BPER International SICAV – Diversified Bond Target 2028

Sustainability-related disclosures

Summary

The BPER International SICAV – Diversified Bond Target 2028 (“Sub-Fund”) maintains a higher overall sustainability score than the ICE BofA Euro Corporate index, based on the Investment Manager rating system. This benchmark (which is a broad market index) does not take into account the environmental and social characteristics promoted by the Sub-Fund. No reference benchmark has been designated for the purpose of meeting the environmental or social characteristics promoted by the financial product. The sustainability score of the Sub-Fund is measured by proprietary tool that provides an estimate of the potential societal or environmental impact that an issuer may create.

This Sub-Fund aims to provide income over a fixed period by investing in EUR denominated fixed and floating rate securities issued by companies, governments, government agencies, and supra nationals worldwide. The Sub-Fund may invest up to 20% of its assets in sub investment grade debt related instruments.

The Sub-Fund may also apply certain exclusions. Further information on all of the Sub-Fund’s exclusions is to be found further below in the “Investment strategy” section.

In order to assess good governance practices, the Investment Manager utilises the Investment Manager's proprietary tool to help it develop a complete understanding of a company through a stakeholder lens. The Investment Manager's proprietary tool is data–driven and provides a systematic framework for analysing a company’s relationship with its stakeholders. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is a central driver of the assessment of a company’s stakeholder management.

The minimum proportion of the Sub-Fund’s assets used to attain the environmental or social characteristics is equal to 60%. The Sub-Fund will invest at least 10% of its assets in sustainable investments. With the exception of any green or social bonds, which will be classified as having an environmental or social objective respectively. In respect of the proportion of the Sub-Fund’s portfolio that is invested in sustainable investments, each sustainable investment demonstrates a net positive effect across a range of environmental or social objectives, as scored by the Investment Manager's proprietary tool.

The Sub-Fund’s investment and asset selection process has been reviewed and approved by the investment manager’s Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

Third party research may be used, however our internal analysts form a proprietary view on each of the companies we analyse.

The Investment Manager subscribes to external ESG research providers including; MSCI ESG research, Bloomberg, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data

errors may occur. To address this, a dedicated ESG Data Governance team pro-actively monitors for errors and resolves data queries. This involves close collaboration with the third-party data providers, and managing and tracking data corrections.

Limitations to the Investment Manager's methodology and data mainly arise from data errors, data availability, specifically the lack of company reported data in some cases and data estimation as detailed in the section titled "Data sources and processing".

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Investment Manager's approach to investing in issuers that do not cause significant harm to any environmental or social sustainable investment objective includes the following:

– The Sub-Fund applies exclusions that relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at. https://www.schroders.com/en/sustainability/activeownership/group-exclusions/.

– The exclusions also apply to companies generating more than 10% of their revenue from thermal coal mining.

– The Sub-Fund excludes companies that derive more than 5% of their revenues 5% from tobacco production, those than generate more than 25% of revenues from activities along the tobacco value chain, and those with more than 20% of revenues derived from generating energy from thermal coal.

– The Sub-Fund excludes companies that are assessed by the Investment Manager to have breached one or more 'global norms' thereby causing significant environmental or social harm; these companies comprise the Investment Manager's 'global norms' breach list. The Investment Manager's 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) 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. In exceptional circumstances a derogation may be applied in order to allow the Sub-Fund to continue to hold a company on the Investment Manager's 'global norms' breach list, for example where the stated investment strategy of the Sub-Fund may otherwise be compromised. Any such company cannot be categorised as a sustainable investment.

– The Sub-Fund may also apply certain other exclusions in addition to those summarised above.

Further information on all of the Sub-Fund's investment exclusions is to be found further below in the "Investment strategy" section.

Environmental or social characteristics promoted by the financial product

The Sub-Fund maintains a higher overall sustainability score than the ICE BofA Euro Corporate index, based on the Investment Manager's rating system. This benchmark (which is a broad market index) does not take into account the environmental and social characteristics promoted by the Sub-Fund.

The Sub-Fund invests at least 10% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more environmental and/or social objective(s).

It will not be possible for the Sub-Fund to maintain a higher overall sustainability score than the ICE BofA Euro Corporate index and invest at least 10% of its assets in sustainable investments either prior to the Investment Phase or during the six months prior to the maturity date of the Sub-fund, when it is expected that the Sub-fund will hold up to 100% of its assets in cash, money market funds and instruments (including T-Bills) and liquidity funds.

For more information on how the sustainability score is measured please refer to the "Methodologies for environmental or social characteristics" section.

Investment strategy

The sustainable investment strategy used by the Investment Manager is as follows:

This Sub-Fund aims to provide income over a fixed period by investing in EUR denominated fixed and floating rate securities issued by companies, governments, government agencies, and supra nationals worldwide. The Sub-Fund may invest up to 20% of its assets in sub investment grade debt related instruments.

The Investment Manager applies governance and sustainability criteria when selecting investments for the Sub-Fund. The strategy aims to identify issuers demonstrating good or improving sustainability credentials, and those that impose a high cost on the environment and society. This involves:

– The exclusion of issuers that the Investment Manager deems to have businesses that are materially damaging to the climate and impose unjustifiable social costs.

– The inclusion of issuers that demonstrate stable and improving sustainability trajectories, and issuers demonstrating good governance based on the Investment Manager's sustainability rating methodology.

The Investment Manager may also engage with companies to encourage transparency, the transition to a circular economy with lower carbon emissions intensity and responsible social behavior that promotes sustainable growth and alpha generation.

The primary sources of information used to perform the analysis are the Investment Manager's proprietary tools and research, third-party research, NGO reports and expert networks.

The Investment Manager also performs its own analysis of publicly available information provided by the companies, including information provided in company sustainability reports and other relevant company material.

From the beginning of the Investment Phase, the Sub-Fund maintains a higher overall sustainability score than its investment universe, based on the Investment Manager's rating system.

The investment restrictions mentioned above will not be applicable either prior to the Investment Phase or during the six months prior to the maturity date of the Sub-Fund, when it is expected that the Sub-Fund will hold up to 100% of its assets in cash, money market funds and instruments (including T-Bills) and liquidity funds.

The Sub-Fund may also apply certain other exclusions. Further information on all of the Sub-Fund's exclusions is to be found further below in the "Monitoring of environmental or social characteristics" section.

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

In order to assess good governance practices, the Investment Manager utilises the Investment Manager's proprietary tool to help it develop a complete understanding of a company through a stakeholder lens. The Investment Manager's proprietary tool is data–driven and provides a systematic framework for analysing a company's relationship with its stakeholders. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is a central driver of the assessment of a company's stakeholder management.

The proprietary tool includes over 250 data points to assess how well companies are governed and how likely they are to adapt to changing social and environmental pressures. It draws on both conventional and unconventional data sources. Examples of unconventional data are employee review reports, consumer product reviews, revenue from green products, community donations and frequency of lawsuits. By drawing on such unconventional sources that do not rely on company reporting, the Investment Manager is able to build a more complete picture of companies' performance and reduce its reliance on corporate disclosure, which remains incomplete, particularly among smaller companies in emerging regions.

The proprietary tool considers a number of good governance metrics, grouped into the categories of sound management structures, employee relations, remuneration of staff and tax compliance.

Exclusion Criteria

Environmental exclusions	Criteria
Thermal Coal Mining Maximum Percentage of Revenue	10%
Thermal Coal Power Generation Maximum Percentage of Revenue	20%

Social exclusions	Criteria
Tobacco Production Maximum Percentage of Revenue	5%
Tobacco Value Chain Maximum Percentage of Revenue	25%
Nuclear Weapons Maximum percentage of Revenue	5%
Biological/Chemical Weapons Maximum Percentage of Revenue	0%
Any Tie to Depleted Uranium Manufacturing	Any tie
Any Tie to Cluster Munitions	Any tie
Any Tie to Landmine Manufacturing	Any tie

Bespoke Schroders exclusions	Criteria
Schroders Controversial Weapons Curated List[1]	All
Schroders' 'Global Norms' Breach List	All

Proportion of investments

The planned composition of the Sub-Fund's investments that are used to meet its environmental or social characteristics are summarized below.

From the beginning of the Investment Phase, the planned composition of the Sub-Fund's investments that are used to meet its environmental or social characteristics are summarized below.

#1 Aligned with E/S characteristics includes the minimum proportion of the Sub-Fund's assets used to attain the environmental or social characteristics, which is equal to 60%. The Sub-Fund commits to maintain a higher overall sustainability score than the ICE BofA Euro Corporate index, and so the Sub-Fund's investments that are scored by the Investment Manager's proprietary sustainability tool are included within the minimum proportion stated in #1 on the basis that they will contribute to the Sub-

[1] [1]Schroders controversial weapons screening covers cluster munitions, anti-personnel mines, and chemical and biological weapons. Full details of the criteria and company names are available via the following link: https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/

Fund’s sustainability score (whether such individual investment has a positive or a negative score).

Also included within #1 is the minimum proportion of assets that are invested in sustainable investments, as indicated in #1A. The minimum proportions stated apply in normal market conditions. The actual proportion stated in #1 is expected to be higher.

#2 Other includes cash which is treated as neutral for sustainability purposes. #2 also includes investments that are not scored by the Investment Manager's proprietary sustainability tool and so do not contribute towards the Sub-Fund’s sustainability score. As #1 states a minimum proportion that is in practice expected to be higher, the proportion stated in #2 is expected to be lower. Minimum safeguards are applied where relevant to investments by restricting (as appropriate) investments in counterparties where there are ownership links or exposure to higher risk countries (for the purpose of money laundering, terrorist financing, bribery, corruption, tax evasion and sanctions risks).

Monitoring of environmental or social characteristics

The sustainability score is measured by the Investment Manager's proprietary tool that provides an estimate of the net “impact” that an issuer may create in terms of social and environmental “costs” or “benefits”. It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. Examples of such indicators are greenhouse gas emissions, water usage, and salaries compared to the living wage.

The Sub-Fund will invest at least 10% of its assets in sustainable investments. With the exception of any green or social bonds, which will be classified as having an environmental or social objective respectively, a sustainable investment is classified as having an environmental or social objective depending on whether the relevant issuer has a higher score in the Investment Manager’s proprietary tool relative to its applicable peer group for its environmental indicators or its social indicators. In each case, indicators are comprised of both “costs” and “benefits”.

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 are reviewed by the Investment Manager's credit risk team and approval of a new counterparty is 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 is performed through the Investment Manager's proprietary tool, which supports the analysis of a counterparty’s management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in the Investment Manager's proprietary tool would lead to further analysis and potential exclusion by the Investment Manager's credit risk team.

Methodologies

The Sub-Fund promotes the following characteristic: it maintains a higher overall sustainability score than the ICE BofA Euro Corporate index, based on the Investment Manager’s rating system. As stated above, The sustainability score is measured by the Investment Manager’s proprietary tool that provides an estimate of the net “impact” that an issuer may create in terms of social and environmental “costs” or “benefits”. It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. It does this using third party data as well as the Investment Manager's own estimates and assumptions and the outcome may differ from other sustainability tools and measures. Examples of such indicators are greenhouse gas emissions, water usage, and salaries compared to the living wage. The result is expressed as an aggregate score of the sustainability indicators for each issuer, specifically a notional percentage (positive or negative) of sales or GDP of the relevant underlying issuer. For example, a score of +2% would mean an issuer contributes $2 of relative notional positive impact (i.e. benefits to society) per $100 of sales or GDP. The sustainability score of the - Sub-Fund is derived from the scores of all issuers in the Sub-Fund's portfolio measured by the Investment Manager's proprietary tool. The Sub-Fund invests at least 10% of its assets in sustainable investments, which are investments that the Investment Manager expects to contribute towards the advancement of one or more environmental and/or social objective(s).

Data sources & processing

In order to assess and understand the potential impact of sustainability risks and opportunities, the Investment Manager has developed a range of proprietary tools. These tools rely on data that is available at the level of the underlying investment holdings.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

Third party research may be used, however our internal analysts form a proprietary view on each of the companies we analyse. Financial analysts may also use third-party research to support their assessment of ESG issues when analysing companies, in addition to consulting with our in-house ESG specialists. Through this process, we aim to evaluate the relevance and materiality of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors for a company.

The Investment Manager subscribes to external ESG research providers including; MSCI ESG research, Bloomberg, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data errors may occur. To address this, a dedicated ESG Data Governance team pro-actively monitors for errors and resolves data queries. This involves close collaboration with the third-party data providers, and managing and tracking data corrections.

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points. This additional information will be used alongside data from conventional and unconventional data sources that feed into our proprietary tools.

Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values where appropriate and reasonably robust. For example, in one tool, where reported values are missing for companies, we fill using metric-specific rules such as filling with the industry peer group 60th percentile where higher values are considered negative and the peer group 40th percentile where higher values are considered beneficial (which is a conservative approach).

Where data for a metric is not sufficiently available to form robust conclusions, we do not include that metric in our tools.

Whilst there may be some data estimation, it tends to be a marginal amount at the portfolio level with regard to our assessment of the sustainability characteristics of each company. The proportion of estimated data may vary over time.

Limitations to methodologies and data

Limitations to the Investment Manager's methodology and data mainly arise data availability, specifically the lack of company reported data in some cases and data estimation as detailed in the section titled "Data sources and processing". Due to the range of data sources and due to combining both qualitative and quantitative elements involving a degree of subjectivity and judgement from the investment manager, we believe that these data limitations do not in aggregate materially impact our attainment of the environmental or social characteristics of the Sub-Fund.

Due diligence

The Sub-Fund's investment and asset selection process has been reviewed and approved by the Investment Manager's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

Engagement policies

We consider active ownership to be the influence we can apply to management teams to ensure sustainable practices in the assets in which we invest. We aim to drive change that will protect and enhance the value of our investments and we are committed to leveraging the weight of our firm to change how a company is operating for the better. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team. As a result, we are able to take a common approach across investment desks.

We focus on sustainability issues which we determine to be material to the long-term value of our investee holdings. When material and relevant, we believe that companies that address these factors, where lacking, will drive improved financial performance for our clients. These issues reflect expectations and trends across a range of stakeholders including employees, customers, and communities, to the environment, suppliers and regulators. By strengthening relationships with that range of stakeholders, business models become more sustainable. The governance structure and management quality that oversee these stakeholder relationships are also a focus for our engagement discussions. In addition, we seek to reflect the priorities of our clients. Based on this process, we identify six broad themes for our engagement: climate, natural capital & biodiversity, human rights, human capital management, diversity & inclusion and governance.

Our themes are underpinned by additional cross-cutting thematic priorities. We also increasingly recognise the interconnectedness of ESG themes, such as the "just transition", which recognises the social dimension of the transition to a resilient and low-carbon economy. We seek to reflect this interconnectedness in our engagements with companies.

How we engage

We identify three key methods for practicing active ownership:

1. Dialogue: We speak with companies to understand if and how they are preparing for the long-term sustainability challenges they face.

2. Engagement: We work with companies to help them to recognise the potential impact of these challenges and to help them take action in the areas where change may be required.

These forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and Sustainable Investment team; they can also take place in collaboration with other groups. Engagement is therefore a component of the portfolio's investment strategy, both from an environmental and social perspectives.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. We identify a number of methods to escalate our engagements, such as meeting or otherwise communicating with non-executive directors or the chair of the Board, publicly stating our concerns, withholding support or voting against management and directors (where applicable) up to divesting partially or fully.

Our approach to active ownership focusses on achieving real-world outcomes and achieving change. When determining when to engage and setting an objective for the engagement, we consider:

1. Materiality: We seek to focus our engagement on the most material sustainability threats and opportunities to the company.
2. Regional context: The materiality of issues and the expectations we have of companies vary by country and region; for example, differing socio-cultural factors, regulatory maturity and resource constraints. Where possible we reference country or regional initiatives, regulations and leading practice from peers in our dialogue with companies.
3. Realistic outcomes: We consider both leading practice and what could realistically be achieved by the company in the next few years, including considering the size of the company.
4. Ability to monitor progress: We use objective, measurable metrics or indicators that can be used to assess company performance on an issue.
5. Length of engagement: We aim to set short- to mid-term objectives – that can often be achieved over a 12- to 24-month period depending on the intensity of the engagement – but with a longer-term vision in mind.

We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually, and at a frequency that is appropriate for the priority of the engagement and materiality of the issue or holding. That said, we recognise that the length of time to achieve an objective will vary depending upon its nature, and that key strategic changes will take time to implement into a company's business processes. A measurable outcome from our engagement upon completion of an objective could take a range of forms, including additional disclosure by a company, influencing the company strategy on a particular issue, or a change to the governance of an issue.

Further details on our approach to active ownership policy is publicly available: https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf.

Designated reference benchmark

No reference benchmark has been designated for the purpose of meeting the environmental or social characteristics promoted by the financial product.