

10 January 2025

Dear Sir/Madam,

Schroder Sustainable Bond Fund: Sustainability Focus label

We are writing to inform you of changes to the Schroder Sustainable Bond Fund (the "Fund"), in which you are invested.

The changes described in this letter will take effect from 17 March 2025 (the "Effective Date").

The changes do not require unitholder approval and you do not need to take any action. However, we encourage you to read this letter as it contains important information about your investment.

Proposed changes and rationale

With effect from the Effective Date, the "Sustainability Focus" label will be applied to the Fund. This is one of four new fund labels introduced under the Financial Conduct Authority's Sustainability Disclosure Requirements ("SDR"), which are designed to indicate whether a fund is aligned with a particular sustainability goal. The Sustainability Focus label can be used by funds that aim to invest at least 70% of their portfolios in assets that are environmentally and/or socially sustainable.

To demonstrate that the Fund meets the new qualifying criteria for the label, a number of changes will be made:

1. **Updates to the investment objective** – to align with the requirements for sustainability objectives under SDR. Detail will be added on the positive sustainability outcome sought by the Fund and how this is measured.
2. **Updates to the investment policy** – to reflect:
 - **A commitment to invest at least 70% of the Fund's assets in line with a robust, evidence-based standard of sustainability.** The Fund will adopt a new test to determine whether the investments meet the updated sustainability objective. As a result, the percentage that the Fund commits to holding in sustainable investments will be reduced from 80% to 70%.
 - **Cross references to new, more detailed content on sustainability.** We will present the additional disclosures required under SDR after the investment objective and policy for ease of reference for investors, and we will include some cross references to this content within the investment policy to aid navigation.
 - **Removal of legacy language on sustainability.** We will remove some legacy wording on sustainability. Please note that there will be no change to the way the Fund is managed in practice as a result of the removal of this wording.

3. **Replacement of the existing “Sustainability Criteria” section with a new, more detailed table.** The current content set out under “Sustainability Criteria” in the Fund Characteristics section will be relocated to a new table entitled “Sustainability Criteria” and will be updated. The new table will include details of both the existing sustainable features of the Fund and the additional content required under SDR.

There will be no change to the overall sustainable nature or purpose of the Fund, or its risk profile as a result of these changes.

A breakdown of the changes to the investment objective and policy, as well as the unit classes affected by these changes, is shown in the Appendices to this letter. The new Sustainability Criteria table can be viewed in the prospectus from the Effective Date.

From the Effective Date, we will also publish a new “**consumer-facing disclosure**”, which is a two-page document designed to summarise the key sustainability features of the Fund and how it performs against its sustainability commitments. This can be accessed from the Effective Date via the Fund’s webpage: <https://www.schroders.com/en-gb/uk/individual/fund-centre/>.

Costs

The costs and expenses associated with making these changes will be borne by Schroder Unit Trusts Limited.

Your options

We hope that you will remain invested in the Fund, but you are entitled to switch your units in the Fund for shares or units in another Schroders fund, free of any initial charge, at any time before the Effective Date.

**Further information**

If you have any questions or concerns about the changes, please contact your financial adviser. If you do not have a financial adviser, you can find one in your area by visiting www.unbiased.co.uk. Alternatively, you can call a member of our Investor Services Team on the number in the letterhead. Please be aware that Schroders does not offer investment advice.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Paul Truscott", enclosed within a thin black rectangular border.

Paul Truscott
Director
Schroder Unit Trusts Limited

Appendix 1:

Please note: references to content “below” in the new investment policy relate to the Fund’s sustainability criteria table in the prospectus.

| Current Investment Objective | New Investment Objective |
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| <p>The Fund aims to provide income and capital growth in excess of the ICE BofA Sterling 3-Month Government Bill index plus 2.5% (after fees have been deducted) over any three to five year period, by investing directly in fixed and floating rate securities issued by governments, government agencies and companies worldwide which meet the investment manager’s sustainability criteria.</p> | <p>The Fund aims to provide capital growth in excess of ICE BofA Sterling 3-Month Government Bill index plus 2.5% (after fees have been deducted) over any three to five year period, by investing directly in fixed and floating rate securities issued by governments, government agencies and companies worldwide which the investment manager classifies as sustainable. These are investments that make a positive contribution to the Planet (the environment); and/or People (workforce wellbeing; public and consumer wellbeing; healthy, inclusive and connected communities; and/or effective and accountable institutions).</p> |
| Current Investment Policy | New Investment Policy |
| <p>The Fund is actively managed and invests at least 80% of its assets directly, in fixed and floating rate securities denominated in sterling (or in other currencies and hedged back into sterling) issued by governments, government agencies, supra-national and corporate issuers worldwide, (including emerging markets and less developed markets), which meet the investment manager’s sustainability criteria (please see the Fund characteristics section of the prospectus for more detail).</p> <p>The Fund maintains a positive absolute sustainability score based on the investment manager’s rating system. More details on the investment process used to achieve this can be found in the Fund characteristics section.</p> <p>The Fund does not directly invest in certain activities, industries or groups of issuers above certain limits listed under ‘Sustainability Information’ on the Fund’s webpage, accessed via https://www.schroders.com/en-gb/uk/individual/what-we-do/sustainable-investing/.</p> <p>The Fund invests in companies that have good governance practices, as determined by the investment manager’s rating criteria (please see the Fund characteristics section for more details).</p> <p>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-gb/uk/individual/what-we-do/sustainable-investing/.</p> | <p>The Fund is actively managed and invests at least 80% of its assets directly, in fixed and floating rate securities denominated in sterling (or in other currencies and hedged back into sterling) (“bonds”) issued by governments, government agencies, supra-national and corporate issuers worldwide, (including emerging markets and less developed markets). The Fund may invest up to 50% of its assets in below investment grade securities as measured by Standard & Poor’s or an equivalent credit rating agency, or in unrated securities. The Fund may invest up to 40% of its assets in asset-backed securities, specifically whole business corporate loans, and covered bonds.</p> <p>The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries, regions, industries or currencies, collective investment schemes (including Schroder funds) and money market instruments and hold cash. The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently (for more information please refer to section 6 of Appendix 2 of the prospectus). The Fund may use leverage and take short positions.</p> <p>The Fund invests at least 70% of its portfolio in bonds that the investment manager classifies as sustainable. A bond is considered to be sustainable if either the issuer itself or the activity funded by the proceeds of the bond makes a positive contribution to:</p> <ul style="list-style-type: none"> - Planet. This includes contributions to the environment - such as reducing greenhouse gas (GHG) emissions, which helps slow down climate change. <p>and/or</p> <ul style="list-style-type: none"> - People. This includes contributions to one or more of the following: |

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| <p>The Fund may invest up to 50% of its assets in below investment grade securities as measured by Standard & Poor's or an equivalent credit rating agency, or in unrated securities.</p> <p>The Fund may invest up to 40% of its assets in asset-backed securities, specifically whole business corporate loans, and covered bonds.</p> <p>The Fund may also invest directly or indirectly in securities (including in other asset classes), countries, regions, industries or currencies, collective investment schemes (including Schroder funds) and money market instruments and hold cash.</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently (for more information please refer to section 6 of Appendix 2 of the prospectus). The Fund may use leverage and take short positions</p> | <ul style="list-style-type: none"> ○ Workforce wellbeing - such as a company paying more than living wages or providing education and training (which supports employee professional development and prosperity), or a sovereign providing education (which facilitates economic participation) and protecting human rights (which allows workers to be fairly compensated from their employment). ○ public and consumer wellbeing - such as a company developing new products and services that improve customers' quality of life (for example medical drugs, therapies, diagnostic tools and healthy food), or a sovereign setting policies against cybercrime (which aim to protect a country's citizens from exploitation online). ○ healthy, inclusive and connected communities – such as a company providing access to clean water and sanitation (which promotes good health), or a sovereign setting policies that tackle discrimination (which aim to create more equitable and harmonised communities). ○ effective and accountable institutions – such as a company promoting financial stability (which supports people's prosperity and financial security), or a sovereign setting policies that support sociopolitical stability (which leads to a safer and more prosperous society). <p>Bonds are classified as sustainable if they achieve a positive score in Schroders' systematic model (SustainEx™). SustainEx™ produces an assessment of the bond issuer's effect on a defined set of benefits and costs for people and the planet, which are then combined to calculate an overall sustainability score for the bond. A bond must achieve a positive score to be deemed sustainable. The model is based on in-depth internal research, which has included establishing the relevance of various factors to the sustainability outcomes referred to above.</p> <p>In some exceptional cases, SustainEx™, does not provide a fair reflection of an issuer's contribution to people and/or the planet. The investment manager can refer such investments to Schroders' Sustainable Investment Panel (the "Panel"), an independent panel of experts. The Panel reviews additional robust evidence provided by the investment manager to determine whether, if such evidence was available to SustainEx™, the investment would achieve a positive score. This could be relevant where SustainEx™, does not capture a relevant area of positive contribution – such as where an issuer produces a particularly sustainable product whose importance to people or the planet is not fully captured by the issuer's overall score. Alternatively, it could be relevant where the</p> |
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| | <p>investment manager is able to supply additional data to enhance a calculation – such as where an issuer does not publish details of employee salaries, but the investment manager is able to obtain or more accurately estimate this from other sources.</p> <p>The Fund may also invest in green, social or sustainable bonds (“GSS Bonds”) as part of the 70% referred to above. For these investments, the investment manager does not take into account the SustainEx™ score of the issuer, but instead analyses the use of proceeds of the GSS Bond to determine whether a positive contribution to the planet or people can be expected as a result of the specific activity that the bond is designed to finance. It does this by assessing each GSS Bond’s adherence to a set of robust principles established by the International Capital Market Association or an equivalent body.</p> <p>Please see “What is the investment manager’s approach to sustainability?” below for more details on how the investment manager assesses sustainability and why it has determined that this approach is an appropriate way to identify investments that are sustainable.</p> <p>The Fund is not permitted to invest in any assets that conflict with the sustainability objective. Please see “What will the investment manager avoid investing in?” below for more details.</p> <p>The investment manager also engages with selected issuers held by the Fund on sustainability issues. Please see “How does the investment manager engage with the investments it holds to support their contribution to the Fund’s sustainability objective?” below for more details.</p> |
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Appendix 2:

Share classes

| Fund name | Income / Accumulation | Class | ISIN |
|---------------------------|-------------------------|-------|--------------|
| Schroder Sustainable Bond | Accumulation | A | GB0007905945 |
| Schroder Sustainable Bond | Income | A | GB0007905721 |
| Schroder Sustainable Bond | Accumulation | L | GB00BDD27793 |
| Schroder Sustainable Bond | Income | L | GB00BDD27918 |
| Schroder Sustainable Bond | Accumulation | Q1 | GB00BJRSTZ73 |
| Schroder Sustainable Bond | Income | Q1 | GB00BJRSV066 |
| Schroder Sustainable Bond | Accumulation | S | GB00BJRSW361 |
| Schroder Sustainable Bond | Income | S | GB00BJRSWH05 |
| Schroder Sustainable Bond | EUR Hedged Accumulation | S | GB00BJRSWJ29 |
| Schroder Sustainable Bond | USD Hedged Accumulation | S | GB00BNV5MM00 |
| Schroder Sustainable Bond | Accumulation | X | GB00BJRSVG23 |
| Schroder Sustainable Bond | Income | X | GB00BRK12K52 |
| Schroder Sustainable Bond | Income (Monthly) | X | GB00BF785V77 |
| Schroder Sustainable Bond | Accumulation | Z | GB00B57BFC79 |
| Schroder Sustainable Bond | Income | Z | GB00B5W01T86 |