

Schroders Developed Markets Managed Multi Factor Indices

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Introduction

This methodology (the "Methodology") has been made available by Bloomberg Index Services Limited ("BISL") and sets out the rules, criteria, risk factors and other information application to the Schroders Developed Markets Managed Multi Factor Indices. Capitalized terms used in this Methodology but not otherwise defined have the meanings set forth in Section 1 ("Definitions").

Objectives and Key Features

This Index Methodology Rule Book describes the calculation of the Schroders Developed Markets Managed Multi Factor Indices. The Indices aim to provide returns of a long position in a synthetic basket of equity stocks that deliver excess return over the Bloomberg Developed Markets Large & Mid Cap Index on a rolling 3-5 year basis and limiting index-relative risk although this is not guaranteed over this, or any other, period. The allocation of the Index (being the selection of the Equity Components and the Equity Component Target Weights) is managed by Schroder Investment Management Limited[, acting through its Schroders Systematic Investments team] using its proprietary investment process which targets a broad range of factors, such as value, profitability, momentum, low volatility and ESG.

Determination of the Index Value

The Index Value is calculated by the Index Administrator and is based on the value of each of the relevant Index Constituents as determined in accordance with Section 4 ("*Index Calculation*") on each Index Business Day. The determination of dates used in the calculation is based on the relevant calendars and exchange schedules available at the time of such determination. On any day where the Index Value is not calculated, no Index Value shall be published in respect of such day, subject to the provisions set out below. Certain provisions in this document are expressed in both formulaic and descriptive terms. In the event of conflict between a descriptive term and a formula, the formula shall govern.

Determination of the value of each Index Constituent

The Indices have been established and designed only for the purpose of seeking to achieve the objectives stated in this Section 2 ("*Overview of the Indices*"). They have not been designed to reflect the performance of the wider foreign exchange market, equity market, bond market or other financial markets. The Index Value shall be a function of the price, level or value of the relevant Index Constituents. In the absence of a Market Disruption Event or Index Adjustment Event, the Index Value shall be calculated in accordance with the formulae in the methodology (including in circumstances where the market for an Index Constituent is illiquid or fragmented). This Section 2 ("*Overview of the Indices*") only provides a summary of the Indices and is subject to, and qualified by, the remainder of this Index Methodology Rule Book. Prospective Product Investors should therefore carefully read the whole of this Index Methodology Rule Book.

Prospective Product Investors should also note that any purposes, aims and intentions expressed in this Index Methodology Rule Book may not be achieved.

Determination of the Proposed Allocation

The Indices are rebalanced on a monthly basis with equity components and their respective percentage weights (the "**Proposed Allocation**") in accordance with the proprietary investment process implemented by the Rebalancing Entity described in Appendix B.

Section 1: Definitions

"Additional Event" occurs when there is no Proposed Allocation sent from the Rebalancing Entity to the Index Administrator which has been received and validated by the Index Administrator;

"Affiliate" means in relation to any entity, any other entity directly or indirectly controlling, controlled by, or under common control with, such entity;

"Bloomberg Page" means, with respect to a Bloomberg ticker, the page on the Bloomberg Terminal generated by entering such ticker + <GO>;

"Bloomberg Website" means the following: <https://www.bloomberg.com/professional/product/indices> or any successor thereto;

"Constituent Currency" means, with respect to an Index Constituent, the currency such Index Constituent is traded in on its Primary Exchange;

"Constituent Units" means the Constituent Units in respect of the Equity Constituent for a Rebalancing Date calculated in accordance with Section 4.3 (*"Constituent Units Calculation"*);

"Constituent Value" means the Constituent Value of the Equity Constituent calculated in accordance with Section 4.5 (*"Constituent Value Calculation"*);

"Corporate Action Event" means a Corporate Action affecting an Equity Component, as defined in the [Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology](#);

"Eligible Constituent" means, with respect to an Index and a Rebalance Date, a stock that meets the criteria as laid out in Appendix B Sections 1 and 2;

"Equity Component Target Weights" means, with respect to an Index and a Rebalance Date, the target weights of the Equity Components as received by the Rebalancing Entity on the relevant Rebalancing Submission Date in accordance with the process laid out in the Operating Procedures Manual;

"Equity Components" means, with respect to an Index and a Rebalance Date, the set of constituents as received by the Rebalancing Entity on the relevant Rebalancing Submission Date in accordance with the process laid out in the Operating Procedures Manual. For the avoidance of doubt, the Equity Components on each day of the Rebalance Period shall be the New Equity Components and the Old Equity Components;

"Equity Constituent" means, the equity index as described in Section 4.5 (*"Constituent Value Calculation"*);

"Force Majeure Event" means an event or circumstance (including, without limitation, a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labour disruption or any similar intervening circumstance) that is beyond the reasonable control of the Index Administrator and that the Index Administrator determines, in its sole discretion, affects an Index, any Index Constituent or the methodology on which the relevant Index is based or the Index Administrator's ability to calculate and publish the relevant Index;

"FX Fixing Time" means 4pm London time;

"Gross Index Value" means the Gross Index Value calculated in accordance with Section 4.2 (*"Gross Index Value Calculation"*);

"Index" has the meaning given to it in the 'Important Disclaimer Information' section;

"Index Adjustment Event" means any of the following:

- (a) a change shall have been made to any of the Index Constituents or there shall have occurred any other event that would make the calculation of the Index impossible or infeasible, technically or otherwise, or that makes the Index non-representative of market prices of the Index Constituents or undermines the objectives of the relevant Index;
- (b) the administrator of an Index Constituent makes or announces that it will make a material change in the weighting or composition of, formula for or method of calculating, such Index Constituent or modifies or announces that it will modify in any other way such Index Constituent in a material manner (other than a modification prescribed in that formula or method to maintain such Index Constituent in the event of permitted changes in its constituents and/or other routine events);
- (c) the level or value of any Index Constituent has been calculated by reference to data that, in the determination of the Index

- Administrator, does not reflect the true market trading prices, values or levels of such Index Constituent and/or the related underlying contract;
- (d) the administrator of an Index Constituent permanently cancels the Index Constituent;
 - (e) the imposition or removal of or change in any tax (including without limitation, any excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax) on, or in relation to any Index Constituent or any component thereof, by any government or taxation authority on or after the Index Commencement Date, if the effect of such imposition, change or removal is to raise or lower the price, value or level at which such Index Constituent or any component thereof trades on the relevant exchange or in the relevant market on any relevant date from what it would have been without that imposition, change or removal;
 - (f) a change in law, such that on or after the Index Commencement Date (i) due to the adoption or announcement of any change in any applicable law or regulation (including, without limitation, any tax law or limitations on the repatriation of invested capital in the jurisdiction of the underlying), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Index Administrator determines that the continued administration and distribution of the Index is illegal or a materially different undertaking to administer;
 - (g) the exchange rate for the Base Index Currency splits into dual or multiple exchange rates;
 - (h) an event occurs that generally makes it impossible or impracticable to convert the Base Index Currency into US Dollars through customary legal channels in any relevant jurisdiction, as determined by the Index Administrator;
 - (i) an event occurs that generally makes it impossible or impracticable to deliver US Dollars from accounts inside the country where the Base Index Currency is the official currency to accounts outside such country, or to the Base Index Currency between accounts inside such country or to a party that is a non-resident of such country;
 - (j) the occurrence of a default, event of default or other similar condition or event with respect to any security or indebtedness of, or guaranteed by, any governmental authority in relation to the Base Index Currency;
 - (k) any change in, or amendment to, the laws or regulations, including those laws or regulations that relate to capital controls or government control of exchange rates, prevailing in the country where the Base Index Currency is the official currency, or any change in any application or official interpretation of such laws or regulations, or any other governmental action that the Index Administrator determines, acting in a commercially reasonable manner, may cause another market disruption event to occur or that leads or may lead to the introduction of a currency peg regime;
 - (l) the occurrence of an event that makes it impossible or not reasonably practicable to obtain a firm quote for a currency exchange rate relevant to the Index;
 - (m) the Index Administrator determines that there is a material difference in a relevant currency rate as determined by reference to the rate source for the Index and any other customary and generally available market source, which more accurately reflects market levels;
 - (n) it becomes impossible to obtain a relevant currency exchange rate, either from the specified source for that rate or by the Index Administrator itself acting in good faith in a commercially reasonable manner by reference to a generally available source;
 - (o) the Index Administrator determines that an issuer or dealer (or any of their Affiliates) of Index-linked notes or other Index-linked transactions would be unable, after using commercially reasonable efforts, to acquire, establish, re-establish, substitute, maintain, unwind, or dispose of any delta-one hedge position relating to the underlying Index of such Index-linked notes or other Index-linked transactions, or to realize, recover or remit the proceeds of any such transactions; or
 - (p) the Base Index Currency, in the determination of the Index Administrator, is subject to currency control against the US Dollar, Euro;

"Index Administrator" means Bloomberg Index Services Limited ("BISL");

"Index Base Date" means, with respect to an Index, the value specified under column 'Base Date' in Table 1 ("*Index Information*") in Appendix A;

"Index Base Value" means, with respect to an Index, the value specified under column 'Base Value' in Table 1 ("*Index Information*") in Appendix A;

"Index Business Day" means each weekday, defined as any day from Monday to Friday inclusive;

"Index Commencement Date" means, with respect to an Index, the value specified under column 'Commencement Date' in Table 1 ("*Index Information*") in Appendix A;

"Index Constituent" means, with respect to an Index and an Index Business Day, the Equity Constituent, each Equity Component contained within the Equity Constituent, and the Spot Exchange Rate;

"Index Currency" or **"Base Index Currency"** means, with respect to an Index, the currency such Index is represented in, and is as specified under column 'Index Currency' in Table 1 ("*Index Information*") in Appendix A;

"Index Share Determination Date" means the Rebalancing Submission Date;

"Index Type" means, with respect to an Index, the value specified under column 'Index Type' in Table 1 ("*Index Information*") in Appendix A;

"Index Value" means, with respect to an Index and each Index Business Day, the value of the Index calculated in accordance with the methodology described in Section 4 ("*Index Calculation*");

"Market Disruption Event" means, with respect to an Index, the occurrence of one or more of the following events if, in the discretion of the Index Administrator, such event is material with respect to such index:

- (a) the occurrence or existence (in the reasonable judgment of the Index Administrator), on any Index Business Day, in relation to the Base Index Currency of:
 - any suspension of, or limitation imposed on, trading the Base Index Currency or any tradable instrument, including forwards or options, in respect the Base Index Currency;
 - any event that disrupts or impairs (as determined by the Index Administrator acting in a reasonable manner) the ability of market participants in general to affect transactions (including any tradable instrument, such as forwards or options) or to obtain market values, each in relation to the Base Index Currency;
- (b) the Index Administrator observes on any Index Business Day that there has been a declaration of a general moratorium in respect of banking activities in any relevant jurisdiction;
- (c) the occurrence of an event that makes it impossible or not reasonably practicable on any Index Business Day for the Index Administrator to obtain the value of any Index Constituent, or any other price or necessary information for purposes of calculating the Index Value in a manner acceptable to the Index Administrator;
- (d) a temporary or permanent failure by the applicable exchange or other fixing source to announce or publish the value of any Index Constituent, the Base Index Currency on any Index Business Day on which the level of the Base Index Currency was scheduled to be announced or published;
- (e) the occurrence or existence of a lack of, or material decline in, the liquidity in the market for trading of any Index Constituent or the Base Index Currency on any Index Business Day;
- (f) a failure to obtain the Spot Exchange Rate on any Index Business Day;
- (g) a Force Majeure Event;
- (h) any event that disrupts or impairs (as determined by the Index Administrator acting in a reasonable manner) the ability of market participants in general to establish, maintain or unwind transactions in, or obtain market values for, futures, forwards, options, swaps or other over-the-counter derivative transactions indirectly included in and/or that may be used for hedging any Index Constituent;
- (i) any suspension of, or limitation imposed on, trading any Index Constituent, Base Index Currency or any tradable instrument, including forwards, options or swaps, in respect of an Index Constituent, Contract Currency or Index Currency;

"New Equity Components" means, during a Rebalance Period, the set of constituents received from the Rebalancing Entity on the Rebalancing Submission Date immediately prior to the current Rebalance Period, in accordance with the process laid out in the

Operating Procedures Manual. The New Equity Index Components may be adjusted from time to time subject to any Corporate Action Events;

"Old Equity Components" means, during a Rebalance Period, the set of constituents received from the Rebalancing Entity on the Rebalancing Submission Date immediately prior to the current Rebalancing Submission Date in accordance with the process laid out in the Operating Procedures Manual. The Old Equity Index Components may be adjusted from time to time subject to any Corporate Action Events;

"Primary Exchange" means, with respect to an Eligible Constituent, the primary exchange or quotation system on which such Eligible Constituent is traded (as determined by the Index Administrator);

"Product" means any third party product based on or in relation to an Index;

"Product Investor" means any investors buying, selling, entering into or holding Products;

"Proposed Allocation" means the synthetic portfolio of equity stocks (the **"Equity Components"**) and corresponding weights (the **"Equity Component Target Weights"**) as proposed by the Rebalancing Entity. The Proposed Allocation must consist of Eligible Constituents and in addition meet the criteria on the Index Business Day prior to the Rebalancing Submission Date as laid out in Appendix B Section 3;

"Rebalance Date" means each Trading Business Day included in the Rebalance Period;

"Rebalance Period" means the period of one Trading Business Day from and including the Rebalancing Commencement Date;

"Rebalancing Commencement Date" means the first Trading Business Day of every calendar month. If such day is not a good Trading Business Day, then the immediately following Trading Business Day will be the Rebalancing Commencement Date;

"Rebalancing Cost" means the Rebalancing Cost calculated in accordance with Section 4.4 (*"Rebalancing Cost Calculation"*);

"Rebalancing Entity" means Schroder Investment Management Limited, acting through its Schroders Systematic Investments team;

"Rebalancing Submission Date" means the third London Business Day before the Rebalancing Commencement Date and is the date on which the Rebalancing Entity sends through the set of New Equity Components, in accordance with the process laid out in the Operating Procedures Manual. In the event of a Rebalancing Proposal Disruption Event (as defined in the Operating Procedures Manual), the following London Business Day will be considered the Rebalancing Submission Date;

"Spot Exchange Rate" means, with respect to a Constituent Currency and an Index Business Day, the spot rate of such Constituent Currency against the Base Index Currency quoted with the Constituent Currency as the base currency (e.g. EURGBP) and as obtained from BFIX at the FX Fixing Time; for the avoidance of doubt, the spot rate for the Base Index Currency is equal to 1;

"Termination Event" means any of the following:

(a) an Additional Event happening three times consecutively, meaning no valid Proposed Allocation is sent from the Rebalancing Entity to the Index Administrator in three consecutive calendar months;

(b) the Index Rebalancing Agreement is terminated;

"Trading Business Day" means each day which is an Index Business Day and on which all of the relevant exchanges are open for their regular trading sessions with respect to all of the components of the Underlying Index; and

"Underlying Index" means the Bloomberg Developed Markets Large & Mid Cap Index.

Section 2: Index Calculation

Index Value Calculation

The Index Value on the Index Base Date shall be the Index Base Value. Thereafter, the Index Value with respect to each Index Business Day shall be calculated by the Index Administrator in accordance with the following formula:

$$I_t = I_{t-1} + I_t^{gross} - I_{t-1}^{gross} - RC_t$$

Where:

t means an Index Business Day;

$t - 1$ means, with respect to Index Business Day t , the immediately preceding Index Business Day;

I_t and I_{t-1} mean the Index Value on Index Business Days t and $t - 1$ respectively;

I_t^{gross} and I_{t-1}^{gross} mean the Gross Index Value on Index Business Days t and $t - 1$ respectively; and

RC_t means, with respect to Index Business Day t , the Rebalancing Cost.

Gross Index Value Calculation

The Gross Index Value on the Index Base Date shall be the Index Base Value. Thereafter, Gross Index Value with respect to each subsequent Index Business Day shall be calculated by the Index Administrator in accordance with the following formula:

$$I_t^{gross} = I_{t-1}^{gross} + CU_r \times (P_t - P_{t-1})$$

Where:

t means an Index Business Day;

$t - 1$ means, with respect to Index Business Day t , the immediately preceding Index Business Day;

I_t^{gross} and I_{t-1}^{gross} mean the Gross Index Value on Index Business Days t and $t - 1$ respectively;

r means, with respect to Index Business Day t , the immediately preceding Rebalancing Date. For the avoidance of doubt, if Index Business Day t is a Rebalancing Date then r shall refer to the immediately preceding Rebalancing Date;

CU_r means the Constituent Units for the Equity Constituent on Rebalancing Date r ; and

P_t and P_{t-1} mean the Constituent Value on Index Business Day t and Index Business Day $t - 1$ respectively.

Constituent Units Calculation

The Constituent Units in respect of the Equity Constituent for each Rebalancing Date shall be calculated by the Index Administrator in accordance with the following formula:

$$CU_r = \frac{I_r + RC_r}{P_r}$$

Where:

r means a Rebalancing Date;

CU_r means, with respect to Rebalance Date r , the Constituent Units for the Equity Constituent;

I_r means the Index Value on Rebalancing Date r ; and

P_r means the Constituent Value on Rebalancing Date r .

Rebalancing Cost Calculation

The Rebalancing Cost in respect of an Index Business Day t shall be calculated by the Index Administrator in accordance with the following formula.

If Index Business Day t is a Rebalancing Date:

$$RC_t = I_t^{gross} \times C \times \sum_{i \in N} |PW_t^i - CW_t^i|$$

Otherwise:

$$RC_t = 0$$

Where:

RC_t means, with respect to Index Business Day t , the Rebalancing Cost;

I_t^{gross} means the Gross Index Value on Index Business Day t ;

C means the Index Rebalancing Cost of 0.02%;

i means an Equity Component in the set of Equity Components;

N means the set of Equity Components for the Equity Constituent. For the avoidance of doubt, if t is a Rebalancing Date then the Equity Components consist of both the New Equity Components and Old Equity Components;

PW_t^i means, with respect to Equity Component i , the pro forma weight on Index Business Day t . For the avoidance of doubt, if Equity Component i is not in the set of New Equity Components then its Pro Forma Weight is deemed to be 0;

CW_t^i means, with respect to Equity Component i , the closing weight on Index Business Day t . For the avoidance of doubt, if Equity Component i is not in the set of Old Equity Components on Rebalancing Date r then its Closing Weight is deemed to be 0.

Constituent Value Calculation

The Constituent Value of the Equity Constituent, including the nature and prioritisation of Input Data, shall be calculated by the Index Administrator as a Net Total Return Index in accordance with the [Bloomberg Global Equity Indices Methodology](#), as amended by the Index Rebalancing and Index Maintenance policies set out below.

Index Rebalancing

Index Share Determination Date

The index shares for each Equity Component of the Equity Constituent are set on the Index Share Determination Date, using the Proposed Allocation on the Rebalancing Submission Date immediately prior to the Rebalancing Commencement Date.

Index Effective Date

The Equity Constituent rebalance shall become effective after the close of each Rebalancing Commencement Date.

Index Maintenance

Removal Policy

Securities are not removed as Equity Components of the Index outside of an Index Rebalance except in the case of delisting.

Addition Policy

Securities are not added as Equity Components of the Index outside of the Index Rebalance.

Replacement Policy

Securities are not replaced as Equity Components of the Index outside of the Index Rebalance.

Corporate Actions

The Index Administrator shall apply corporate actions to the Equity Constituent in accordance with the [Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology](#).

Where withholding tax rates are applicable, the Index Administrator will use a fixed rate of 30% instead of the rates specified under Appendix V of the Bloomberg Global Equity Indices Methodology.

Rounding

The Index Values shall be published rounded to four (4) decimal places.

Section 3: Backtest assumptions

For the simulation of the hypothetical historical performance, the Index Administrator relied on the following assumptions:

- Remove any securities from the Proposed Allocation that were not present in the Underlying Index on the relevant Rebalancing Submission Date, and rescale the weights accordingly.

Section 4: Risk and limitations

Though the Indices are designed to be representative of the markets they measure or otherwise align with their stated objective, they may not be representative in every case or achieve their stated objective. They are designed and calculated strictly to follow the rules of this Index Methodology Rule Book, and any Index Value or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests which the Indices intend to measure or upon which the Indices are dependent in order to achieve their stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the Index Administrator for calculation and may cause the Indices to produce unpredictable or unanticipated results.

In particular, the Indices are intended to measure the performance of holding a long position in a synthetic basket of equity stocks that deliver excess return over the Bloomberg Developed Markets Large & Mid Cap Index on a rolling 3-5 year basis and limiting index-relative risk although this is not guaranteed over this, or any other, period. The Indices are therefore subject to the effectiveness of such investment strategy and the underlying volatility and uncertainty of equity markets.

Section 5: Benchmark oversight and governance

Benchmark Governance, Audit, and Review Structure

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Index and Methodology Changes

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Expert Judgement and Discretion

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Conflicts of Interest

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Restatement Policy

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Cessation Policy

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

Rebalancing Entity

Schroder Investment Management Limited, acting through its Schroders Systematic Investments team, acts as the Rebalancing Entity for the Index. Its principal role is to prepare and submit to the Index Administrator Proposed Allocations (as further described in Appendix B).

The role of the Rebalancing Entity in respect of the Index is limited to the provision of Proposed Allocations and Rebalancing Proposals, the performance of any other functions which are expressly referred to or contemplated in this Index Methodology Rulebook (including Appendix B) as being functions of the Rebalancing Entity and its rights and obligations under the Index Rebalancing Agreement.

Appendix A: Index Information

Table 1

Index	Ticker	Index Currency	Index Type	Base Date	Base Value	Commencement Date
Schroders Developed Markets Managed Multi Factor Index	BTSISMMF	GBP	Net Total Return	5 November 2018	1000.0000	20 January 2023
Schroders Developed Markets Managed Multi Factor USD Index	BTSISMMU	USD	Net Total Return	5 November 2018	1000.0000	22 March 2024

Appendix B: Proposed Allocation

At each Rebalancing Submission Date, the Proposed Allocation is determined as a subset of the Underlying Index by applying the steps below

1. First, the universe of potential Equity Components is created from the constituent stocks in the Underlying Index, which is provided by the Index Administrator to the Rebalancing Entity (the **"Index Universe"**).
2. Secondly, from the Index Universe a sub-set of Eligible Constituents is created (the **"Eligible Universe"**) by the Rebalancing Entity applying the following validation criteria:
 - a) Stock meets the minimum 3 month average daily value traded criterion of USD 40 million;
 - b) Stock is not an ADR or GDR; and
 - c) Stock has a free-float market capitalization greater than USD 4 billion.
3. Thirdly, the Rebalancing Entity applies its proprietary investment process to select the stocks that will form the Equity Components (and their respective weights that will be the Equity Component Target Weights) from the Eligible Universe. The proposed weights of each stock must also meet the following criteria as of the Index Business Day prior to the Rebalancing Submission Date:
 - a) the weight of each stock shall be within a range of +/- 1.5% as compared to the Underlying Index. For the avoidance of doubt, this criterion shall not apply to any stock that is excluded from the Proposed Allocation
 - b) the aggregate stock weights for each country and sector must be within a range of +/- 20% relative to the Underlying Index country and sector weights;
 - c) the weight of each stock in the Proposed Allocation must be greater than 0%;
 - d) The total weight of all stocks must add up to 100% (when rounded to zero decimal places).

The following sets out a description of the Rebalancing Entity's proprietary investment process as currently in effect as of the Publication Date and is subject to change. The Rebalancing Entity has confirmed to the Index Administrator that the Rebalancing Entity's proprietary investment process has, and will, integrate ESG factors in its design. However, other than the requirement that ESG factors are integrated into the design, the Rebalancing Entity's proprietary investment process does not form part of the Index methodology or this Index Methodology Rulebook and is subject to change by the Rebalancing Entity.

a. Controversial Activity Exclusions

Stocks with high levels of exposure to Tobacco, Weapons, Gambling, Tar sands and Thermal Coal are excluded from the universe.

b. Integration of SustainEx

Following this first step, a 'SustainEx' factor score is calculated for each stock in the remaining universe. SustainEx™ provides an estimate of the potential "impact" that a company or country may create in terms of social and environmental "costs" or "benefits" of that company and or country. It does this by using certain metrics chosen by Schroders with respect to that company or country and quantifying them positively (for example, by paying 'fair wages') and negatively (for example, the level of carbon that company or country emits) to produce an aggregate notional measure of the relevant company or country's social and environmental "costs", "externalities" or "impacts" expressed as a notional percentage of sales (of a company) or GDP (of a country). By the Publication Date, over 1,000 academic studies have been reviewed in arriving at estimates of the sustainability costs and benefits of these activities.

The high-level methodology of the SustainEx process can be found [here](#).

c. Climate Risk Management

A carbon intensity metric is calculated for each stock in the remaining universe and a portfolio level constraint will be applied with the aim to limit carbon intensity to 50% of the Bloomberg Developed Markets Large & Mid Cap Index. Carbon intensity is defined as scope 1 & 2 carbon emissions.

d. Corporate Financial Health ('Corporate Governance')

This factor looks at the financial health of a company and is calculated from the following metrics, using data from company financial reports:

- Accruals / Total Assets
- Financing Cash Flow / Total Assets
- Total Asset Change

Portfolio Construction

The previously calculated factors and carbon intensity scores, as well as the value, profitability, momentum, and low value factors are then combined in order to generate the portfolio weights. A fixed risk budget is assigned to target factor exposures, and a portfolio optimisation process is applied to determine the capital weights necessary to achieve the desired risk weights whilst targeting the highest composite multi-factor score.

Rebalancing Conditions

Any Proposed Allocation must also comply with the following conditions (the **"Rebalancing Conditions"**), subject to any other conditions that may be agreed between the Rebalancing Entity and the Index Administrator:

- (a) It must be provided to the Index Administrator on the relevant Rebalancing Submission Date (or replacement Rebalancing Submission Date, if applicable);
- (b) It must be received by the Index Administrator no later than the time specified in the Operating Procedures Manual; and
- (c) It must meet the criteria set out in this Index Methodology Rule Book and/or the Operating Procedures Manual and the Rebalancing Entity is in compliance with the terms of the Index Rebalancing Agreement between the Index Administrator and the Rebalancing Entity (the **"Index Rebalancing Agreement"**) at all times.

An otherwise valid Proposed Allocation will only be implemented on the proposed Rebalancing Date if:

- (a) the Index Administrator determines that it complies with the notification procedures communicated in writing by the Index Administrator to the Rebalancing Entity and the Rebalancing Conditions;
- (b) the Index Administrator determines in its sole and absolute discretion that no Market Disruption Event or Index Adjustment Event occurs or exists in relation to any Equity Component that is the subject of a proposed change in the Rebalancing Period or the Index and that no Termination Event occurs or exists; and
- (c) the Index Administrator has not made a determination, in its sole and absolute discretion, that the Proposed Allocation does not comply with terms of the Index Rebalancing Agreement or the Index methodology, is otherwise incomplete and/or defective, or that acting on the Proposed Allocation would be inconsistent with the Index Administrator's role as administrator of the Index or would otherwise violate applicable laws, regulations, orders, regulatory guidelines or official requirement rules.

Appendix C: ESG Disclosures

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY			
1. Name of the benchmark administrator.		Bloomberg Index Services Limited ("BISL")	
2. Type of benchmark		Equity	
3. Name of the benchmark or family of benchmarks.		Schroders Developed Markets Managed Multi Factor Index, Schroders Developed Markets Managed Multi Factor USD Index	
4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?		Yes	
<p>5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.</p>			
a) List of combined factors considered	SustainEx	Weighting	<p>SustainEx™ provides an estimate of the potential "impact" that a company or country may create in terms of social and environmental "costs" or "benefits" of that company or country may create for society. It does this by using certain metrics with respect to that company or country and quantifying them positively and negatively to produce an aggregate notional measure of the relevant company or country's social and environmental "costs", "externalities" or "impacts" expressed as a notional percentage of sales (of a company) or GDP (of a country). SustainEx™ is considered a factor to be allocated to in the construction of the portfolio; a source of risk</p>

			<p>and return. Upon each rebalancing, individual z-scores are calculated across all factors targeted in the portfolio and combined into a single composite score. The portfolio is then constructed to maximise the composite factor score subject to certain constraints.</p> <p>More detail on SustainEx™ calculation methodology can be found here.</p>
b) List of environmental factors considered:	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Greenhouse gas (GHG) intensity of the benchmark.	Weighting	<p>This factor is applicable to the Indices. A carbon intensity metric is calculated for each stock in the remaining universe and a portfolio level constraint will be applied to target limiting carbon intensity to 50% of the Bloomberg Developed Markets Large & Mid Cap Index.</p> <p>Carbon intensity is defined as scope 1 & 2 carbon emissions. Weighted average Scope 1 and Scope 2 carbon emissions intensity normalized by company sales (Unit: tons of CO₂/ \$million company sales).</p> <p>More detail on GHG intensity calculation methodology can be found here.</p>

	Percentage of GHG emissions reported versus estimated.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Exposure of the benchmark portfolio to companies the activities of which fall under Divisions 05 to 09, 19 and 20 of Annex I to Regulation (EC) No 1893/2006.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Exposure of the benchmark portfolio to activities included in the environmental goods and services sector, as defined in Article 2, point (5) of Regulation (EU) No 691/2011 of the European Parliament and of the Council	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Thermal Coal	Exclusion	<p>All companies deriving 10% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties are excluded.</p> <p>It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra company sales of mined thermal coal; and revenue from coal trading.</p> <p>For further details on the methodology of the business involvement screening can be found here.</p>

	Thermal Coal Power	Exclusion	All companies classified as generating 30% of revenue from thermal coal power generation are excluded.
	Tar Sands	Exclusion	All companies classified as generating 10% of revenue in the product involvement with Tar Sands are excluded.
	Controversial Weapons sector.	Exclusion	<p>Companies with ties to controversial weapons are excluded. MSCI ESG Research's Controversial Weapons definition covers cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons</p> <p>For further details on the methodology of the business involvement screening can be found here and here.</p>
	Tobacco sector	Exclusion	<p>Companies classified as producers or deriving 10% or more aggregate revenue from production, distribution, retail and supply of tobacco-related products are excluded. For further details on the methodology of the business involvement screening can be found here.</p>
	Commercial Gambling	Exclusion	Excludes companies that derive over 10% of revenue from the production, distribution, and/or provision of services related to commercial gambling.

	Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Weighted average gender pay gap.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Weighted average ratio of female to male board members.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Weighted average ratio of accidents, injuries, fatalities.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
c) List of governance factors considered:	Weighted average percentage of board members who are independent.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.
	Weighted average percentage of female board members.	N/A	The family of benchmarks does not apply this factor in the pursuit of its ESG objectives.

<p>6. Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.</p> <p>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years</p>	
a) List of environmental factors considered:	As above
b) List of social factors considered:	As above
c) List of governance factors considered:	As above
7. Data and standards used.	
<p>a) Data input.</p> <p>(i) Describe whether the data are reported, modelled or, sourced internally or externally.</p> <p>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</p>	<p>All ESG data for the benchmarks is sourced externally from:</p> <p>MSCI Research esgclientservice@msci.com https://www.msci.com/research-and-insights</p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p> <ul style="list-style-type: none"> • Reported data <ul style="list-style-type: none"> ○ Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data ○ Government data: central bank data, U.S. Toxic Release Inventory, Comprehensive Environmental Response and Liability Information System (CERCLIS), RCRA Hazardous Waste Data Management System, etc. We continue to assess the value of other, similar information sources, particularly for European companies.

	<ul style="list-style-type: none"> ○ Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases. ○ News media: major news publications globally, including local-language sources across a range of markets. ○ Relevant organizations and professionals: reports from and interviews with trade groups, industry experts and nongovernmental organizations familiar with the companies' operations and any related controversies <ul style="list-style-type: none"> ● Modelled data <ul style="list-style-type: none"> ○ For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model. ○ When companies do not report exact revenue figures for a covered business activity, MSCI ESG Research provides an estimate of the extent of companies' involvement in the subject activity. <p>Refer to the MSCI ESG & Climate Methodologies page for further details on the data sources for the relevant ESG factors.</p> <ul style="list-style-type: none"> ● Schroders Sustainex@Schroders.com
<p>b) Verification of data and guaranteeing the quality of those data. <i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p>The Indices use the following external data providers, all of which have robust governance and processes in place to validate the quality and reliability of the data.</p>

	<p>MSCI Business Involvement Screens</p> <p>Initial company research and analysis is followed by a rigorous quality review process. Data accuracy and company profiles are peer-reviewed, then sent to content leads for final approval. In specific cases in which a company's business activity is not clearly defined by MSCI ESG Research's methodology and there is no precedent, the case is escalated to the Head of Screening Research. Cases that require further interpretation or an update to the methodology are brought to the MSCI ESG Impact and Screening Methodology Committee for resolution</p> <p>Please see the MSCI Business Involvement Methodology Overview for further detail.</p> <p>Schroders:</p> <p>Schroders has implemented governance and control processes with the aim that SustainEx™ is quantifiable, attributable, disclosable and transparent. This includes the setup of a governance framework, which incorporates investment teams, investors and data specialists to provide oversight of and review the model and associated due diligence. Schroders also has firm-wide policies to assess third parties, including data providers for SustainEx™.</p> <p>Further details on the SustainEx data verification processes are described here.</p>
<p>c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i></p>	<p>The Greenhouse Gas Protocol and ISO Standards is used for GHG Carbon Intensity estimation. For further information, please refer to https://ghgprotocol.org/</p> <p>MSCI Business Involvement Screens</p> <p>The MSCI ESG Research team utilised a combination of industry classifications, business descriptions and keyword searches in company filings to identify potential involvement in each of the screening topics.</p>

	<p>Controversial Weapons:</p> <ul style="list-style-type: none"> • The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction. • The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction. • Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. • Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects. • The Convention on Cluster Munitions.
<p>Date on which information has been last updated and reason for the update:</p>	<p>June 2024, enhancement of data and reference standards descriptions and hyperlinks.</p>

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