

12 July 2022

Dear Shareholder,

Schroder International Selection Fund (the "Company") – US Smaller Companies (the "Fund")

We are writing to inform you that on 16 August 2022 (the "Effective Date") the Fund will change its strategy to be focused on impact investing. The Fund's name, objective and policy will be amended to reflect this and the Fund will invest at least 75% of its assets in sustainable investments. This is so that it will be in line with Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial sector ("SFDR").

Background and Rationale

From the Effective Date the Fund will change its strategy to focus on making investments that the investment manager expects to contribute towards the advancement of an environmental or social objective linked to one or more of one or more of the United Nations Sustainable Development Goals (the "UN SDGs"), and to deliver returns to shareholders over the long term. The Fund will do this by identifying companies whose businesses have a positive impact on society either directly or indirectly. This will be measured by aligning company revenues to one or more of the UN SDGs.

The investment manager believes that the change to hold fewer than 50 companies by the Fund is an important part of the investment process to enable the Fund to focus on its investment strategy as a larger portfolio will make the engagement with companies on their ESG strategy logistically difficult.

The following changes will be made to the Fund to reflect this:

Name Change

From the Effective Date the Fund's name will change to Schroder International Selection Fund – US Smaller Companies Impact.

Investment Objective and Policy Change

From the Effective Date, the changes to the Fund's details in the prospectus of the Company will be as follows:

- The Investment Objective and Policy will change to reflect the impact investment strategy. This will include an updated disclosure to reflect that going forward the Fund is expected to hold fewer than 50 companies;
- The "Sustainability Criteria" section will be amended within the Fund Characteristics section of the prospectus to explain the Fund's new approach; and
- The sustainability risk disclosure will be amended to reflect that the Fund will have the objective of sustainable investment within the meaning of Article 9 of the SFDR.

Full details of the changes being made can be seen in **Appendix 1** to this letter.

The extent of the change to the risk/reward profile of the Fund as a result of these changes is non-significant.

All other key features of the Fund, including the synthetic risk and return indicator (the SRRI) and fees, will remain the same.

Redeeming or switching your shares to another Schroders fund

We hope that you will choose to remain invested in the Fund following these changes, but if you do wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the Effective Date you may do so at any time up to and including deal cut-off on 15 August 2022. Please ensure that your redemption or switch instruction reaches HSBC Continental Europe, Luxembourg ("HSBC") before this deadline. HSBC will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, free of charge, although in some countries local paying agents, correspondent banks or similar agents might charge transaction fees. Local agents might also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach HSBC before the deal cut-off given above.

You can find the Fund's updated key investor information document (the KIID) for the relevant share class and the Fund's Prospectus at www.schroders.lu.

If you have any questions or would like more information about Schroders' products please visit www.schroders.com or contact your local Schroders office, your usual professional adviser, or Schroder Investment Management (Europe) S.A. on (+352) 341 342 202.

Yours faithfully,

The Board of Directors

Appendix 1

New wording is shown as underlined text

Current Fund disclosures	Revised Fund disclosures
<p>Investment Objective:</p> <p>The Fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies.</p> <p>Investment Policy:</p> <p>The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market.</p> <p>The Fund invests in a broad range of smaller companies in the US in the belief that they will offer better growth prospects than their larger peers over the medium to long term. The investment approach focuses on three types of companies: companies that the Investment Manager believes demonstrate strong growth trends and improving levels of cash; companies that the Investment Manager believes generate dependable earnings and revenues; and companies that the Investment Manager believes are undergoing positive change that is not being recognised by the market. By doing so, the Investment Manager believes that it can reduce overall risk and improve returns for investors over the medium to long term.</p> <p>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 (subject to the restrictions provided in Appendix I).</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p> <p>The Fund maintains a higher overall sustainability score than the S&P Small Cap 600 Lagged (Net TR) Index, based on the Investment Manager's rating</p>	<p>Investment Objective:</p> <p>The Fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies <u>which help to advance the UN SDGs and which the Investment Manager deems to be sustainable investments.</u></p> <p>Investment Policy:</p> <p>The Fund is actively managed and invests <u>at least 75% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of an environmental or social objective linked to one or more of one or more of the UN SDGs, and to deliver returns to shareholders over the long term.</u> <u>The Investment Manager will select companies from a universe of eligible companies that have been determined as meeting the Investment Manager's impact criteria. The impact criteria include 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 are considered in the assessment of companies. Please see the Fund Characteristics section for more details.</u></p> <p>The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on the Fund's webpage, accessed via www.schroders.com/en/lu/private-investor/gfc.</p> <p><u>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 (please see the Fund Characteristics section for more details).</u></p> <p><u>The Fund may invest in companies that the Investment Manager believes will improve their sustainability practices within a reasonable timeframe, typically up to two years.</u></p>

criteria. More details on the investment process used to achieve this can be found in the Fund Characteristics section.

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

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

The Fund invests at least two-thirds of its assets in a concentrated range of equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market. The Fund typically holds fewer than 50 companies.

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 (subject to the restrictions provided in Appendix I).

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

~~The Fund invests in a broad range of smaller companies in the US in the belief that they will offer better growth prospects than their larger peers over the medium to long term. The investment approach focuses on three types of companies: companies that the Investment Manager believes demonstrate strong growth trends and improving levels of cash; companies that the Investment Manager believes generate dependable earnings and revenues; and companies that the Investment Manager believes are undergoing positive change that is not being recognised by the market. By doing so, the Investment Manager believes that it can reduce overall risk and improve returns for investors over the medium to long term.~~

~~The Fund maintains a higher overall sustainability score than the S&P Small Cap 600 Lagged (Net TR) Index, based on the Investment Manager's rating criteria. More details on the investment process used to achieve this can be found in the Fund Characteristics section.~~

~~The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on~~

	<p>the Fund's webpage, accessed via www.schroders.com/en/lu/private-investor/gfc.</p>
<p>Benchmark:</p> <p>The Fund's performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The Fund's investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 (Net TR) Lagged index. The comparator benchmarks are only included for performance comparison purposes and do not determine on how the Investment Manager invests the Fund's assets. The Investment Manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The Investment Manager will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities.</p> <p>The target benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide. The comparator benchmarks have been selected because the Investment Manager believes that each benchmark is a suitable comparison for performance purposes given the Fund's investment objective and policy.</p> <p>The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund.</p>	<p>Benchmark:</p> <p>The Fund's performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The Fund's investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 (Net TR) Lagged index. The comparator benchmarks are only included for performance comparison purposes and do not have any bearing on how the Investment Manager invests the Fund's assets. The Investment Manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The Investment Manager will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities.</p> <p>The target benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide. The comparator benchmarks have been selected because the Investment Manager believes that each benchmark is a suitable comparison for performance purposes given the Fund's investment objective and policy.</p> <p>The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund.</p>
<p>Fund Characteristics:</p> <p>Sustainability Criteria</p> <p>The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund.</p> <p>Companies in the investment universe are assessed on their governance, environmental and social profile, across a range of factors.</p> <p>The Investment Manager performs its own due diligence on potential holdings including, where possible, meetings with senior management. The</p>	<p>Fund Characteristics:</p> <p>Sustainability Criteria</p> <p><u>The Investment Manager applies sustainability criteria when selecting investments for the Fund.</u></p> <p><u>Investments are composed of companies that have been determined as meeting the Investment Manager's impact criteria i.e. companies whose products and services solve one of the UN SDG gaps or that operate in a mainstream industry that indirectly solves one of the UN SDG gaps.</u></p>

Investment Manager analyses information provided by the companies, including information provided in company sustainability reports and other relevant company material. The Investment Manager will also scrutinise other disclosures, including third party reports, and will typically engage with the company during the assessment process and afterwards if the company is selected for the portfolio.

This assessment is supported by quantitative analysis from Schroders' proprietary sustainability tools. Through such tools, analysts are able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.

The Investment Manager ensures that at least:

- 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries,

held in the Fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion.

In order to identify companies with a direct link to a UN SDG, the Investment Manager uses a proprietary screening tool to map company revenue to UN SDGs. The tool splits revenue into numerous different categories linked to UN SDGs. While the Investment Manager uses the tool to assess individual companies, it also enables the Investment Manager to measure the overall revenue link to SDGs on a consolidated portfolio level. The Investment Manager has identified three types of companies that will make up the portfolio.

The first type are highly innovative companies whose business model solves a direct need within the UN SDGs. These are growth companies whose solution to an UN SDG gap can be scaled.

The second type are companies that are already generating revenues that have an impact, but do not articulate or highlight that impact (i.e. contribution to some or all of the UN SDGs). These are companies the Investment Manager can identify due to its deep understanding of the US Small Cap universe where it sees a re-rating opportunity. In so doing the companies can better articulate and become more transparent about their impact opportunity. This is expected to be the largest group in the Fund's portfolio.

The third type will tend to have the lowest level of revenue link to UN SDGs. These are companies who require a business model transition in order to survive. These are companies the Investment Manager believes have the ability and desire to transition and where it sees the ability to help guide such companies on that journey. Each investment must have some revenue linking to a UN SDG. Based on where the investment falls within the three types the level of linked revenue will vary.

The Investment Manager ensures that at least 90% of companies in the Fund's portfolio are 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 (i.e. determination of the percentage of the Fund's potential investment universe that has been excluded from the selection of investments), 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 small-sized US companies or companies which derive a significant proportion of their revenues or profits from small-sized US companies.

The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund.

Companies in the investment universe are assessed on their governance, environmental and social profile, across a range of factors.

The Investment Manager performs its own due diligence on potential holdings including, where possible, meetings with senior management. The Investment Manager analyses information provided by the companies, including information provided in company sustainability reports and other relevant company material. The Investment Manager will also scrutinise other disclosures, including third party reports, and will typically engage with the company during the assessment process and afterwards if the company is selected for the portfolio.

This assessment is supported by quantitative analysis from Schroders' proprietary sustainability tools. Through such tools, analysts are able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.

The Investment Manager ensures that at least:

- 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit

	<p>rating; and sovereign debt issued by emerging countries,</p> <p>held in the Fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion.</p>
<p>Sustainability risk factor:</p> <p>The Fund has environmental and/or social characteristics (within the meaning of Article 8 SFDR). A Fund with these characteristics may have limited exposure to some companies, industries or sectors as a result and the Fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the Investment Manager. As Investors may differ in their views of what constitutes sustainable investing, the Fund may also invest in companies that do not reflect the beliefs and values of any particular Investor. Please refer to Appendix II for more details on sustainability risks.</p>	<p>Sustainability risk factor</p> <p>The Fund has the <u>objective of sustainable investment</u> environmental and/or social characteristics (within the meaning of Article 8 & 9 SFDR). A Fund with <u>this objective</u> these characteristics may have limited exposure to some companies, industries or sectors as a result and the Fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the Investment Manager. As Investors may differ in their views of what constitutes sustainable investing, the Fund may also invest in companies that do not reflect the beliefs and values of any particular Investor. Please refer to Appendix II for more details on sustainability risks.</p>

Appendix 2

ISIN codes of the Share Classes impacted by these changes:

Share Class	Share Class Currency	ISIN Code
A Accumulation	USD	LU0106261612
A Distribution	USD	LU0012050646
A1 Accumulation	USD	LU0133716109
B Accumulation	USD	LU0106261885
B Distribution	USD	LU0052718862
C Accumulation	USD	LU0106262180
C Distribution	USD	LU0062903702
I Accumulation	USD	LU0134344257
IZ Accumulation	USD	LU2016221744