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Product : Schroder ISF European Alpha Absolute Return
Legal Entity Identifier : 549300FIRE2DG9WO1K16

Environmental and/or social characteristics

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.

Did this financial product have a sustainable investment objective?



☐ Yes



☒ No



It made sustainable investments with an environmental objective: __%



It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of 63% of sustainable investments



In economic activities that qualify as environmentally sustainable under the EU Taxonomy



With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



With a social objective



It made sustainable investments with a social objective: __%



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

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

The percentage of sustainable investments shown (which are all long exposures, as short exposures are not deemed to be sustainable investments) represents the average of the last four months of the reference period, based on month-end data. This is in line with the pre-contractual disclosure for the Fund, where the Fund committed to invest at least 10% of its long exposure in sustainable investments. As a proportion of the gross exposure of the Fund, the percentage of sustainable investments represented as the average of the last four months of the reference period, based on month-end data, was 31%. The gross exposure includes both long and short positions and this figure is provided for consistency with the basis of the other calculations in the asset allocation section below. The long exposure and gross exposure excludes cash and cash equivalents.



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 positive absolute sustainability score, based on Schroders' proprietary tool. This means that the Fund's weighted average score over a rolling six month period up to the end of the reference period was higher than zero, based on month-end data.

The sustainability score is measured by Schroders' proprietary tool that provides an estimate of the net "impact" that an issuer may create in terms of social and environmental "costs" or "benefits". It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. 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. Examples of such indicators are greenhouse gas emissions, water usage, and salaries compared to the living wage.

The result is expressed as an aggregate score of the sustainability indicators for each issuer, specifically a notional percentage (positive or negative) of sales of the relevant underlying issuer. For example, a score of +2% would mean an issuer contributes \$2 of relative notional positive impact (i.e. benefits to society) per \$100 of sales. The sustainability score of the Fund is derived from the scores of all issuers in the Fund's portfolio measured by Schroders' proprietary tool. The Fund's long and short positions contribute differently to the aggregate score. Long positions with positive scores and short positions with negative scores both contribute positively towards the aggregate score, while long positions with negative scores and short positions with positive scores both detract from the aggregate score.

The Fund used derivatives extensively to implement its investment strategy and to meet the environmental and/or social characteristics promoted by the Fund. Long and short derivative positions contributed differently to the Fund's overall sustainability score as described. Equity and index derivatives (excluding options) are scored in the same way as physical holdings, on a look-through basis, and also contributed to the Fund's overall sustainability score.

The Fund also invested at least 10% of its long exposure in sustainable investments from when this commitment came into effect in August 2022 to the end of the reference period. The long exposure excludes cash and cash equivalents.

The reference period for this Fund is 1 January 2022 to 31 December 2022.

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

• *How did the sustainability indicators perform?*

The positive absolute sustainability score for the reference period was 34.7%.

The sustainability score is calculated as a notional percentage as described above.

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

- High Salaries

- Sanitation
- Contraception
- Medicine
- Avoided Emissions

The Investment Manager monitored compliance with the characteristic to maintain a positive absolute sustainability score by reference to the weighted average sustainability score of the Fund in Schroders' proprietary tool over a rolling six month period up to the end of the reference period, based on month-end data. The overall sustainability score aggregates the effect of sustainability indicators including but not limited to greenhouse gas emissions, water usage, and salaries compared to the living wage.

The Investment Manager invested 31% of the Fund's gross exposure in sustainable investments. This represents the percentage of sustainable investments (which are all long exposures, as short exposures are not deemed to be sustainable investments) as a proportion of the gross exposure of the Fund and is based on the average of the last four months of the reference period, using month-end data. The gross exposure includes both long and short positions and this figure is provided for consistency with the basis of the calculations in the asset allocation section below. However, the Fund committed to invest at least 10% of its long exposure in sustainable investments by reference to the sustainability score of each asset in Schroders' proprietary tool and in line with this commitment the Fund invested 63% of its long exposure in sustainable investments (based on the average of the last four months of the reference period, using month-end data). The long exposure and gross exposure excludes cash and cash equivalents.

The Fund also applied certain exclusions, with which the Investment Manager monitored compliance on an ongoing basis via its portfolio compliance framework.

• ***...and compared to previous periods?***

As this is our first reporting period, this question is not applicable.

• ***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 long 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, increasing benefits by way of the following:

- 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;
- Sanitation: the estimated societal benefits associated with the provisions of products and services that tackle poor sanitation, lack of safe water and hygiene. Assigned in proportion to company market share of global revenue;
- Contraception: the estimated societal benefits attained from the production and supply of contraceptives. Assigned in proportion to company market share of global revenue;

- 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;
- Avoided Emissions: the estimated environmental benefits of companies that enable system-or economy-wide reductions in carbon emissions;

The above examples of objectives of the sustainable investments that the Fund made are based on data as 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 relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons. A detailed list of all companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>
- Schroders became a signatory to the UN Global Compact (UNGC) principles on 6 January 2020. The Fund excluded companies in violation of the UNGC principles from the portion of the portfolio in sustainable investments, as Schroders considers violators cause significant harm to one or more environmental or social sustainable investment objectives. The areas determining whether an issuer is an UNGC violator include issues that are covered by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such as human rights, bribery and corruption, labour rights, child labour, discrimination, health and safety, and collective bargaining. The list of UNGC violators is provided by a third party and compliance with the list was monitored via our automated compliance controls. Schroders applied certain exemptions to the list during the reference period.
- Further information on all of the Fund's exclusions is to be found under "Sustainability Related Disclosures" on the Fund's webpage, accessed via www.schroders.com/en/lu/private-investor/gfc.

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

Where the Investment Manager set levels in relation to the indicators for adverse impacts on sustainability factors, compliance with these thresholds was monitored on an ongoing basis via its portfolio compliance framework. Investee companies in breach of these levels were not eligible to be considered as a sustainable investment.

For example, the Fund excluded companies in violation of the UNGC principles (principal adverse impact (PAI) 10) from the portion of the portfolio in sustainable investments. The list of UNGC violators is provided by a third party and compliance with the list was monitored via our automated compliance controls. Schroders applied certain exceptions to the list during the reference period.

In other areas Schroders set principles of engagement. We have aligned each of the PAIs to one of Schroders six core engagement themes. We summarise below the thresholds that apply and the engagement actions we have for each:

Climate Change

PAIs 1, 2, 3, 4, 5, 6 and 19 relate to the Engagement Blueprint theme of Climate Change. Details of our Engagement Blueprint can be found here: ([Link https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf](https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf)). We engage to understand how companies are responding to the challenges climate change may pose to their long-term financial position. Through our engagement activity we seek to understand different areas, such as the speed and scale of emission reduction targets and steps being taken to meet climate goals.

Biodiversity and Natural Capital

PAIs 7, 8 and 9 align to the Engagement Blueprint theme of Biodiversity and Natural Capital. We recognise the importance of all companies assessing and reporting on their exposure to natural capital and biodiversity risk. We focus our engagement on improving disclosure around a number of themes such as deforestation and sustainable food and water.

Human Rights

PAIs 10 and 14 relate to the Engagement Blueprint theme of Human Rights. There is increasing pressure on the role that businesses can and should play to respect human rights. We understand the higher operational and financial risks, and the reputational risk that human rights controversies cause. Our engagement focuses on three core stakeholders: workers, communities and customers.

Human Capital Management

PAIs 11, 12 and 13 align to the Engagement Blueprint theme of Human Capital Management. We identify human capital management as a priority issue for engagement, noting that people in an organisation are a significant source of competitive advantage and that effective human capital management is essential to drive innovation and long-term value creation. We also recognise a number of links between high standards of human capital management and the achievement of the Sustainable Development Goals (SDGs). Our engagement activities address themes such as health and safety, corporate culture and investment into the workforce.

Diversity and Inclusion

PAIs 12 and 13 relate to the Engagement Blueprint theme of Diversity and Inclusion. Improving disclosure on board diversity and the gender pay gap are two of the priority objectives outlined in our Engagement Blueprint. We request that companies implement a policy that requires each board vacancy to consider at least one or more diverse candidates. Our engagement approach also addresses diversity of the executive management, the workforce and in the value chain.

Corporate Governance

PAIs 20, 12 and 13 align to the Engagement Blueprint theme of Corporate Governance. We engage with companies to seek to ensure businesses act in the best interest of shareholders and other key stakeholders. We also recognise that, in most cases, in order to see progress and performance on other material Environmental, Social and Governance (ESG) issues, strong governance structures need to first be in place. We therefore engage on a number of corporate governance aspects such as executive remuneration, boards and management, and strategy.

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

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.

We used a list of UNGC violators as provided by a third party. Issuers on that list were not categorised as sustainable investments. The areas considered when determining whether an issuer is an UNGC violator included those covered by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such as human rights, bribery and corruption, labour rights, child labour, discrimination, health and safety, and collective bargaining.

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 involved classifying the indicators into three categories:

1. Set thresholds

For certain PAIs (e.g. PAI 10 on violations of UNGC principles), we set thresholds for considering an investment to be a sustainable investment. Investments in breach of these thresholds were not eligible to be held as sustainable investments. Compliance with these thresholds was monitored on an ongoing basis via the Investment Manager’s portfolio compliance framework.

2. Active ownership

During the reference period, the Investment Manager engaged in line with the approach and expectations set out in our Engagement Blueprint (Link <https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf>) and as further described above. A summary of Schroders firm-wide engagement activity during the reference period, including the relevant engagement theme, is shown below:

Engagement Theme	# Issuers
Climate Change	738
Diversity and Inclusion	72
Governance and Oversight	3,096
Human Capital Management	130

Human Rights	121
Natural Capital and Biodiversity	95

3. Improve coverage

Some of the engagements identified in the table above involved discussions where the primary focus was to increase reporting on sustainability data. The purpose is to improve coverage of the PAIs, for example PAI 9 on hazardous waste ratio.

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, based on net exposure (as a percentage of NAV), were:

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: **1 Jan 2022 to 31 Dec 2022**

Largest Investments	Sector	% Assets	Country
SMITH AND NEPHEW PLC	Health Care	3.91%	United Kingdom
WHITBREAD PLC	Consumer Discretionary	3.85%	United Kingdom
RELX PLC	Industrials	3.67%	United Kingdom
KERRY GROUP PLC	Consumer Staples	3.60%	Ireland
KONINKLIJKE KPN NV	Communication Services	3.55%	Netherlands
HISCOX LTD	Financials	3.51%	United Kingdom
INFORMA PLC	Communication Services	3.45%	United Kingdom
PRUDENTIAL PLC	Financials	3.41%	Hong Kong
BAYER AG	Health Care	3.39%	Germany
SODEXO SA	Consumer Discretionary	3.36%	France
KONINKLIJKE AHOLD DELHAIZE NV	Consumer Staples	3.35%	Netherlands
UNITE GROUP PLC	Real Estate	3.31%	United Kingdom
VEOLIA ENVIRON. SA	Utilities	3.22%	France
ASSOCIATED BRITISH FOODS PLC	Consumer Staples	3.16%	United Kingdom
UNILEVER PLC	Consumer Staples	3.16%	United Kingdom

The list above represents the average of the Fund's net exposure as a percentage of NAV at each quarter end during the reference period.

Exposures have been provided on a look through basis for index futures, index options, TRS positions and CFD baskets where possible and netted at the issuer level. There may be instances where a proxy has been used.

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?*

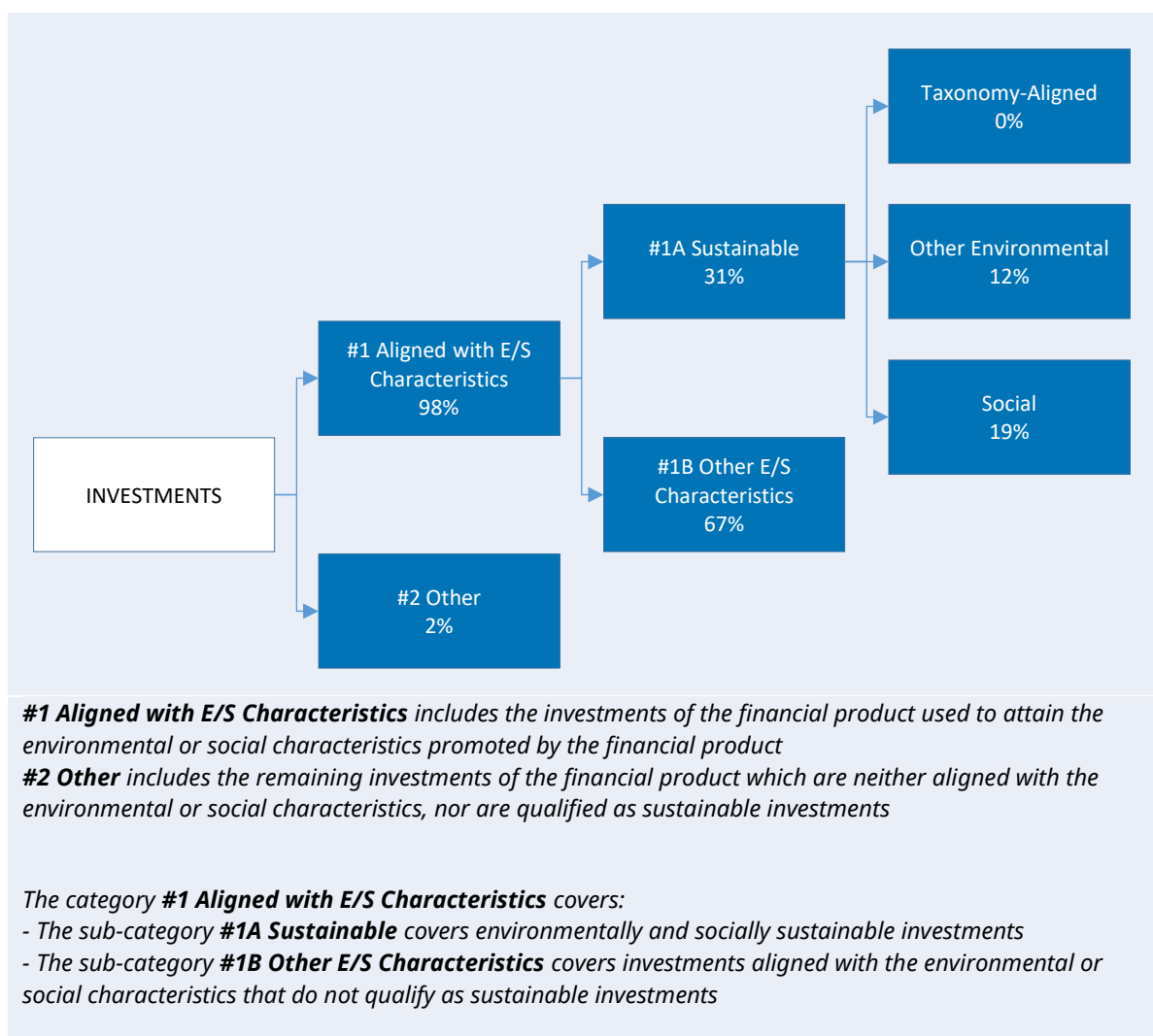
The Fund's investments that were used to meet its environmental or social characteristics are summarised below.

#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% of gross exposure. The Fund maintained a positive absolute sustainability score, and so the Fund's investments (both long and short) 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 a positive or a negative score). Long positions with positive scores and short positions with negative scores both contributed positively towards the aggregate score, while long positions with negative scores and short positions with positive scores both detracted from the aggregate score. The percentage in #1 Aligned represents the average of the last four months of the reference period, based on month-end data. Also included within #1 is the proportion of gross exposure that was invested in sustainable investments, as indicated in #1A. Cash and cash equivalents are excluded from the proportions in #1 and #1A.

The sustainability score is measured by Schroders' proprietary tool that provides an estimate of the net "impact" that an issuer may create in terms of social and environmental "costs" or "benefits". It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. Examples of such indicators are greenhouse gas emissions, water usage, and salaries compared to the living wage.

The Fund invested 31% of its gross exposure in sustainable investments. This percentage represents the average of the last four months of the reference period, based on month-end data. The gross exposure includes both long and short positions but the percentage only includes long exposures as short exposures are not deemed to be sustainable investments. Within this, 12% was invested in sustainable investments with an environmental objective and 19% was invested in sustainable investments with a social objective. However, the Fund committed to invest at least 10% of its long positions in sustainable investments. The Fund invested 63% of its long exposure in sustainable investments. This percentage represents the average of the last four months of the reference period, based on month-end data. Within this, 25% was invested in sustainable investments with an environmental objective and 38% was invested in sustainable investments with a social objective. The gross exposure and long exposure excludes cash and cash equivalents.

#2 Other includes investments that were not scored by Schroders' proprietary sustainability tools and so did not contribute towards the Fund's sustainability score. Cash and cash equivalents are excluded from the calculations of gross and long exposure due to the long / short nature of the Fund's investment strategy.



The percentages shown above are calculated as a proportion of gross exposure for consistency purposes. However, the Fund committed to invest at least 10% of its long exposure in sustainable investments and, as an average of the last four months of the reference period, based on month-end data, the Fund invested 63% of its long positions in sustainable investments.

Exposures have been provided on a look through basis for index futures, index options, TRS positions and CFD baskets where possible and netted at the issuer level. There may be instances where a proxy has been used. This netting was applied before determining whether an exposure was long or short, and before calculating the gross exposure.

• **In which economic sectors were the investments made?**

During the reference period investments were made in the following economic sectors based on gross and net exposure (as a % of NAV):

Sector	Sub-Sector	% Assets (Net)	% Assets (Gross)
Communication Services	Media & Entertainment	5.0%	6.2%
Communication Services	Telecommunication Services	2.6%	4.5%
Consumer Discretionary	Automobiles & Components	-1.8%	1.8%
Consumer Discretionary	Consumer Durables & Apparel	2.8%	9.1%
Consumer Discretionary	Consumer Services	11.4%	14.2%
Consumer Discretionary	Retailing	2.2%	4.4%
Consumer Staples	Food & Staples Retailing	0.0%	6.7%
Consumer Staples	Food, Beverage & Tobacco	-2.1%	19.0%
Consumer Staples	Household & Personal Products	2.0%	4.3%
Energy	Energy	-4.7%	4.7%
Financials	Banks	-5.6%	13.0%
Financials	Diversified Financials	-7.2%	13.6%
Financials	Insurance	3.7%	10.2%
Health Care	Health Care Equipment & Services	3.9%	5.0%
Health Care	Pharmaceuticals, Biotechnology & Life Sciences	3.4%	15.4%
Industrials	Capital Goods	-8.3%	26.0%
Industrials	Commercial and Professional Services	0.4%	8.2%
Industrials	Transportation	-4.4%	4.4%
Information Technology	Semiconductors & Semiconductor Equipment	-3.8%	3.8%
Information Technology	Software & Services	3.2%	5.9%
Information Technology	Technology Hardware & Equipment	1.3%	2.2%
Materials	Materials	-6.4%	14.0%
Real Estate	Real Estate	-1.1%	7.7%
Utilities	Utilities	0.9%	5.5%

The list above represents the average of the Fund's gross and net exposure as a % of NAV at each quarter end during the reference period.

Exposures have been provided on a look through basis for index futures, index options, TRS positions and CFD baskets where possible and netted at the issuer level. There may be instances where a proxy has been used.

The % of NAV aligned to economic sectors referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The % of NAV aligned to economic sectors 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 % of NAV aligned to economic sectors due to the differing calculation methodologies of these alternative data sources.

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



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.

are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

• **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

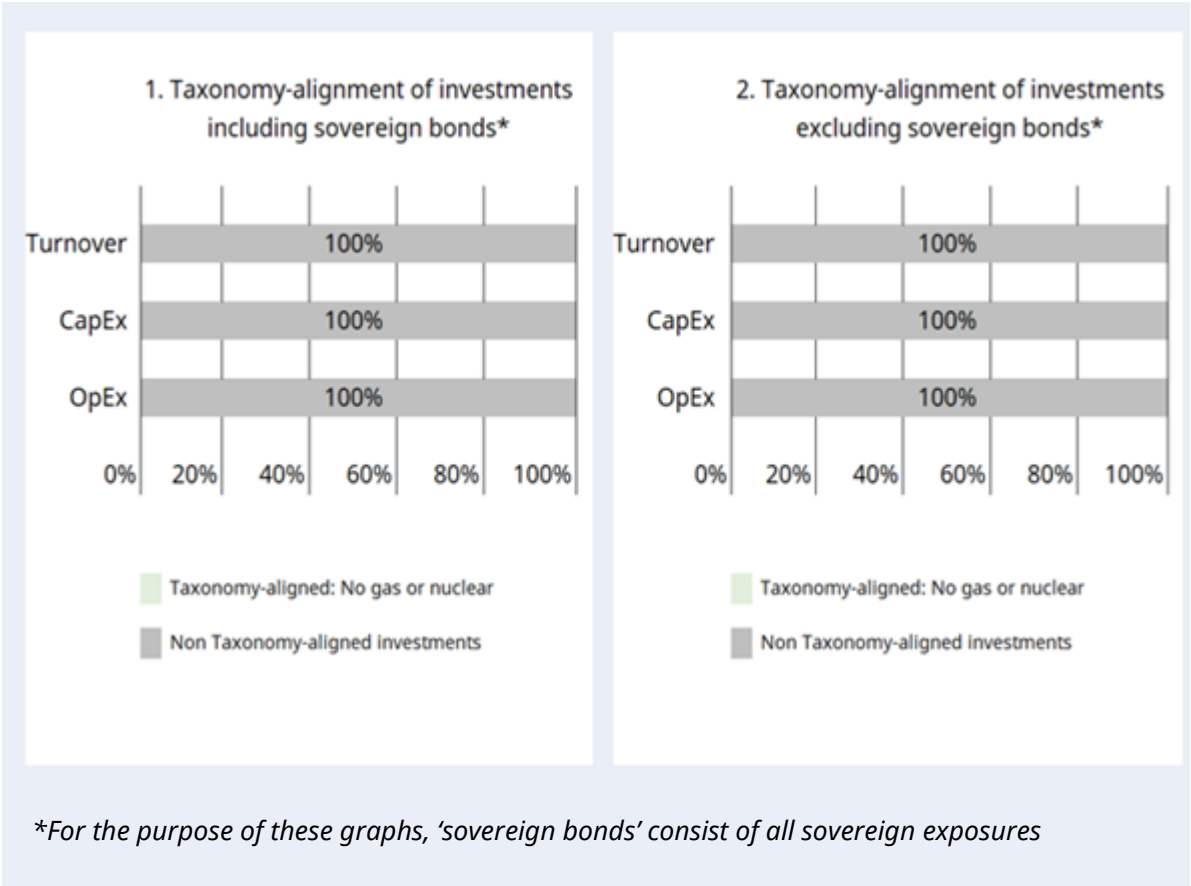
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green 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.*

- **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.



• **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 aligned with the EU Taxonomy compare with previous reference periods?**

As this is our first reporting period, this question is not applicable.



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



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.

The Fund invested 12% of its gross exposure in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. This percentage is provided for consistency with the basis of the calculations in the asset allocation section above. The Fund invested 25% of its long exposure in sustainable investments with an environmental objective that are not aligned with the Taxonomy. These percentages are a proportion of the total percentage of sustainable investments, which is calculated as the average of the last four months of the reference period, based on month-end data.



What was the share of socially sustainable investments?

The Fund invested 19% of its gross exposure in sustainable investments with a social objective. This percentage is provided for consistency with the basis of the calculations in the asset allocation section above. The Fund invested 38% of its long exposure in sustainable investments with a social objective. These percentages are a proportion of the total percentage of sustainable investments, which is calculated as the average of the last four months of the reference period, based on month-end data.



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

#2 Other includes investments that were not scored by Schroders' proprietary sustainability tools and so did not contribute towards the Fund's sustainability score. Cash and cash equivalents are excluded from the calculations of gross and long exposure due to the long / short nature of the Fund's investment strategy.

Minimum safeguards were applied where relevant to other investments 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 a number of counterparties were removed from the approved list for all funds in line with our policy and compliance requirements. This meant that 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;
- The Investment Manager considered the sustainability score of the Fund when selecting the assets held by the Fund;
- The Investment Manager utilised a Schroders' proprietary tool to help assess good governance practices of investee companies; and
- The Investment Manager undertook engagements covering one or more of the six priority themes set out in our Engagement Blueprint (link <https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf>). A summary of Schroders 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 benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No index was designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

• *How did 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.