

23 December 2024

Dear Sir/Madam

Schroder European Sustainable Equity Fund: Sustainability Improvers label and Fund name change

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

The changes described in this letter will take effect from 24 February 2025 (the "Effective Date").

The changes do not require shareholder 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 Improvers" 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 Improvers label can be used by funds that aim to invest at least 70% of their portfolios in assets that have the potential to improve their environmental and/or social sustainability over time.

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 decarbonising investments, determined with reference to a robust, evidence-based standard of sustainability (as required under SDR).** The Fund currently commits to investing 80% of its assets in line with its existing sustainability criteria. In order to align with the requirements of the Sustainability Improvers label, we are replacing this with a requirement for the Fund to invest at least 70% of its portfolio in assets which the investment manager deems to be decarbonising investments (investments that have the potential to achieve net zero greenhouse gas emissions by 2050).



- **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 wording on sustainability.** We will remove some legacy wording on sustainability that we no longer believe is appropriate post-SDR.
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 removed and a new table entitled “Sustainability Criteria” will be added which includes additional content required under SDR.
4. **Change to the Fund name from Schroder European Sustainable Equity Fund to Schroder European Climate Transition Fund.** This name better aligns with the proposed investment strategy and Sustainability Improvers label, given that the Fund aims to invest in companies which demonstrate achieved emission reductions in line with Net Zero.

Sustainability will continue to be central to the nature and purpose of the Fund, although the strategy will now focus specifically on decarbonisation. The risk profile of the Fund remains the same and, as a result of these changes, less than 1% of the Fund’s portfolio will be repositioned.

A breakdown of the changes to the investment objective and policy, as well as the share classes affected by these changes, is shown in the Appendices to this letter. The new Sustainability Criteria table can be reviewed 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 shares 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 Schroder Unit Trusts Limited does not offer investment advice.

Yours faithfully,



Paul Truscott
Director
Schroder Unit Trusts Limited

Appendix 1:

Current Investment Objective	New Investment Objective
<p>The Fund aims to provide capital growth in excess of the FTSE World Series Europe ex UK (Gross Total Return) index (after fees have been deducted) over a three to five year period by investing in equity and equity related securities of European companies, excluding the UK, which meet the investment manager's sustainability criteria.</p>	<p>The Fund aims to provide capital growth in excess of the FTSE World Series Europe ex UK (Gross Total Return) index (after fees have been deducted) over a three to five year period by investing in equity and equity related securities of European companies, excluding the UK, which have the potential to achieve net zero greenhouse gas ("GHG") emissions by 2050. Such companies support decarbonisation and therefore contribute to the goal of limiting global warming to no more than 1.5°C above pre-industrial levels.</p>
Current Investment Policy	New Investment Policy
<p>The Fund is actively managed and invests at least 80% of its assets in a concentrated range of equity and equity related securities of European countries, excluding the UK, which meet the investment manager's sustainability criteria (please see the Fund Characteristics section for more details). The Fund typically holds 30 to 50 companies.</p> <p>The Fund maintains a higher overall sustainability score than the FTSE World Series Europe ex UK (Gross Total Return) index, 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/fund_centre/ 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 Fund may invest in companies that the investment manager believes will improve their sustainability practices within a reasonable timeframe, typically up to three years.</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/uk/private-investor/strategic-capabilities/sustainability/</p> <p>The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries (including the UK), regions, industries or currencies,</p>	<p>emissions reduction target aligned with a temperature of 1.5°C.</p> <p>The Fund is actively managed and invests at least 80% of its assets in a concentrated range of equity and equity related securities of European countries, excluding the UK. The Fund typically holds 30 to 50 companies. The Fund may also invest directly or indirectly in other securities (including in other asset classes), countries (including the UK), regions, industries or currencies, collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash. The Fund may use derivatives with the aim reducing risk or managing the Fund more efficiently (for more information please refer to Appendix 2 Section 10: Derivatives and Forwards of the prospectus).</p> <p>The Fund invests at least 70% of its portfolio in assets which the investment manager determines to have the potential to achieve net zero GHG emissions by 2050 ("decarbonising investments"). Net zero GHG means that the amount of GHG emissions emitted into the atmosphere by a company is balanced by the amount removed.</p> <p>To qualify as a decarbonising investment, a company needs to have a temperature alignment of no more than 1.5°C based on evidence of previous emissions reductions. This means that the company's expected emissions reductions are consistent with limiting global warming to 1.5°C above pre-industrial levels. To calculate a company's temperature alignment, the investment manager uses emissions data from a third party provider and company reports to produce four data sets (using a reference year of 2019, or the first reported year thereafter), and calculate the trend in emissions reduction for each:</p> <ul style="list-style-type: none"> - Absolute emissions (based on Scope 1 and 2 emissions data)



collective investment schemes (including Schroder funds), warrants and money market instruments, and hold cash.

The Fund may use derivatives with the aim reducing risk or managing the Fund more efficiently (for more information please refer to Appendix 2 Section 10: Derivatives and Forwards of the prospectus).

- Absolute emissions (based on Scope 1, 2 and 3 emissions data)
- Emissions intensity (based on Scope 1 and 2 emissions data relative to annual revenue in USD)
- Emissions intensity (based on Scope 1, 2 and 3 emissions data relative to annual revenue in USD)

Absolute emissions measure the total amount of emissions of the company, while intensity measures emissions relative to a company's revenue. Scope 1 and 2 emissions come from a company's direct activities and indirect energy consumption, while Scope 3 emissions are indirect emissions from the company's value chain.

The investment manager then uses an industry-standard methodology (the CDP-WWF Temperature Scoring Methodology) to calculate the company's temperature alignment based on the data set with the greatest emissions reduction trend. If a company's temperature alignment is 1.5°C or less, the company is deemed to be a decarbonising investment.

The Fund may also invest up to 30% of its assets in companies that are not deemed to be decarbonising investments, but have a company-reported emissions reduction target aligned with a temperature of no more than 1.5°C (based on the industry-standard methodology referred to above).

Please see *"What is the investment manager's approach to sustainability?"* below for more details on how the investment manager assesses the potential to achieve net zero GHG emissions by 2050.

The Fund is not permitted to invest in any companies that conflict with the sustainability objective. Please see *"What will the investment manager avoid investing in?"* below for more details.

The investment manager also engages with selected companies 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.

Appendix 2:

Share classes

Fund name	Income / Accumulation	Class	ISIN
Schroder European Sustainable Equity Fund	Income	A	GB00B7CM2R31
Schroder European Sustainable Equity Fund	Accumulation	A	GB00B79FC312
Schroder European Sustainable Equity Fund	Income	L	GB00B94WQJ53
Schroder European Sustainable Equity Fund	Accumulation	L	GB00B9GTQ502
Schroder European Sustainable Equity Fund	Income	Q2	GB00BJRSTW43
Schroder European Sustainable Equity Fund	Accumulation	Q2	GB00BJRSTV36
Schroder European Sustainable Equity Fund	Income	S	GB00BDRZNP45
Schroder European Sustainable Equity Fund	Accumulation	S	GB00BDRZNM14
Schroder European Sustainable Equity Fund	Income GBP Hedged	S	GB00BF782S34
Schroder European Sustainable Equity Fund	Income	Z	GB00B7FHV230
Schroder European Sustainable Equity Fund	Accumulation	Z	GB00B6S00Y77
Schroder European Sustainable Equity Fund	Income GBP Hedged	Z	GB00B9DLYT99



