share class	Share class currency	ISIN code
IZ Accumulation	EUR	LU2343327750
Y Accumulation	EUR	LU2399671598
A Accumulation	CHF Hedged	LU2399671671
Y Accumulation	CHF Hedged	LU2399671911
C Accumulation	GBP Hedged	LU2343327834
I Accumulation	GBP Hedged	LU2343327917
A Accumulation	USD Hedged	LU2399671838
A Distribution	USD Hedged	LU2399671754
C Accumulation	USD Hedged	LU2343328055
Y Accumulation	USD Hedged	LU2399671325
Y Distribution	USD Hedged	LU2399671242