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Product : Schroder ISF Emerging Markets Equity Impact
Legal Entity Identifier : 5493000PBF2B6FI3QM81

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.

Did this financial product have a sustainable investment objective?

Yes	No
[X] **Yes**	[ ] **No**
[X] It made sustainable investments with an environmental objective: 39%	[ ] It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of __% 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
[X] 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
[X] It made sustainable investments with a social objective: 56%	[ ] 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.

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To what extent was the sustainable investment objective of this financial product met?

The Fund's sustainable investment objective was met.

The Fund invested at least 75% of its assets in sustainable investments, which are investments in companies that were expected to contribute towards the advancement of one or more of the UN SDGs, to be managed in the interests of all stakeholders, and to deliver returns to shareholders over the long term. The Fund also invested in cash, which the Investment Manager deemed to be neutral under its sustainability criteria.

The Investment Manager selected companies from a universe of eligible companies that were determined as meeting the Investment Manager's impact criteria. The impact criteria included an assessment of the company's contribution to the UN SDGs. This means that the extent to which companies deliver a direct or indirect positive impact to society in order to advance the UN SDGs together with the impact that these actions could have on a company's value were considered in the assessment of companies.

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

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

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

• *How did the sustainability indicators perform?*

The Fund invested 95% of its assets in sustainable investments. This percentage represents the average of the reference period, based on quarter-end data.

The Investment Manager was responsible for determining whether an investment met the criteria of a sustainable investment. The Investment Manager used a revenue-based approach in this assessment by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributed to an environmental and/or social objective. Compliance with the minimum percentage in sustainable investments was monitored daily via our automated compliance controls.

The Investment Manager used different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager assessed a company's contribution to the UN SDGs. The Investment Manager selected companies that derived a certain amount of their revenues from activities associated with one or more UN SDGs and that are expected to have a certain amount of average daily liquidity. Companies whose financial statements did not provide a comprehensive revenue breakdown were assessed on the basis of direct engagement. A company's assessment considered a number of factors, including, but not limited to, a company's positive contributions to and negative externalities on society, how and to what degree a company's activities relate to the UN SDGs, a company's management's commitment to sustainability, and a company's actions towards its employees, customers, suppliers and the environment.

As at the end of the reference period, the companies in the Fund were aligned with the following four key impact areas; (1) 20% in inclusion; (2) 26% in health and wellness; (3) 19% in environment; and (4) 10% in responsible consumption.

The Fund also applied certain exclusions, with which the Investment Manager monitored compliance on an ongoing basis via its portfolio compliance framework. The Fund did not invest in any issuers within this exclusionary criteria.

• …and compared to previous periods?

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

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 not cause significant harm to any 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 portfolio, 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 exceptions to the list during the reference period.

- Firm-wide exclusions also applied to companies that derived revenues above certain thresholds from activities related to tobacco and thermal coal, especially tobacco production, tobacco value chain (suppliers, distributors, retailers, licensors), thermal coal mining and coal fired power generation.

- The Fund also applied certain other exclusions.

- Further information on all of the Fund's exclusions is to be found under "Sustainability Related Disclosures" on the Fund's webpage, accessed via https://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 portfolio. 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.

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In addition the Fund excluded companies that were deemed to contribute significantly to climate change (related to PAIs 1, 2 and 3 covering GHG emissions). The thresholds that were applied were companies deriving >10% revenue from thermal coal mining and >30% revenue from coal power generation. The Fund may have applied stricter thresholds, as disclosed on the website. Compliance with these exclusions was monitored via our automated compliance controls.

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). 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.

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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 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

The Investment Manager worked on a mass engagement project during the reference period which encouraged companies within the portfolio to set net zero emissions transition plans as well as an engagement programme to improve board gender diversity.

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 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
SAMSUNG SDI COMPANY LIMITED KRW5000	Information Technology	5.01	South Korea
HDFC BANK LIMITED ADR (EACH REPRESENTING 3 ORDINARY)	Financials	4.99	India
TERNA ENERGY SA EUR0.3	Utilities	4.95	Greece
CIPLA LIMITED GDR (EACH REPRESENTS 1 ORDINARY SHARES INR2) (LUXEMBOURG	Health Care	4.91	India
PRUDENTIAL PLC ORDINARY 5P	Financials	4.75	Hong Kong
XIAMEN FARATRONIC LTD A CNY1	Information Technology	4.01	China
RAIA DROGASIL SA NPV	Consumer Staples	3.77	Brazil
KLABIN SA UNITS (1 COMMON AND 4 PREFERENCE)	Materials	3.69	Brazil
ZHEJIANG SANHUA INTELLIGENT CONTROLS COMPANY LIMITED CNY1 (CNY)	Industrials	3.63	China
LONGI GREEN ENERGY TECHNOLOGY COMPANY LIMITED A CNY1	Information Technology	3.52	China
SAFARICOM LTD KES0.5	Communication Services	3.25	Kenya
WEG SA NPV	Industrials	3.21	Brazil
MERCADOLIBRE INCORPORATED COMMON STOCK USD0.001	Consumer Discretionary	3.14	Brazil
SHOPRITE HOLDINGS LIMITED ZAR0.01134	Consumer Staples	3.12	South Africa
CLICKS GROUP LIMITED ZAR0.01	Consumer Staples	3.08	South Africa

The list above represents the average of the Fund’s holdings at each quarter end during the reference period.

The largest investments and % of assets referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The largest investments and % of assets detailed elsewhere in the Audited Annual Report are derived from the Accounting Book of Record (ABoR) maintained by the administrator. As a result of these differing data sources, there may be differences in the largest investments and % of assets due to the differing calculation methodologies of these alternative data sources.

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

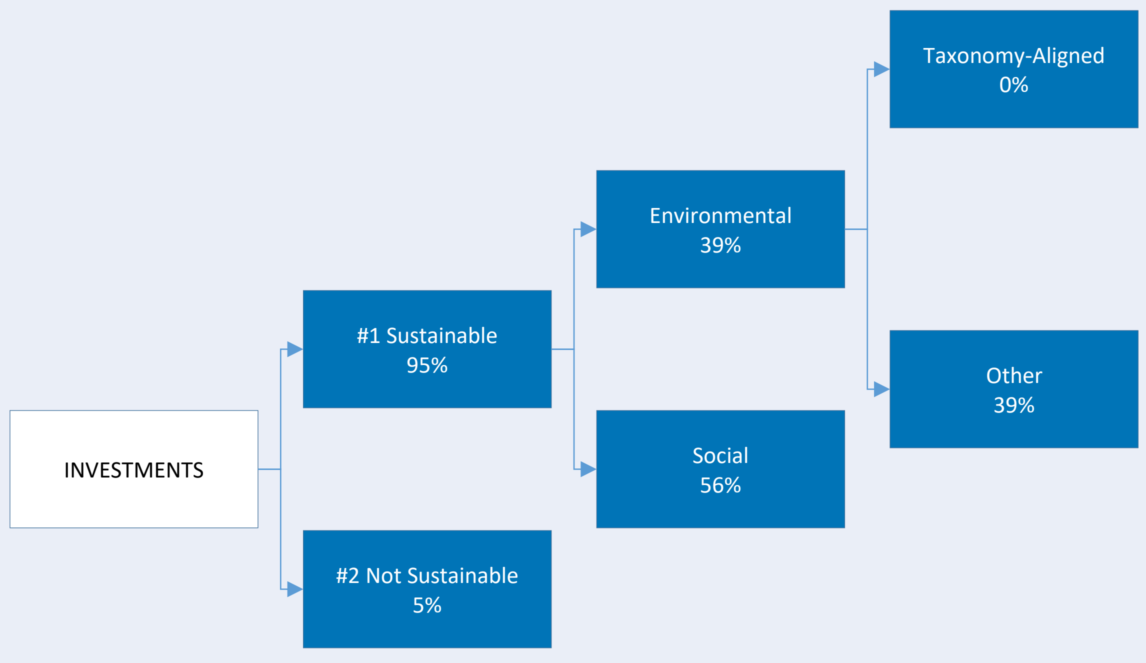
• *What was the asset allocation?*

The Fund's investments that were used to meet its sustainable investment objective are summarised below.

#1 Sustainable are investments in companies which were expected to contribute towards the advancement of one or more of the UN SDGs, to be managed in the interests of all stakeholders, and to deliver returns to shareholders over the long term.

The Fund invested 95% of its assets in sustainable investments. This percentage represents the average of the reference period, based on quarter-end data. Within this, 39% was invested in sustainable investments with an environmental objective and 56% was invested in sustainable investments with a social objective.

#2 Not sustainable includes cash, which was treated as neutral for sustainability purposes.



#1 Sustainable *covers sustainable investments with environmental or social objectives*
#2 Not sustainable *includes investments which do not qualify as sustainable investments*

• In which economic sectors were the investments made?

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

Sector	Sub-Sector	% Assets
Health Care	Pharmaceuticals, Biotechnology & Life Sciences	10.33
Health Care	Health Care Equipment & Services	8.01
Financials	Banking	11.98
Financials	Insurance	4.75
Information Technology	Technology Hardware & Equipment	11.74
Information Technology	Semiconductors & Semiconductor Equipment	4.51
Consumer Staples	Food & Staples Retailing	10.28
Consumer Staples	Household & Personal Products	2.14
Consumer Discretionary	Retailing	7.01
Consumer Discretionary	Consumer Durables & Apparel	2.60
Industrials	Capital Goods	7.83
Industrials	Commercial & Professional Services	0.48
Utilities	Utilities	4.95
Communication Services	Telecommunication Services	4.91
Cash	Cash	4.80
Materials	Materials	3.69

The list above represents the average of the Fund's holdings at each quarter end during the reference period.

The % of assets and sector classifications aligned to economic sectors referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The % of assets and sector classifications 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 assets and sector classifications aligned to economic sectors, due to the differing calculation methodologies and data availability 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 are not yet available and that have greenhouse gas emission levels corresponding to

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 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.

the best performance.

• Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

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

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

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.*

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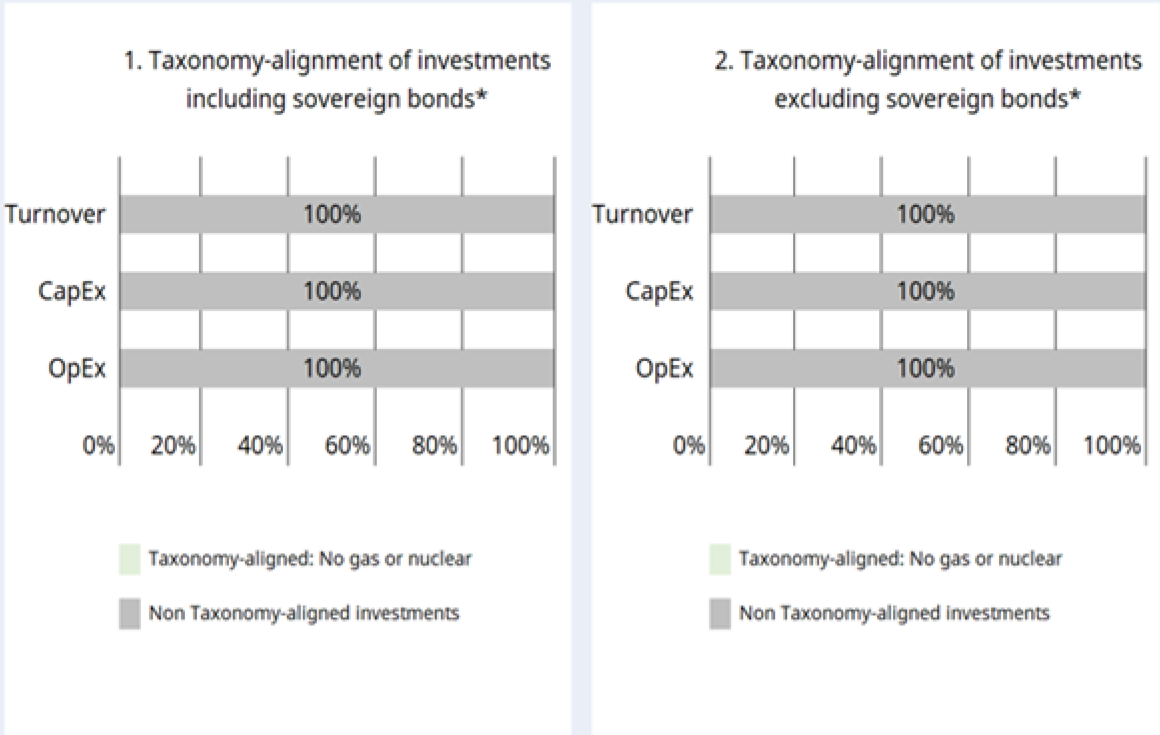
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



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

• 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.

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

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

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 39%.

What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 56%.

What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?

#2 Not sustainable includes cash, which was treated as neutral for sustainability purposes.

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

In addition, new counterparties were reviewed by Schroders’ credit risk team and approval of a new counterparty was based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework.

Ongoing monitoring was performed through a Schroders’ proprietary tool, which supports the analysis of a counterparty’s management of environmental, social and governance trends and challenges. Schroders’ credit risk team monitored the counterparties and during the reference period 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 attain the sustainable investment objective during the reference period?

The actions taken during the reference period to meet the sustainable investment objective of the Fund were the following:

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- The Fund invested at least 75% of its assets in sustainable investments, which were investments in companies that were expected to contribute towards the advancement of one or more of the UN SDGs, to be managed in the interests of all stakeholders, and to deliver returns to shareholders over the long term.

- The Fund invested in companies that did not cause significant environmental or social harm.

- The Investment Manager utilised a Schroders' proprietary tool to help assess good governance practices of investee companies.

- During the year the Investment Manager conducted a number of engagements across the key themes such as climate change, diversity and inclusion, human rights and natural capital. Of particular note were a number of impact engagements, focused on increasing the impact of, or improving the impact measurement of, products and services offered by companies in the investible universe.

- In addition, the Investment Manager worked on a mass engagement project during the year which encouraged companies within the portfolio to set net zero emissions transition plans as well as an engagement programme to improve board gender diversity both of which will remain priorities into the next reference period.

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

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

No index was designated as a reference benchmark for the purpose of attaining the sustainable investment objective of 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 sustainable investment objective?

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.