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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 BlueOrchard Emerging Markets Impact Bond**

Legal entity identifier: **5493002UVX4QP10MYB39**

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="radio"/> Yes	<input type="checkbox"/> <input type="radio"/> No
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 5.00% <input type="checkbox"/> 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	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics 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"/> with an environmental objective in economic activities that 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 type="checkbox"/> with a social objective
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with a social objective 50.00%	<input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

The Fund commits to invest at least 75% of its assets in sustainable investments. Within this overall commitment, there is a minimum commitment to invest at least 5% of its assets in sustainable investments with an environmental objective and at least 50% 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 securities issued by governments, government agencies, supra-nationals and companies of emerging market countries that contribute towards the advancement of one or more of the UN SDGs by contributing positively towards social development and environmental themes. 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.

The Fund will invest in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies with the aim to foster financial inclusion and provide decisive funding to economically vulnerable communities globally as well as fixed and floating rate securities related to sustainable infrastructure projects and clean energy initiatives. Such issuers may be involved in activities such as micro, small, and medium enterprise (MSME) lending, affordable housing, affordable education, health, agriculture, clean energy, improvements in energy efficiency, renewable energy, green energy products and humanitarian relief activities, among others.

The Fund will help to advance one or more of the UN SDGs, including but not limited to: the end of poverty in all its forms; the provision of access to affordable, reliable, sustainable and modern energy; the provision of inclusive and sustainable economic growth, employment and decent work for all; the building of resilient infrastructure, promotion of sustainable infrastructure and fostering of innovation; and the reduction of inequality within and among countries.

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 specific sustainability key performance indicators to assess the investment's contribution 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 proprietary sustainability tool to analyse how the use of proceeds of social and sustainability bonds are contributing to job creation and how many jobs are created or maintained as a result of the bond's proceeds. Examples of the indicators include, but are not limited to, number of job opportunities created and maintained, number of beneficiaries reached (students, hospital patients), number of households reached (new water and sanitation connection, access to telecommunication network, affordable housing loans), number of micro/small/medium enterprises supported, CO2 emissions reduction, MWh of renewable energy generated, m3 of water savings or km of clean transportation infrastructure built or improved.

● ***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/>
- 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 does not directly invest in the sectors included in the International Finance Corporation Exclusion List and BlueOrchard's Public Asset Exclusion List

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist#2007

https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf

● ***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. 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 contribute towards the advancement of one or more of the UN SDGs by contributing positively towards social development and environmental themes (please see the Fund Characteristics section for more details), and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

The Fund will invest in fixed and floating rate securities issued by governments, government agencies, supranationals and companies with the aim to foster financial inclusion and provide decisive funding to economically vulnerable communities globally as well as fixed and floating rate securities related to sustainable infrastructure projects and clean energy initiatives. Such issuers may be involved in activities such as micro, small, and medium enterprise (MSME) lending, affordable housing, affordable education, health, agriculture, clean energy, improvements in energy efficiency, renewable energy, green energy products and humanitarian relief activities, among others.

The Fund will help to advance one or more of the UN SDGs, including but not limited to: the end of poverty in all its forms; the provision of access to affordable, reliable, sustainable and modern energy; the provision of inclusive and sustainable economic growth, employment and decent work for all; the building of resilient infrastructure, promotion of sustainable infrastructure and fostering of innovation; and the reduction of inequality within and among countries.

The Fund does not directly invest in the sectors, included in the below International Finance Corporation Exclusion List and BlueOrchard's Public Asset Exclusion List.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist#2007

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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 fixed and floating rate securities denominated in various currencies and issued by governments, government agencies, supranationals and companies of emerging market countries.

The Fund may invest up to 50% of its assets in securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds).

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 investment strategy of the Fund and the use of derivatives may lead to situations where it is considered appropriate that prudent levels of cash and Money Market Investments will be maintained, which may be substantial or even represent (exceptionally) 100% of the Fund's assets. This will be limited to a maximum of six months (otherwise the Fund will be liquidated). During this period, the Fund will not fall within the scope of MMFR. 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.

Issuers are assessed via an ESG and impact analysis, which consists of

- a) screening against an exclusion list based on the International Finance Corporation Exclusion List and BlueOrchard's Public Asset Exclusion List;
- b) an assessment of the issuer's performance on a range of ESG criteria, informed by both internal and external research;
- c) an impact assessment of how a company is achieving its sustainable goals based on a proprietary tool and resulting in a rating; and
- d) in the case of purpose bonds, second party opinion reports produced by third party data providers.

Through this assessment, the Investment Manager selects bonds that it deems eligible in accordance with the Fund's investment objective and policy.

The sources of information used to perform the analysis include information provided by the companies, such as company sustainability reports and other relevant company material, as well as the Investment Manager's proprietary sustainability tools and third-party data.

Due to the nature of its investments, and in particular the need for currency hedging, the Fund may also hold a portion of investments that the Investment Manager deems to be neutral under its sustainability criteria. These may include (but are not limited to) derivatives for hedging purposes, cash and Money Market Investments.

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 fixed and floating rate securities denominated in various currencies and issued by companies worldwide, including emerging market countries. The universe (for the purpose of this test only) does not include fixed or floating rate securities issued by public or quasi-public issuers.

● **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 75% of its assets in sustainable investments that contribute towards the advancement of one or more of the UN SDGs by contributing positively towards social development and environmental themes.
- Exclusions are applied to direct investments in companies. The Fund applies certain exclusions relating to international conventions on cluster munitions, anti-personnel 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, 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 <http://www.schroders.com/en/lu/private-investor/gfc>. Further, the Fund does not directly invest in the sectors included in the below International Finance Corporation Exclusion List and BlueOrchard's Public Asset Exclusion List.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist#2007

https://www.blueorchard.com/wp-content/uploads/20220520-BlueOrchard-Exclusion-Policy_Public-Assets.pdf

- 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?**

The Investment Manager's proprietary framework includes an assessment of the good governance practices of each investment, including on factors such as a company's code of conduct and ESG incident screening. The good governance score represents 33% of the proprietary framework ESG scorecard's score and comprises topics such as business integrity, compliance with local regulation, corporate governance accountability or transparency and disclosure maturity.

Post-investment, changes to these factors will be monitored, assessed and where appropriate engaged with. Where potential issues arise, the performance of an issuer is below expected, or when the reported data is incomplete to reach a conclusion, the Investment Manager will engage with the issuer to evaluate

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

the performance. The Investment Manager will encourage investee companies to improve their good governance practices and disclosure as well as their end contribution to the social and climate related transformation.



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

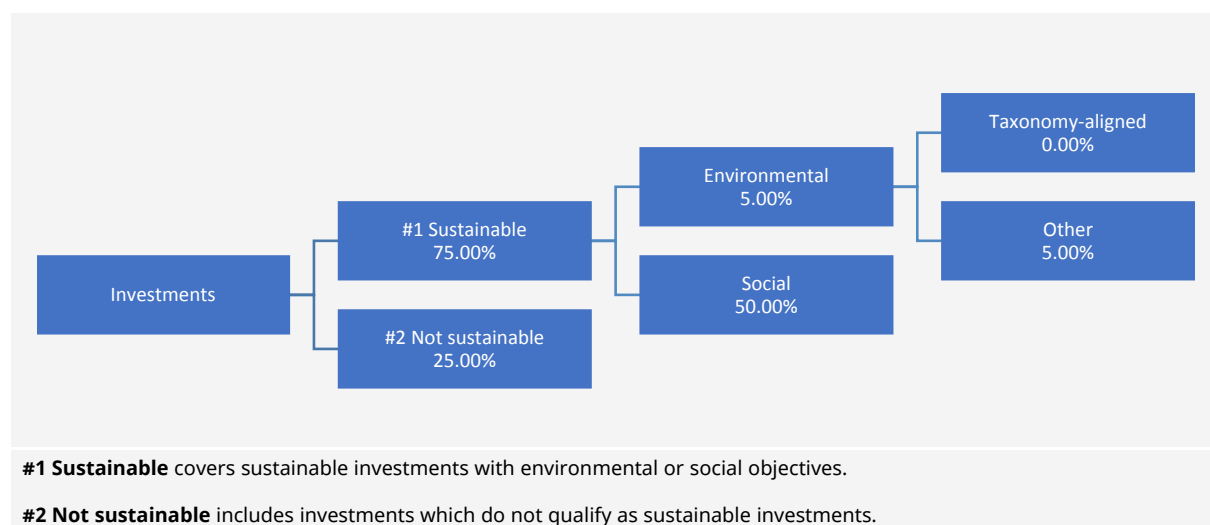
Asset allocation describes the share of investments in specific assets.

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 75% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in securities issued by governments, government agencies, supra-nationals and companies of emerging market countries that contribute towards the advancement of one or more of the UN SDGs by contributing positively towards social development and environmental themes. Within this overall commitment of 75%, there is a minimum commitment to invest at least 5% of its assets in sustainable investments with an environmental objective and at least 50% 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 investments (including transitional and enabling activities) with an environmental objective are aligned with the 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.

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 EU 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 Taxonomy¹?**

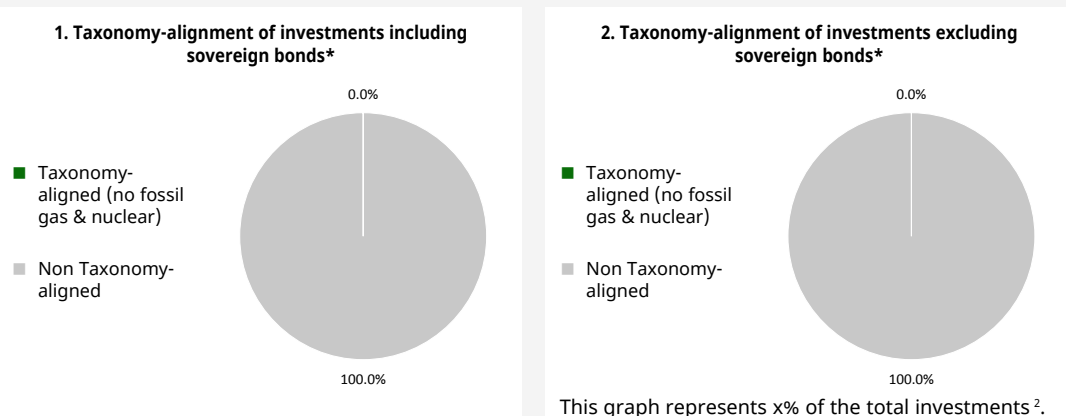
- ☐ Yes:
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

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

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.



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

● **What is the minimum share of investments in transitional and enabling activities?**

As per the above, at the date of this Prospectus the share of investments by the Fund in transitional and enabling activities is currently deemed to constitute 0% of the Fund's portfolio.

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

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

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 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.

² As 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.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund commits to invest at least 5% of its assets in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



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

The Fund commits to invest at least 50% 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>

