



SFDR Periodic Report

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Reference Period: 1 January 2025 - 31 December 2025

Product Name : Schroder ISF European Special Situations
Legal Entity Identifier : KV1VJCZ9TY7EN2E4WH87

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

● ● ☐ Yes

☒ ☐ ☒ **No**

☐ It promoted E/S characteristics, but **did not make any sustainable investments**

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To what extent were the environmental and/or social characteristics promoted by this financial product met?

The environmental and/or social characteristics promoted by the Fund were met.

The Fund maintained a higher overall sustainability score than the MSCI Europe Net TR Index, based on the Investment Manager's rating system. This benchmark (which is a broad market index) is not a reference benchmark for the purposes of the environmental and social characteristics promoted by the Fund.

The sustainability score is measured by Schroders' proprietary tool that provides an aggregate estimate of the social and environmental costs and benefits that an issuer may create. It does this by scoring the issuer against a list of indicators – scores may be positive (for example, when an issuer pays more than average living wages) or negative (for example, when an issuer emits carbon). It does this using third party data as well as Schroders' own estimates and assumptions and the outcome may differ from other sustainability tools and measures.

The result is expressed as an aggregate score of the sustainability indicators for each issuer, specifically a notional percentage (positive or negative) of sales or GDP of the relevant underlying issuer. For example, a score of +2% would mean that for every \$100 of sales or GDP the issuer generates, it would provide a net positive contribution to society and/or the environment of \$2. The sustainability score of the Fund is derived from the scores of all eligible issuers in the Fund's portfolio measured by Schroders' proprietary tool.

The Fund also invested at least 25% of its assets in sustainable investments during the reference period.

The reference period for this Fund is 1 January 2025 to 31 December 2025.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

• How did the sustainability indicators perform?

The Fund's sustainability score at the end of the reference period was 3.6% and the benchmark's sustainability score at the end of the reference period was -3.8%. In each case the sustainability score is calculated as described above.

The top 5 indicators in Schroders' proprietary tool that contributed positively to the sustainability score of the Fund at the end of the reference period were:

- Avoided Emissions
- Donations
- High Salaries
- Innovation
- Medicine

The Investment Manager invested 79% of the Fund's assets in sustainable investments. This figure represents the percentage of sustainable investments at the end of the reference period. Sustainable investments are measured by reference to the sustainability score in Schroders' proprietary tool.

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• ...and compared to previous periods?

Sustainable investments

This table details the percentage of assets invested in sustainable investments, year on year.

Period	Fund (%)
Jan 2025 - Dec 2025	79
Jan 2024 - Dec 2024	76
Jan 2023 - Dec 2023	68
Aug 2022 - Dec 2022	69

Sustainability score

This table details the Fund's and benchmark's sustainability score, year on year.

Period	Fund (%)	Benchmark (%)
Jan 2025 - Dec 2025	3.6	-3.8
Jan 2024 - Dec 2024	2.5	-3.6
Jan 2023 - Dec 2023	1.8	-5.2
Jan 2022 - Dec 2022	2.0	-8.1

For 2022 the percentage of sustainable investments was calculated as an average over the last four months of the reference period.

For 2023 and 2024 the percentage is calculated as an average based on quarter-end data.

From 2025 the percentage of sustainable investments was calculated as at the end of the reference period.

From 2022 to 2024 Sustainability scores were calculated as a weighted average of the Fund's holdings over the last six months of the reference period.

From 2025 the Sustainability score is calculated with respect to the Fund's holdings at the end of the reference period.

• **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

In respect of the proportion of the Fund's portfolio that was invested in sustainable investments, each sustainable investment demonstrated a net positive effect across a range of environmental or social objectives, as scored by Schroders' proprietary tool.

The objectives of the sustainable investments that the Fund made included, but were not limited to:

- Avoided Emissions: the estimated environmental benefits of companies that enable system-or economy-wide reductions in carbon emissions;
- Donations: the estimated societal benefits from a company's philanthropic donations. Measured based on the monetary value of the sum donated;
- High Salaries: the estimated societal benefit of paying staff above local living wages (for regions in which they operate). Assigned in proportion to the surplus companies are paying employees compared to the average living wage;
- Innovation: the estimated societal benefits arising from the investment in Research and Development (R&D). Assigned based on the unitary benefit of R&D spend, or estimated based on company patent

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applications; and

- Medicine: the estimated societal benefits arising from the additional social value the sale of such products and services exhibits of the wider economy. Assigned in proportion to the company's involvement in the healthcare value chain and proportion of company market share to global sub-sector revenue.

The above examples of the objectives of the sustainable investments that the Fund made during the reference period are based on the most significant objectives at the end of the reference period. Other objectives may have applied during the reference period.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

• How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The Investment Manager's approach to not causing significant harm to any environmental or social sustainable investment objective included the following:

- Firm-wide exclusions applied to Schroders funds. These related to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and thermal coal mining. Further information and a list of excluded controversial weapons companies is available at <https://www.schroders.com/en/global/individual/about-us/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/group-exclusions/>.

- The Fund excluded companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.

- The Fund excluded companies that are assessed by Schroders to have breached one or more 'global norms' thereby causing significant environmental or social harm; these companies comprise Schroders' 'global norms' breach list. Schroders' determination of whether a company has been involved in such a breach considers relevant principles such as those contained in the UN Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The 'global norms' breach list may be informed by assessments performed by third party providers and by proprietary research, where relevant to a particular situation.

In exceptional circumstances a derogation may have been applied in order to allow the Fund to continue to hold a company on Schroders' 'global norms' breach list, for example where the stated investment strategy of the Fund may otherwise be compromised. Any such company was not categorised as a sustainable investment.

- The Fund may have also applied certain other exclusions in addition to those summarised above. Further information on all of the Fund's investment exclusions is to be found under "Sustainability-Related Disclosure" on the Fund's webpage

<https://www.schroders.com/en-lu/lu/individual/fund-centre>

How were the indicators for adverse impacts on sustainability factors taken into account?

When seeking to identify significant harm, Schroders' approach to taking into account the Principal Adverse Impacts (PAI) indicators involved taking both a quantitative and a qualitative approach. Investee companies deemed not to satisfy the quantitative thresholds would generally have been excluded, unless on a case-by-case basis the data was deemed not representative of a company's

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performance in the relevant area. Where it was not considered appropriate or feasible to set quantitative thresholds, the Investment Manager engaged, where relevant, in accordance with the priorities documented in Schroders' Engagement Blueprint and/or voting policy. This framework is subject to ongoing review, particularly as the availability and quality of the data evolves. Our approach included:

1. Quantitative: this included indicators where specific thresholds have been established:

- Via the application of exclusions. This approach is relevant to PAI 4 (Exposure to companies active in the fossil fuel sector), PAI 5 (Share of non-renewable energy consumption and production) and PAI 14 (Exposure to controversial weapons).

Further, the following PAIs were assessed as part of Schroders' 'global norms' breach list exclusion (which seeks to exclude companies where significant harm is occurring):

- PAI 7 (Activities negatively affecting biodiversity-sensitive areas),
- PAI 8 (Emissions to water),
- PAI 9 (Hazardous waste and radioactive waste ratio),
- PAI 10 (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises),
- PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises and Voluntary) and
- PAI 14 in Table 3 (Number of identified cases of severe human rights issues and incidents).

- Via the application of an alert system flag if the relevant indicator(s) exceeded a threshold. These quantitative thresholds to assess significant harm are established centrally by our Sustainable Investment team and monitored systematically. This approach applies to indicators where we have segmented the population into harm groups to establish a threshold, such as carbon related PAI metrics, PAI 1 (GHG emissions), PAI 2 (Carbon footprint) and Voluntary PAI 4 in Table 2 (Investing in companies without carbon emission reduction initiatives). PAI 3 (GHG intensity of investee companies) operates in a similar way, but the threshold is based on a revenue metric. A threshold for PAI 6 (Energy consumption intensity per high impact climate sector) is established based on the above-mentioned carbon measures. A similar approach has been taken for PAI 15 (GHG intensity). PAI 16 (Investee countries subject to social violations) also operates in the same way but based on data availability regarding social violations. Through this process the relevant issuer(s) that were deemed not to satisfy the quantitative thresholds were flagged to the Investment Manager for consideration, whose response may have involved selling the holdings(s) or maintaining the position if on a case-by-case basis the data was deemed not representative of a company's performance in the relevant area. Investee companies deemed to cause significant harm were excluded from the Fund.

2. Qualitative: This included PAI indicators where Schroders' believed that the data available did not enable us to make a quantitative determination regarding whether significant harm was done so as to warrant excluding an investment. In such cases, the Investment Manager engaged where possible with the company or companies held, in accordance with the priorities documented in Schroders' Engagement Blueprint and/or voting policy. This approach applies to indicators such as PAI 12 (Unadjusted gender pay gap) and PAI 13 (Board gender diversity), where we engaged and used our voting rights where we considered appropriate. Both board gender diversity and disclosure of gender pay gap information are captured in our Engagement Blueprint.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

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The portion of the portfolio in sustainable investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Companies on Schroders' 'global norms' breach list were not categorised as sustainable investments. Schroders' determination of whether a company should be included on such list considered the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, among other relevant principles. The 'global norms' breach list was informed by third party providers and proprietary research, where relevant.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The Investment Manager's approach to considering principal adverse impacts on sustainability factors differs depending on the relevant indicator. All PAI indicators were monitored via Schroders PAI dashboard. Some indicators were considered via the application of exclusions, some were considered via the investment process and some via engagement. Further details on how these have been considered during the reference period are detailed below.

PAIs were considered as part of pre-investment through the application of exclusions. These included:

- Controversial weapons: PAI 14 (Exposure to controversial weapons, such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons).

- UNGC violators and Schroders' 'global norms' breach list which covers:

- PAI 7 (Activities negatively affecting biodiversity-sensitive areas),

- PAI 8 (Emissions to water),

- PAI 9 (Hazardous waste ratio),

- PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises),

- PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and

- PAI 14 in Table 3 (Number of identified cases of severe human rights issues and incidents).

- Companies that derived revenues above certain thresholds from activities related to thermal coal, that were deemed by the Investment Manager to contribute significantly to climate change were excluded from the investible universe: PAIs 1, 2, 3, 4 and 5 (Greenhouse gas emissions).

During the reference period, PAIs were also considered through integration in the investment process.

As part of the investment process, Schroders' proprietary tool was used which incorporates several PAIs as a component of its scoring methodology. For example, PAI 1, 2, 3, 4, 5 and 6 (Greenhouse gas emissions) as well as PAI 4 from Annex 1 Table 2 (Investments in companies without carbon emission

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reduction initiatives) were included as part of a company's overall environmental score.

As part of the issuer level due diligence process, via company analysis from meetings with management teams and on desk analysis of annual reports and statements, several PAIs were considered.

PAIs were also considered post-investment through engagement where the Investment Manager engaged in line with the approach and expectations set out in the Schroders Engagement Blueprint, which outlines our approach to active ownership. Some examples of engagements during the reference period are:

We engaged with an issuer in the Textiles & Apparel industry based in Switzerland on the subject of Workers (PAI 10). We also held an engagement on the subject of Climate mitigation (PAIs 1, 2 and 3) with an issuer in the Healthcare Equipment & Supplies industry based in the United Kingdom. Additionally, we engaged with an issuer based in the United Kingdom in the Pharmaceuticals industry on the subject of Executive remuneration (PAIs 10, 12 and 13).

A summary of the Fund's full engagement activity during the reference period, including the relevant engagement theme, is shown below:

Engagement Theme	# Issuers
Climate Change	18
Human Rights	14
Corporate Governance	11
Human Capital Management	7
Natural Capital and Biodiversity	6
Diversity and Inclusion	5

The engagements shown relate to engagements with companies and issuers. Our approach is subject to ongoing review, particularly as the availability, and quality, of PAI data evolves.



What were the top investments of this financial product?

During the reference period the top 15 investments were:

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The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: **1 Jan 2025 to 31 Dec 2025**

Largest Investments	Sector	% Assets	Country
ASML HOLDING NV EUR0.09 (POST SPLIT)	Information Technology	4.79	Netherlands
SAP SE NPV	Information Technology	4.54	Germany
RELX PLC ORDINARY 14.4397P	Industrial	4.09	United Kingdom
EXPERIAN PLC ORDINARY USD0.10	Industrial	3.61	United States
ASTRAZENECA PLC ORDINARY USD0.25	Health Care	3.41	United Kingdom
SIEMENS AG NPV (REGISTERED)	Industrial	3.20	Germany
ASSA ABLOY AB SERIES B NPV	Industrial	3.16	Sweden
HALEON PLC GBP0.01	Health Care	3.11	United States
SCHNEIDER ELECTRIC SE EUR4	Industrial	2.90	United States
ALCON INC CHF0.040000	Health Care	2.78	United States
COMPAGNIE FINANCIERE RICHEMONT SA CHF1 (REGISTERED)	Consumer Discretionary	2.72	Switzerland
INDUSTRIA DE DISEÑO TEXTIL SA EUR0.03	Consumer Discretionary	2.68	Spain
LONZA AG CHF1(REGISTERED)	Health Care	2.53	Switzerland
AIR LIQUIDE (L') EUR5.50	Materials	2.41	France
DNB BANK NOK12.5	Financial	2.40	Norway

The list above represents the average of the Fund's holdings at each quarter-end during the reference period. The largest investments and % of assets referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The largest investments and % of assets detailed elsewhere in the Audited Annual Report are derived from the Accounting Book of Record (ABoR) maintained by the administrator. As a result of these differing data sources, there may be differences in the largest investments and % of assets due to the differing calculation methodologies of these alternative data sources.



What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

• What was the asset allocation?

The Fund's investments that were used to meet its environmental or social characteristics are summarised below; all figures represent the Fund's holdings at the end of the reference period.

#1 Aligned with E/S characteristics includes the Fund's assets that were used to attain the environmental or social characteristics, which is equal to 98%. The Fund maintained a higher overall sustainability score than the MSCI Europe Net TR Index and so the Fund's investments that were scored by Schroders' proprietary sustainability tool are included within #1 on the basis that they contributed to the Fund's sustainability score (whether such individual investment had an overall positive or a negative score).

#1A includes the percentage invested in sustainable investments, which is equal to 79%. To be classified as a sustainable investment an investment must have demonstrated a net positive effect across a range of environmental or social objectives as scored by Schroders' proprietary tool.

Of the Fund's sustainable investments, 41% was invested in sustainable investments with an environmental objective and 38% was invested in sustainable investments with a social objective. These

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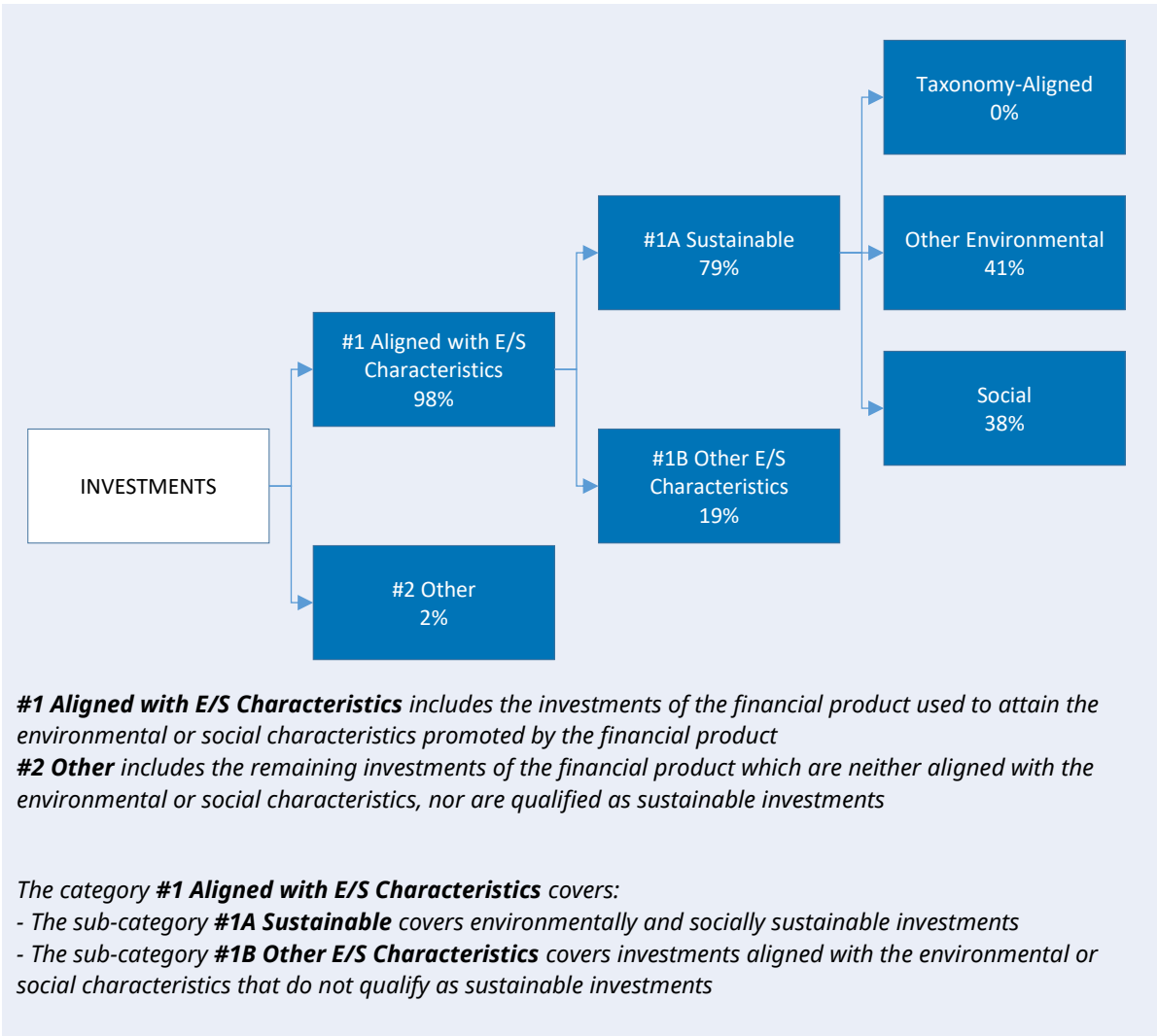
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percentages may not sum to the percentage of sustainable investments, due to rounding.

A sustainable investment is classified as having an environmental or social objective depending on whether the relevant issuer has a higher score in Schroders’ proprietary tool relative to its applicable peer group for its environmental indicators or its social indicators. In each case, indicators are comprised of both “costs” and “benefits”.

#1B includes all investments scored by Schroders proprietary tool that were not sustainable investments.

#2 Other includes cash, which was treated as neutral for sustainability purposes. #2 also includes other investments that were not scored by Schroders’ proprietary sustainability tool and so did not contribute towards the Fund’s sustainability score.



• In which economic sectors were the investments made?

During the reference period investments were made in the following economic sectors:

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Sector	Sub-Sector	% Assets
Industrial	Capital Goods	23.15
Industrial	Commercial & Professional Services	11.69
Health Care	Pharmaceuticals, Biotechnology & Life Sciences	12.61
Health Care	Health Care Equipment & Services	8.39
Information Technology	Semiconductors & Semiconductor Equipment	7.90
Information Technology	Software & Services	4.96
Information Technology	Technology Hardware & Equipment	1.88
Consumer Discretionary	Consumer Durables & Apparel	4.67
Consumer Discretionary	Consumer Discretionary Distribution & Retail	4.33
Materials	Materials	6.20
Materials	Industrial Gases	2.41
Financial	Banking	4.09
Financial	Insurance	0.72
Consumer Staples	Household & Personal Products	3.34
Cash	Cash	2.24
Communication Services	Media & Entertainment	1.41

The list above represents the average of the Fund's holdings at each quarter-end during the reference period. The largest investments and % of assets referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The largest investments and % of assets detailed elsewhere in the Audited Annual Report are derived from the Accounting Book of Record (ABoR) maintained by the administrator. As a result of these differing data sources, there may be differences in the largest investments and % of assets due to the differing calculation methodologies of these alternative data sources.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

There was no extent to which the Fund's investments (including transitional and enabling activities) with an environmental objective were aligned with the EU Taxonomy. Taxonomy alignment of this Fund's investments has therefore not been calculated and has as a result been deemed to constitute 0% of the Fund's portfolio.

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• Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

☐ Yes:

☐ In fossil gas☐ In nuclear energy

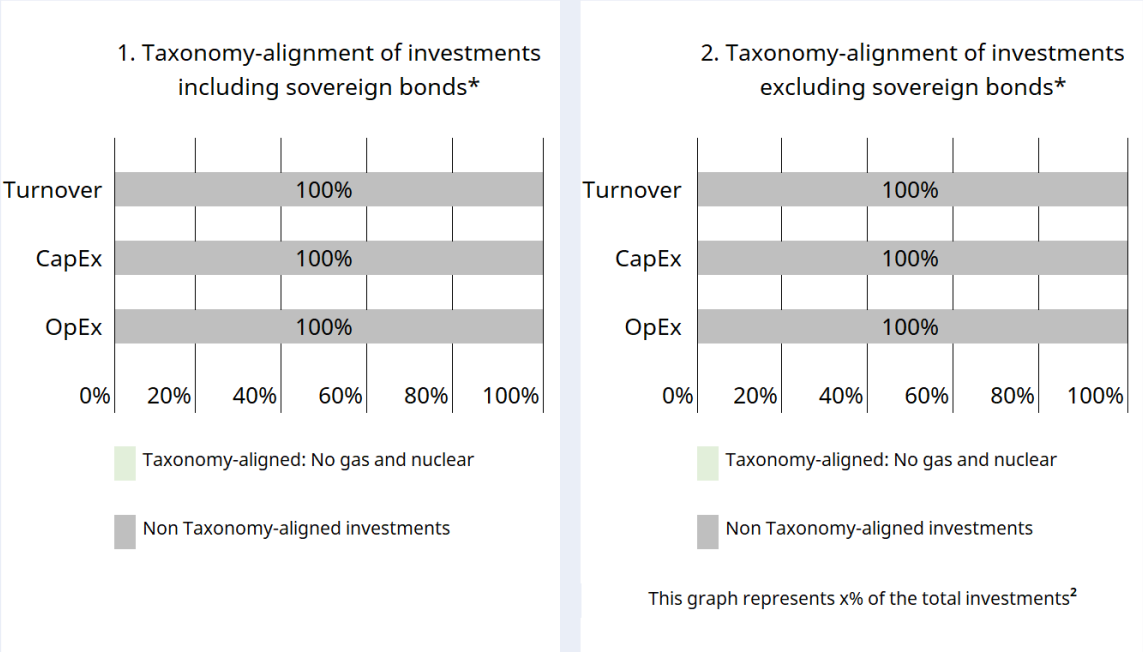
☒ No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

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²As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

• *What was the share of investments made in transitional and enabling activities?*

As per the above, the share of investments by the Fund in transitional and enabling activities has been deemed to constitute 0% of the Fund’s portfolio.

• *How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?*

This question is not applicable.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

 What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 41%.

 What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 38%.

 What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

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#2 Other includes cash, which was treated as neutral for sustainability purposes. #2 also includes other investments that were not scored by Schroders' proprietary sustainability tool and so did not contribute towards the Fund's sustainability score.

Minimum safeguards were applied where relevant to investments and derivatives by restricting (as appropriate) investments in counterparties where there were ownership links or exposure to higher risk countries (for the purpose of money laundering, terrorist financing, bribery, corruption, tax evasion and sanctions risks). A firm-wide risk assessment considers the risk rating of each jurisdiction; which includes reference to a number of public statements, indices and world governance indicators issued by the UN, the European Union, the UK Government, the Financial Action Task Force and several Non-Government Organisations (NGOs), such as Transparency International and the Basel Committee.

In addition, new counterparties were reviewed by Schroders' Credit Risk team and approval of a new counterparty was based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework. Ongoing monitoring was performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges.

Schroders' Credit Risk team monitored the counterparties and during the reference period, to the extent counterparties were removed from the approved list for all funds in line with our policy and compliance requirements, such counterparties were ineligible for use by the Fund in respect of any relevant investments from the date they were removed.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The actions taken during the reference period to meet the environmental and social characteristics promoted by the Fund were the following:

- The Investment Manager applied sustainability criteria when selecting investments for the Fund;
- A central good governance test was applied to assess good governance practices of investee companies;
- The Investment Manager considered the sustainability score of the Fund and of individual investments when selecting the assets held by the Fund; and
- The Investment Manager undertook engagements covering one or more of the six priority themes set out in our Engagement Blueprint (Link <https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>). A summary of the Fund's engagement activity, including the number of issuers engaged with and the related theme, is shown above in the question 'How did this financial product consider principal adverse impacts on sustainability factors?'. Through our engagement activities, we build relationships and have a two-way dialogue with our investee companies.



How did this financial product perform compared to the reference benchmark?

Reference

No index was designated as a reference benchmark for the purpose of attaining the environmental or

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benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

social characteristics promoted by the Fund.

• How does the reference benchmark differ from a broad market index?

This question is not applicable for this Fund.

• How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

This question is not applicable for this Fund.

• How did this financial product perform compared with the reference benchmark?

This question is not applicable for this Fund.

• How did this financial product perform compared with the broad market index?

This question is not applicable for this Fund.