# **Schroders**



# SFDR Periodic Report

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# **SFDR Periodic Report**

## Reference Period: 1 January 2024 - 31 December 2024

Periodic 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 ISF US Smaller Companies Impact

Legal Entity Identifier: RHJGQ85DVCNQ0T8OGL26

#### 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?					
••	X	Yes	••		No
X		ade sustainable investments with an ironmental objective: 31%		chai as it it ha	romoted Environmental/Social (E/S) racteristics and while it did not have s objective a sustainable investment, and a proportion of% of sustainable stments
		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		ade sustainable investments with a alobjective: 66%			omoted E/S characteristics, but <b>did</b> 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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the

Taxonomy or not.

#### Reference Period: 1 January 2024 - 31 December 2024



#### 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 90% of its assets in sustainable investments. The Fund invested in small-sized US companies that the Investment Manager expected to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term. The Fund also invested in investments that the Investment Manager deemed to be neutral under its sustainability criteria, which was cash.

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 alongside the Investment Manager's assessment of the company via its proprietary scorecard. The investment process was aligned with the Operating Principles for Impact Management.

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

The reference period for this Fund is 1 January 2024 to 31 December 2024.

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

#### • How did the sustainability indicators perform?

The Fund invested 97% 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 combination of 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), and specific sustainability key performance indicators to assess the investment's contribution to an environmental or social objective (as applicable). 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 the Investment Manager used a quantitative screening tool to identify companies that derive a certain minimum percentage of their revenues from whose main activity is contributing to an environmental or social objective. In addition, there was a detailed impact assessment of every company via the completion of a proprietary scorecard. The impact scorecard focuses on the impact that a company's products and services are expected to have. The Investment Manager considered different aspects of impact such as: what outcome and UN SDGs the company is contributing to; who is served by the outcome (such as the relevant stakeholder or industry); an assessment of our expected contribution (including Schroders influence and engagement); and consideration of impact risks. The assessment included tracking Key Performance Indicators (KPIs) that are used to measure and monitor the company's impact over time via an annual review.

Once these steps were completed, the company and scorecard were then validated and approved by Schroders' Impact Assessment Group (IAG), in order for the company to be eligible for inclusion in the Fund's investible universe. The IAG consists of members from Schroders' impact and sustainable investment teams and members of the investment team.

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As at the end of the reference period, the companies in the Fund were aligned with the following four key impact areas; (1) 42% in health and wellness; (2) 26% in inclusion and diversity; (3) 20% in sustainable infrastructure; and (4) 12% in responsible consumption and production.

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?

#### **Sustainable investments**

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

Period	Fund (%)
Jan 2024 - Dec 2024	97
Jan 2023 - Dec 2023	93
Aug 2022 - Dec 2022	95

#### **Key impact areas**

This table details the alignment with the following four key impact areas, year on year.

Period	(1) Health and wellness	(2) Inclusion and diversity	(3) Sustainable infrastructure	(4) Responsible consumption
Jan 2024 - Dec 2024	42%	26%	20%	12%
Jan 2023 - Dec 2023	41%	23%	18%	18%
Aug 2022 - Dec 2022	37%	22%	29%	12%

# • 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 related to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and thermal coal mining. Further information and a list of excluded controversial weapons companies is available at https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/.
- The Fund excluded companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.
- The Fund excluded companies that are assessed by Schroders to have breached one or more 'global norms' thereby causing significant environmental or social harm; these companies comprise Schroders' 'global norms' breach list. Schroders' determination of whether a company has been involved in such a breach considers relevant principles such as those contained in the UN Global Compact (UNGC)

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.

#### Reference Period: 1 January 2024 - 31 December 2024

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 have also applied certain other exclusions in addition to those summarised above. Further information on all of the Fund's investment exclusions is to be found under "Sustainability-Related Disclosure" on The Fund's webpage https://www.schroders.com/en-lu/lu/individual/fund-centre.

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

When seeking to identify significant harm, Schroders' approach to taking into account the Principal Adverse Impacts (PAI) indicators involved taking both a quantitative and a qualitative approach. Investee companies deemed not to satisfy the quantitative thresholds would generally have been excluded, unless on a case-by-case basis the data was deemed not representative of a company's performance in the relevant area. Where it was not considered appropriate or feasible to set quantitative thresholds, the Investment Manager engaged, where relevant, in accordance with the priorities documented in Schroders' Engagement Blueprint and/or voting policy.

This framework is subject to ongoing review, particularly as the availability and quality of the data evolves.

Our approach included:

- 1. Quantitative: this included indicators where specific thresholds have been established:
- Via the application of exclusions. This approach is relevant to PAI 4 (Exposure to companies active in the fossil fuel sector), PAI 5 (Share of non-renewable energy consumption and production) and PAI 14 (Exposure to controversial weapons). Further, the following PAIs were assessed as part of Schroders 'global norms' breach list exclusion (which seeks to exclude companies where significant harm is occurring): PAI 7 (Activities negatively affecting biodiversity-sensitive areas), PAI 8 (Emissions to water), PAI 9 (Hazardous waste and radioactive waste ratio), PAI 10 (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises), PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises and Voluntary) and PAI 14 in Table 3 (Number of identified cases of severe human rights issues and incidents).
- Via the application of an alert system flag if the relevant indicator(s) exceeded a threshold. These quantitative thresholds to assess significant harm are established centrally by our Sustainable Investment team and monitored systematically. This approach applies to indicators where we have segmented the population into harm groups to establish a threshold, such as carbon related PAI metrics, PAI 1 (GHG emissions), PAI 2 (Carbon footprint) and Voluntary PAI 4 in Table 2 (Investing in companies without carbon emission reduction initiatives). PAI 3 (GHG intensity of investee companies) operates in a similar way but the threshold is based on a revenue metric. A threshold for PAI 6 (Energy consumption intensity per high impact climate sector) is established based on the above mentioned carbon measures. A similar approach has been taken for PAI 15 (GHG intensity). PAI 16 (Investee countries subject to social violations) also operates in the same way but based on data availability regarding social violations. Through this process the relevant issuer(s) that were deemed not to satisfy the quantitative thresholds were flagged to the Investment Manager for consideration, whose response may have involved selling the holdings(s) or maintaining the position if on a case-by-case basis the data was deemed not representative of a company's performance in the relevant area. Investee companies deemed to cause significant harm were excluded from the Fund.

#### Reference Period: 1 January 2024 - 31 December 2024

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

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

The sustainable investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

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

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

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



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

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

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

- Controversial weapons: PAI 14 (Exposure to controversial weapons, such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons).
- UNGC violators: PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and Schroders' 'global norms' breach list which covers: PAI 7 (Activities negatively affecting biodiversity-sensitive areas), PAI 8 (Emissions to water), PAI 9 (Hazardous waste ratio), PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and PAI 16 (Investee

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countries subject to social violations).

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

During the reference period, PAIs were also considered through integration in the investment process. As part of the investment process, Schroders' proprietary tool was used which incorporates several PAIs as a component of its scoring methodology. We reviewed the PAI data in the PAI dashboard on a monthly basis during the reference period and flagged adverse impacts of PAIs relevant to our strategy which may be of concern.

PAIs were also considered post-investment through engagement where the Investment Manager engaged in line with the approach and expectations set out in Schroders Engagement Blueprint, which outlines our approach to active ownership. During the reference period, we engaged with investee companies on climate alignment related to PAI 1, 2, 3 and 6. In reference to PAI 12 and 13, we engaged with a company in the financial sector. All PAI indicators are monitored via Schroders PAI dashboard.

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

<b>Engagement Theme</b>	# Issuers
Corporate Governance	9
Human Rights	3
Natural Capital and Biodiversity	2
Climate Change	1
Diversity and Inclusion	1

The engagements shown relate to engagements with companies and issuers.

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



#### What were the top investments of this financial product?

During the reference period the top 15 investments were:

## Reference Period: 1 January 2024 - 31 December 2024

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: 1 Jan 2024 to 31 Dec 2024

Largest Investments	Sector	% Assets	Country
KEMPER CORPORATION COMMON STOCK USD0.10	Financial	3.64	<b>United States</b>
ICU MEDICAL INCORPORATED COMMON STOCK USD0.10	Health Care	3.33	United States
LIVERAMP HOLDINGS INCORPORATED COMMON STOCK USD0.10	Information Technology	2.91	United States
NEOGENOMICS INC COMMON STOCK USD0.001	Health Care	2.85	United States
LUMENTUM HOLDINGS INCORPORATED COMMON STOCK USD0.001	Information Technology	2.74	United States
US PHYSICAL THERAPY INCORPORATED COMMON STOCK USD0.01	Health Care	2.71	United States
CAVCO INDUSTRIES INC COMMON STOCK USD0.01	Consumer Discretionary	2.71	United States
HAEMONETICS CORPORATION COMMON STOCK USD0.01	Health Care	2.64	United States
GRAPHIC PACKAGING HOLDING COMPANY COMMON STOCK USD0.01	Materials	2.61	United States
AZENTA INCORPORATED COMMON STOCK	Information Technology	2.60	United States
NOVANTA INCORPORATED COMMON STOCK NPV	Information Technology	2.57	United States
LITTELFUSE INCORPORATED COMMON STOCK USD0.01	Information Technology	2.56	United States
BOX INC COMMON STOCK USD0.0001	Information Technology	2.55	United States
APTARGROUP INCORPORATED COMMON STOCK USD0.01	Materials	2.50	United States
FIRST BANCORP PUERTO RICO COMMON STOCK USD1	Financial	2.38	Puerto Rico

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?

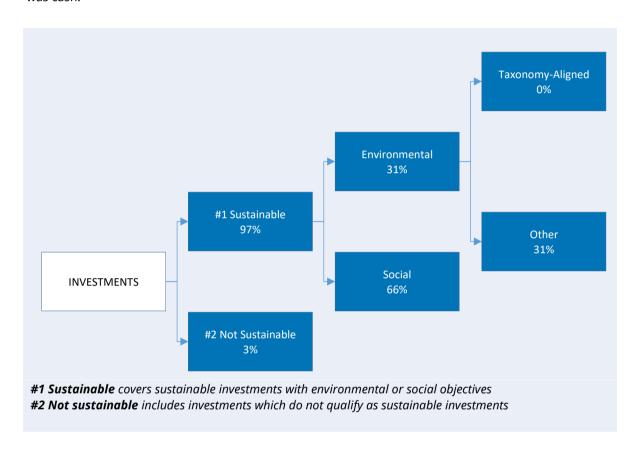
The Fund's investments that were used to meet its sustainable investment objective are summarised below.

#1 Sustainable are investments in small-sized US companies that the Investment Manager expected to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term.

## Reference Period: 1 January 2024 - 31 December 2024

The Fund invested 97% of its assets in sustainable investments. This percentage represents the average of the reference period, based on quarter-end data. Within this, 31% was invested in sustainable investments with an environmental objective and 66% was invested in sustainable investments with a social objective.

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



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

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

## Reference Period: 1 January 2024 - 31 December 2024

Sector	Sub-Sector	% Assets
Information Technology	Software & Services	14.71
Information Technology	Technology Hardware & Equipment	11.08
Information Technology	Semiconductors & Semiconductor Equipment	3.85
Health Care	Health Care Equipment & Services	14.53
Health Care	Pharmaceuticals, Biotechnology & Life Sciences	8.83
Industrial	Commercial & Professional Services	8.78
Industrial	Capital Goods	7.03
Materials	Materials	10.18
Financial	Banking	4.31
Financial	Insurance	3.64
Financial	Real Estate	1.81
Cash	Cash	4.11
Consumer Discretionary	Consumer Durables & Apparel	2.71
Consumer Staples	Food, Beverage & Tobacco	2.69
Utilities	Utilities	1.75

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.



# 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.

## Reference Period: 1 January 2024 - 31 December 2024

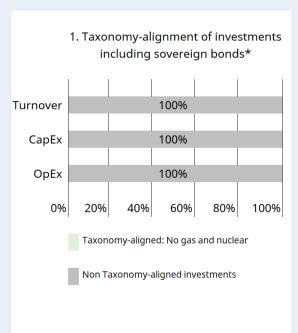
with the EU Taxonomy¹?				
Yes:				
In fossil gas	In nuclear energy			
X No				

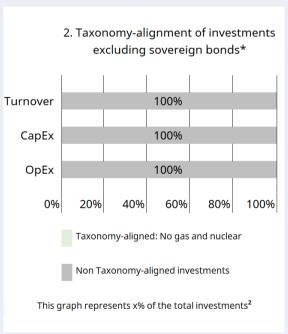
• Did the financial product invest in fossil gas and/or nuclear energy related activities complying

Taxonomy-aligned activities are expressed as a share of:

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

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





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

<sup>&</sup>lt;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 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.

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<sup>2</sup>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.

#### **Enabling activities**

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

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

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

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

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

This question is not applicable.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under 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 31%.



What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 66%.



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

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

Minimum safeguards were applied where relevant to 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, to the extent counterparties were removed from the approved list for all funds in line with our policy and compliance requirements, such counterparties were ineligible for use by the Fund in respect of any relevant investments from the date they were removed.



# What actions have been taken to 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:

- The Fund invested at least 90% of its assets in small-sized US companies that the Investment Manager expected to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term;
- The Fund invested in companies that did not cause significant environmental or social harm;
- A central good governance test was applied to assess good governance practices of investee companies;
- The Investment Manager divested from a recruitment company because their Diversity, Equity & Inclusion division was not communicating separate results meaning the Investment Manager could not track this metric; and
- -The Investment Manager engaged with a sustainable timber company on the role that the company plays in upholding and expanding industry leading sustainable forestry practices. This prompted engagement with multiple stakeholders including the forest certification entity, ESG rating providers and a paper packaging company also held in the Fund.

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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 does the reference benchmark differ from a broad market index?

This question is not applicable for this Fund.

• How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the 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.