

25 August 2023

Dear Shareholder,

Schroder International Selection Fund (the "Company") – Carbon Neutral Credit 2040 (the "Fund")

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

Since the Fund's launch in December 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 objective, 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 www.schroders.lu.

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 2040

Current investment objective	New investment objective
<p>The Fund aims to achieve i) aggregate carbon neutrality by the year 2040 within its investment portfolio and ii) capital growth by investing in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, which the Investment Manager deems to be sustainable investments, and which contribute towards the objective of carbon emission reduction, in order to support and encourage the transition towards a zero carbon world.</p> <p>Aggregate carbon neutrality means achieving net zero carbon emissions intensity by balancing investments in (i) issuers that generate carbon emissions, but that have stated goals to reduce such emissions with (ii) issuers that contribute to reducing carbon emissions.</p>	<p>The Fund aims to achieve i) aggregate carbon neutrality by the year 2040 within its investment portfolio and ii) capital growth by investing in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, which the Investment Manager deems to be sustainable investments, and which contribute towards the objective of carbon emission reduction, in order to support and encourage the transition towards a zero carbon world.</p> <p>Aggregate carbon neutrality means achieving net zero carbon emissions intensity by balancing investments in (i) issuers that generate carbon emissions, but that have stated goals are on a trajectory to reduce such emissions with (ii) issuers that contribute to reducing carbon emissions.</p>
Current investment policy	New investment policy
<p>The Fund is actively managed and invests at least 75% of its assets in (i) sustainable investments which are investments that in the Investment Manager's view will contribute towards the objective of carbon emission reduction by aiming for, and being on track to achieve, 80% emission reductions by 2040 and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria. In seeking to achieve aggregate carbon neutrality by the year 2040 within its investment portfolio, the Fund may offset residual portfolio emissions with avoided emissions. Please see the Fund Characteristics section for more details.</p> <p>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.</p>	<p>The Fund is actively managed and invests at least 75% of its assets in (i) (ia) sustainable investments, which are investments that in the Investment Manager's view will contribute towards the objective of carbon emission reduction by one or a combination of the following: (i) being carbon neutral; (ii) aiming for, and being on track to achieve, 75% emission reductions or equivalent by 2040; (iii) committing to net zero by 2050; (iv) having Science Based Targets initiative (SBTi) decarbonisation targets; (v) otherwise demonstrating a contribution to the reduction of carbon emissions (please see the Fund Characteristics section for more details)-aiming for, and being on track to achieve, 80% emission reductions by 2040 and (ii) (b) investments that the Investment Manager deems to be neutral under its sustainability criteria. In seeking to achieve aggregate carbon neutrality by the year 2040 within its investment portfolio, the Fund may</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 Fund may invest in companies that the Investment Manager believes will improve their sustainability practices within a reasonable timeframe, typically up to two years.</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 website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.</p> <p>The Fund invests at least two-thirds of its assets in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, including emerging market countries.</p> <p>The Fund may invest:</p> <ul style="list-style-type: none"> – up to 60% 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); – up to 30% of its assets in convertible bonds including up to 10% of its assets in contingent convertible bonds; and – up to 20% of its assets in asset-backed securities and mortgage-backed securities. <p>The Investment Manager believes that over the long term, companies that manage the risks and invest in the opportunities arising from climate change better than peers will not only experience fewer penalties, but capture financial and non-financial rewards by various stakeholders.</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, warrants and Money Market Investments, and hold cash (subject to the restrictions provided in Appendix I).</p>	<p>offset residual portfolio emissions with avoided emissions.</p> <p>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.</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 Fund may invest in companies that the Investment Manager believes will improve their sustainability practices within a reasonable timeframe, typically up to two years.</p> <p>The Investment Manager may also engage with companies held by the Fund or from the investible universe to gain insights or request improvementto 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 website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.</p> <p>The Fund invests at least two-thirds of its assets in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide, including emerging market countries.</p> <p>The Fund may invest:</p> <ul style="list-style-type: none"> – up to 60% 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); – up to 30% of its assets in convertible bonds including up to 10% of its assets in contingent convertible bonds; and – up to 20% of its assets in asset-backed securities and mortgage-backed securities. <p>The Investment Manager believes that over the long term, companies that manage the risks and invest in the opportunities arising from climate</p>
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<p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p>	<p>change better than peers will not only experience fewer penalties, but capture financial and non-financial rewards by various stakeholders.</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, 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>
Current sustainability criteria	New sustainability criteria
<p>The Fund's objective includes a reduction in carbon emissions, which means that it aims for low carbon emissions, consistent with the long-term objectives of the Paris Agreement on limiting global warming.</p> <p>The Investment Manager applies sustainability criteria when selecting investments for the Fund. Issuers are assessed using a methodology that identifies companies that have set targets to reduce carbon emissions intensity by at least 80% by 2040 and are on course to achieve this. To complement this, the Investment Manager may also target companies that provide carbon savings, or 'avoided emissions'. These are companies that provide products or services which will contribute to reducing the higher emission activities of other companies which use those products or services.</p> <p>This methodology is data-driven, sourced from established environmental initiatives and data sources such as the CDP disclosure system and the Science Based Targets initiative (SBTi), MSCI and other chosen external and proprietary data sources.</p> <p>The Investment Manager then screens the resulting universe of potential investments for issuers it deems to have harmful and controversial practices defined by a specific list of exclusion criteria.</p> <p>The Investment Manager also conducts its own due diligence to identify issuers that do not cause significant environmental or social harm. Schrodgers' proprietary sustainability tools as well</p>	<p>The Fund's objective includes a reduction in carbon emissions, which means that it aims for low carbon emissions, consistent with the long-term objectives of the Paris Agreement on limiting global warming.</p> <p>The Investment Manager applies sustainability criteria when selecting investments for the Fund. Issuers are assessed using a methodology that identifies companies that in the Investment Manager's view will contribute towards the objective of carbon emission reduction. Have set targets to reduce carbon emissions intensity by at least 80% by 2040 and are on course to achieve this. To complement this, the Investment Manager may also target companies that provide carbon savings, or 'avoided emissions'. These are companies that provide products or services which will contribute to reducing the higher emission activities of other companies which use those products or services.</p> <p>This methodology to create the carbon neutral universe is data-driven, sourced from established environmental initiatives and data sources such as the CDP disclosure system and the Science Based Targets initiative (SBTi), MSCI and other chosen external and proprietary data sources.</p> <p>The Investment Manager then screens the resulting universe of potential investments for issuers it deems to have harmful and controversial practices defined by a specific list of exclusion criteria.</p> <p>The Investment Manager also conducts its own due diligence and uses third party data with the aim of identifying issuers that to identify issuers</p>

<p>as external sustainability ratings are utilised to identify issuers with good governance.</p> <p>The Investment Manager may also engage with companies to encourage carbon emission intensity reduction. This engagement may identify new investment opportunities, and is used to monitor how a company's carbon intensity reduction plan is progressing.</p> <p>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.</p> <p>The Investment Manager ensures that at least 90% of companies in the Fund's portfolio are 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>	<p>that do not cause significant harm to environmental or social objectives harm.</p> <p>Schroders' proprietary sustainability tools as well as external sustainability ratings are utilised to identify issuers with good governance.</p> <p>The Investment Manager may also engage with companies to encourage carbon emission intensity reduction. This engagement may identify new investment opportunities, and may provide insights on is used to monitor how a company's carbon intensity reduction plan is progressing.</p> <p>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.</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 in the Fund's portfolio 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>
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ISIN codes of the share classes impacted by this change:

Share class	Share class currency	ISIN code
A Accumulation	EUR	LU2402391325
A Distribution	EUR	LU2402391598

B Accumulation	EUR	LU2402391671
C Accumulation	EUR	LU2402391754
E Accumulation	EUR	LU2402391838
I Accumulation	EUR	LU2402392059
IZ Accumulation	EUR	LU2402392133
C Accumulation	GBP Hedged	LU2402392216
I Accumulation	GBP Hedged	LU2402392307
C Accumulation	USD Hedged	LU2402392489