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Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:** **Schroder International Selection Fund Global Sustainable Food and Water**

**Legal entity identifier:** **549300KTYV51C0X44G74**

**Sustainable investment objective**

**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.

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

Does this financial product have a sustainable investment objective?	
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> <input type="checkbox"/> No
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 10.00%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective 10.00%</b>	<input type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

The Fund commits to invest at least 90% of its assets in sustainable investments. Within this overall commitment, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 10% of its assets in sustainable investments with a social objective.



**What is the sustainable investment objective of this financial product?**

The Fund’s sustainable investment objective is to invest its assets in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

- What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses a revenue based approach in this assessment by considering whether a certain percentage of the relevant issuer’s revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable). The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with the minimum percentage in sustainable investments is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager use a quantitative screening tool to identify companies that derive a minimum of 50% of their revenues from whose main activity is associated and are directly contributing to the provision of food and water. The Fund invests in companies involved in making

the global food and water system more sustainable, as defined by companies driving positive change across at least one of the five key sustainability areas (GHG emissions, water usage, biodiversity, physical pollution and waste, and health and nutrition). The Investment Manager can manually add companies with revenue exposure below 50% to the Fund's investment universe provided the companies meet certain criteria. Examples of indicators used to assess sustainability include GHG emissions reduction targets, water usage assessments, records of environmental damage or water usage and product exposure to sustainable food and water solutions.

Subsequently, the Investment Manager uses a number of indicators to derive a sustainability score out of ten for each company. Based on this score, each company is placed within one of the following categories: (1) Best-in-class, (2) Neutral and (3) Laggard. The indicators used to determine the score include but are not limited to metrics such as carbon intensity, board gender diversity and management remuneration. The information is drawn from company management meetings, publicly available corporate information as well as the Investment Manager's internal proprietary tools.

### ● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Investment Manager's approach to investing in issuers that do not cause significant harm to any environmental or social sustainable investment objective includes the following:

- Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.
- The Fund excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.
- The Fund excludes 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.
- The Fund may also apply 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 <http://www.schroders.com/en/lu/private-investor/gfc>.

### ● ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

Wherever the Investment Manager deems it appropriate, in the context of an incomplete and developing data landscape, the Investment Manager sets levels or principles representing its views of what would constitute significant harm in respect of the indicators for the principal adverse impacts. Investee companies deemed not to satisfy these levels or principles would not be eligible to be considered as a sustainable investment. This framework is subject to ongoing review, particularly as the availability, and quality, of the data evolves.

### ● ***How are the sustainable investments 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 cannot be categorised as sustainable investments. Schroders' determination of whether a company should be included on such list considers 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 is informed by third party providers and proprietary research, where relevant.

**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, anticorruption and antibribery matters.



## Does this financial product take into account principal adverse impacts on sustainability factors?

☒ Yes, the Investment Manager's approach to considering principal adverse impacts on sustainability factors involves classifying the indicators into three categories:

1. Set thresholds: these involve very explicit thresholds for considering an investment to be a "sustainable investment". For example, PAI 10 on violations of UNGC principles.
2. Active ownership: these involve indicators on which we have a plan to engage with the underlying holding as set out in the Schroders Group document, accessed via <https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf>, outlining our approach to active ownership. For example, PAI 1, 2 and 3 covering GHG emissions and PAI 13 on board gender diversity.
3. Improve coverage: these involve indicators where we consider data coverage to be too sparse to properly consider them and our focus is primarily on engaging with the underlying holdings to increase reporting. For example, PAI 7 on biodiversity, PAI 9 on hazardous waste ratio and PAI 12 on the gender pay gap.

Our approach is subject to ongoing review, particularly as the availability, and quality, of PAI data evolves.

Information on principal adverse impacts on sustainability factors will also be disclosed in due course in the Fund's annual report.

☐ No



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The sustainable investment strategy used by the Investment Manager is as follows:

The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability-Related Disclosure" on the Fund's webpage, accessed via <http://www.schroders.com/en/lu/private-investor/gfc>

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.

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 webpage <https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures>

The Fund invests at least two-thirds of its assets in equity and equity related securities of companies worldwide.

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, Investment Funds, warrants and Money Market Investments, and hold cash.

The Fund may use derivatives with the aim of reducing risk or managing the Fund more efficiently.

The Investment Manager applies sustainability criteria when selecting investments for the Fund. Each company in the universe of potential investments is assessed by the Investment Manager against eight categories: (1) management quality; (2) balance sheet sustainability; (3) corporate governance; (4) regulatory risk management; (5) supply chain management; (6) customer management; (7) employee management; and (8) environmental management. The company will receive an overall score out of ten based on the Investment Manager's assessment. Each company is then placed within one of the following categories based on this score:

– 'Lagging' (score of 1 – 3): Companies that show poor corporate governance, poor management quality, weak balance sheet sustainability, poor stakeholder relations, and fail to demonstrate an awareness of ESG issues they face.

– 'Neutral' (score of 4 – 6): Companies that show adequate corporate governance, reasonable management quality, reasonably strong balance sheet sustainability, have reasonable relationships with stakeholders and some awareness of ESG issues. These companies do not exhibit a high level of sustainability risk based on the Investment Manager's assessments, but at the same time are not best in class companies with the potential to maintain market leading growth.

– 'Best-in-class' (score of 7 – 10): Companies that have strong corporate governance, quality management, strong balance sheet sustainability, good relationships with stakeholders and a good awareness and management of sustainability issues. These companies should be able to attract talent, lead the industry in terms of productivity, have strong supply chain links, acting as the 'supplier of choice' for customers, and be mindful of their environmental impact.

The Fund will generally only invest in companies that are rated as 'neutral' or better.

The Investment Manager performs its own analysis of information provided by the companies, including information provided in company sustainability reports and other relevant company material. Third party research is used by the Investment Manager as a secondary consideration, and generally provides a source of challenge or endorsement for its view.

The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies 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.

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 equity and equity related securities of companies worldwide.

### ● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The following binding elements are applied throughout the investment process:

- The Fund is actively managed and invests at least 90% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling.
- Exclusions are applied to direct investments in companies. The Fund applies certain exclusions relating to international conventions on cluster munitions, antipersonnel mines, and chemical and biological weapons. The Fund also excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal, especially companies that generate revenues from tobacco production or any other part of the tobacco value chain (suppliers, distributors, retailers, licensors), and companies that generate revenues from thermal coal mining and coal fired power generation. The Fund excludes 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. Details of the revenue thresholds together with certain other exclusions the Fund applies are listed under "Sustainability-Related Disclosure" on the Fund's webpage [www.schroders.com/en/lu/private-investor/gfc](http://www.schroders.com/en/lu/private-investor/gfc)
- 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.
- The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies 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.

### ● **What is the policy to assess good governance practices of the investee companies?**

In order to assess good governance practices, the Investment Manager utilises a Schroders' proprietary tool to help it develop a complete understanding of a company through a stakeholder lens.

Schroders' proprietary tool is data-driven and provides a systematic framework for analysing a company's relationship with its stakeholders. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is a central driver of the assessment of a company's stakeholder management.

The proprietary tool includes over 250 data points to assess how well companies are governed and how likely they are to adapt to changing social and environmental pressures. It draws on both conventional and unconventional data sources. Examples of unconventional data are employee review reports, consumer product reviews, revenue from green products, community donations and frequency of lawsuits. By drawing on such unconventional sources that do not rely on company reporting, the Investment Manager is able to build a more complete picture of companies' performance and reduce its reliance on corporate disclosure, which remains incomplete, particularly among smaller companies in emerging regions.

The proprietary tool considers a number of good governance metrics, grouped into the categories of sound management structures, employee relations, remuneration of staff and tax compliance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## **What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.

The planned composition of the Fund's investments that are used to meet its sustainable investment objective are summarised below. The Fund invests at least 90% of its assets in sustainable investments, which means included in #1 Sustainable are investments in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail

and recycling. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 10% of its assets in sustainable investments with a social objective. The minimum proportions stated apply in normal market conditions.

#2 Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) by restricting (as appropriate) investments in counterparties where there are 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 are reviewed by Schroders' credit risk team and approval of a new counterparty is 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 is performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.



### ● *How does the use of derivatives attain the sustainable investment objective?*

This question is not applicable for the Fund



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

There is no minimum extent to which the Fund's sustainable investments with an environmental objective are aligned with the Taxonomy. Consequently, taxonomy alignment of this Fund's investments has not been calculated and has as a result been deemed to constitute 0% of the Fund's portfolio.

In future it is expected that the Fund will assess and report on the extent to which its underlying investments are in economic activities that qualify as environmentally sustainable under the Taxonomy, along with information relating to the proportion of enabling and transitional activities. This Prospectus will be updated once it is possible in the Investment Manager's opinion to accurately disclose to what extent the Fund's investments are in Taxonomy-aligned environmentally sustainable activities, including the proportions of investments in enabling and transitional activities selected for the Fund.

### ● *Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?*

☐ Yes:

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on

<sup>1</sup> 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 not significantly harm 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.

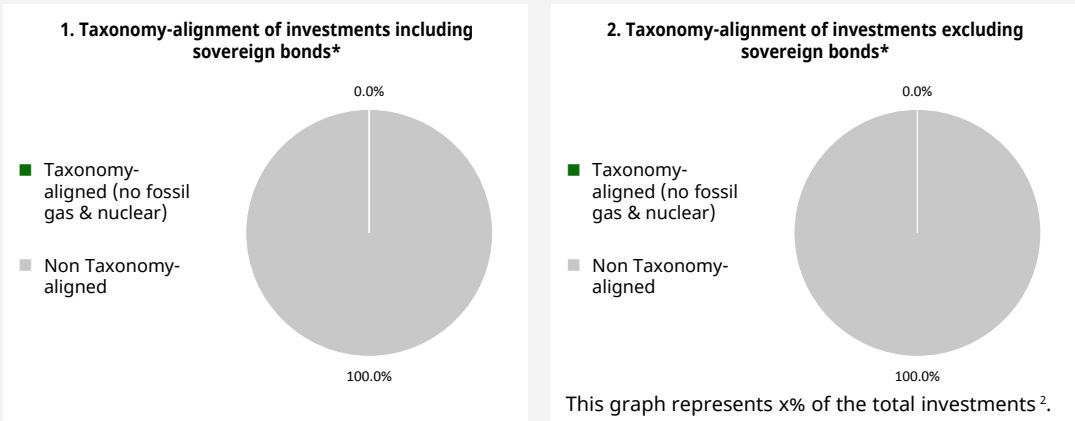
emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

- ☐ 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
- **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 two graphs below show in green the minimum percentage of investments that are 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.







**What is the minimum share of sustainable investments with a social objective?**

The Fund commits to invest at least 10% of its assets in sustainable investments with a social objective.



**What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

#2 Not Sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) by restricting (as appropriate) investments in counterparties where there are 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 are reviewed by Schroders’ credit risk team and approval of a new counterparty is 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 is performed through a Schroders’ proprietary tool, which supports the analysis of a counterparty’s management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders’ proprietary tool would lead to further analysis and potential exclusion by Schroders’ credit risk team.



**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**  
This question is not applicable for the Fund
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
This question is not applicable for the Fund
- **How does the designated index differ from a relevant broad market index?**  
This question is not applicable for the Fund
- **Where can the methodology used for the calculation of the designated index be found?**  
This question is not applicable for the Fund



**Where can I find more product specific information online?**

More product-specific information can be found on the webpage: <http://www.schroders.com/en/lu/private-investor/gfc>