

Schroder International Selection Fund – Global Energy Transition

Summary

The Fund's sustainable investment objective is to invest its assets in sustainable investments which are investments in companies worldwide that (i) generate at least 50% of their revenue from activities that contribute towards the global transition towards lower-carbon and more sustainable sources of energy, such as lower-carbon energy production, distribution, storage, transport and associated supply chain, material provider and technology companies or (ii) generate a lower percentage of their revenue from these activities where the Investment Manager considers they are playing critical roles in the energy transition based on the company's capital expenditure, operating expenditure or market share. At least 75% of the Fund's assets will be invested in companies of the type described in (i). The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

The Fund invests assets in sustainable investments, in companies worldwide that generate at least 50% of their revenue from activities that contribute towards the global transition towards lower-carbon sources of energy, such as lower-carbon energy production, distribution, storage, transport and associated supply chain, material provider and technology companies. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria. The 'Not sustainable' proportion includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently. Please refer to the chart under the "Proportion of investments" section.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under the "Monitoring of the sustainable investment objective" section.

The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager's rating criteria.

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:

Firm-wide exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons. A detailed list of all companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>.

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 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.

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing".

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points.

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.

Where data for a metric is not sufficiently available to form robust conclusions, that metric is not included in the proprietary tools.

The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies is rated against the sustainability criteria.

The 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 is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager's approach in this assessment considers whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure or market share contributes to an environmental or social objective (as applicable). The output of the Investment Strategy outlined above is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with this is monitored daily via our automated compliance controls. Exclusions are applied to direct investments in companies. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available to our investment risk, portfolio compliance and investment teams.

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.

Further details on our approach to active ownership policy is publicly available:

<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>.

No significant harm to the sustainable investment objective

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:

- Firm-wide investment exclusions apply to Schroders funds. These 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/active-ownership/group-exclusions/>. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.
- The Fund excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

- The Fund excludes companies that are assessed by Schroders to have breached one or more ‘global norms’ thereby causing significant environmental or social harm; these companies comprise Schroders’ ‘global norms’ breach list. Schroders’ 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.
- The Fund may also apply certain other exclusions in addition to those summarised above.

Further information on all of the Fund’s investment exclusions is to be found further below under the “Monitoring of the sustainable investment objective” section.

Sustainable investment objective of the financial product

The Fund’s sustainable investment objective is to invest its assets in sustainable investments which are investments in companies worldwide that (i) generate at least 50% of their revenue from activities that contribute towards the global transition towards lower-carbon and more sustainable sources of energy, such as lower-carbon energy production, distribution, storage, transport and associated supply chain, material provider and technology companies or (ii) generate a lower percentage of their revenue from these activities where the Investment Manager considers they are playing critical roles in the energy transition based on the company’s capital expenditure, operating expenditure or market share. At least 75% of the Fund’s assets will be invested in companies of the type described in (i). The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently. No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

At the date of this Prospectus, it is not yet possible to commit to the Fund maintaining a minimum alignment with the Taxonomy, as the Investment Manager is currently not in a position to accurately determine to what extent the Fund’s investments are in taxonomy-aligned environmentally sustainable activities. Taxonomy alignment of this Fund’s investments has therefore not been calculated and has as a result been deemed to constitute 0% of the Fund’s portfolio. However it is expected that the Fund invests in companies and economic activities that contribute to the environmental objectives of climate change mitigation and climate change adaptation within the meaning of the Taxonomy.

In future it is therefore expected that the Fund will assess and report on the extent to which its underlying investments are in economic activities that qualify as environmentally sustainable under the Taxonomy, along with information relating to the proportion of enabling and transitional activities. This Prospectus will be updated once it is possible in the Investment Manager’s opinion to accurately disclose to what extent the Fund’s investments are in Taxonomy-aligned environmentally sustainable activities, including the proportions of investments in enabling and transitional activities selected for the Fund.

Investment strategy

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

The Fund is actively managed and invests at least 90% its assets in (i) sustainable investments, which are investments in companies that (a) generate at least 50% of their revenue from activities that contribute towards the global transition towards lower-carbon sources of energy, such as lower carbon energy production, distribution, storage, transport and associated supply chain, material provider and technology companies or (b) generate a lower percentage of their revenue from these activities where the Investment Manager considers they are playing critical roles in the transition based on the company’s capital expenditure, operating expenditure or market share, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The Fund may also invest in other companies provided they play critical roles in the transition and are increasing their exposure to such activities.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under the “Monitoring of the sustainable investment objective” section. The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager’s rating criteria.

In order to assess good governance practices, a central Good Governance Test is applied. This test is based on a data-driven quantitative framework, which uses a scorecard to assess companies across the categories of sound management structures, employee relations, remuneration of staff, and tax compliance. Schroders has defined a number of criteria across these pillars. Compliance with the test is monitored centrally and companies which do not pass this test cannot be held by the Fund, unless the Investment Manager has agreed that the issuer demonstrates good governance based on additional insights beyond that quantitative analysis.

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 webpage:

<https://www.schroders.com/en-lu/lu/individual/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/disclosures-and-statements/>.

The Fund invests at least two-thirds of its assets in a concentrated range of equity and equity related securities of companies worldwide. The Fund typically holds fewer than 60 companies.

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

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

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

Companies are assessed against eight ESG criteria: (1) management quality; (2) balance sheet sustainability; (3) corporate governance; (4) regulatory risk management; (5) supply chain management; (6) customer management; (7) employee management; and (8) environmental management. The company will receive an overall score out of ten and is placed within one of the following categories based on this score:

‘Lagging’ (score of 1 – 3): Companies that show poor corporate governance, unconvincing management, weak balance sheets, poor stakeholder relations, and fail to demonstrate an awareness of ESG issues they face;

‘Neutral’ (score of 4 – 6): Companies that show adequate corporate governance, suitable management, reasonably robust balance sheets, have reasonable relationships with stakeholders and some awareness of ESG issues. These companies do not exhibit ESG risks necessarily, but at the same time are not best in class companies with the potential to maintain market leading growth;

‘Best-in-class’ (score of 7 – 10): Companies that have strong corporate governance, quality management, strong balance sheets, good relationships with stakeholders and a good awareness and management of ESG issues. These companies should be able to attract the best employees, to continue to lead the industry in terms of productivity, have strong supply chain links, acting as the ‘supplier of choice’ for customers, and are mindful of their environmental impact.

The Fund will generally only invest in companies that are rated as ‘neutral’ or ‘best-in-class’.

The Investment Manager performs its own analysis of information provided by the companies, including information provided in company sustainability reports and other relevant company material. Third party research is used by the team as a secondary consideration, and generally provides a source of challenge or endorsement for their own view.

The Investment Manager ensures that at least 90% of the portion of the Fund’s Net Asset Value composed of investments in companies is rated against the sustainability criteria.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

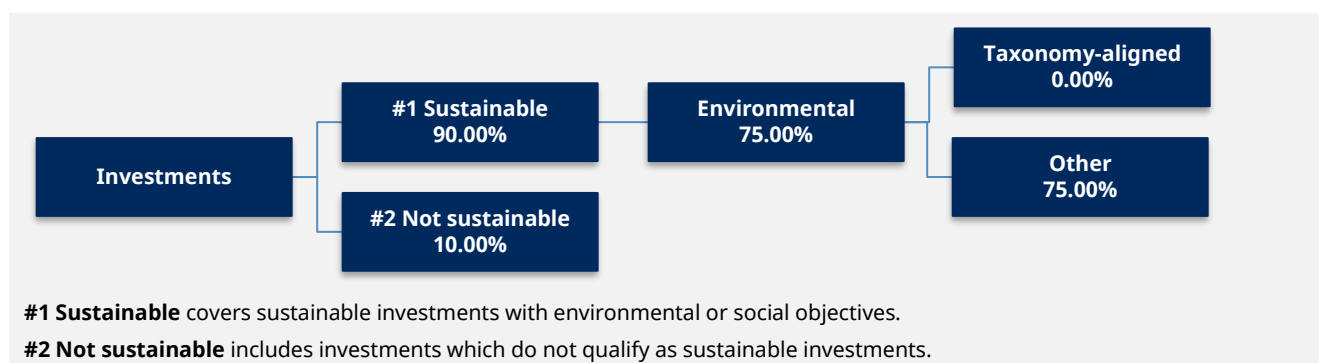
The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Proportion of investments

The planned composition of the Fund's investments that are used to meet its sustainable investment objective are summarised below.

The Fund invests at least 90% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in companies worldwide that (i) generate at least 50% of their revenue from activities that contribute towards the global transition towards lower-carbon sources of energy, such as lower-carbon energy production, distribution, storage, transport and associated supply chain, material provider and technology companies or (ii) generate a lower percentage of their revenue from these activities where the Investment Manager considers they are playing critical roles in the energy transition based on the company's capital expenditure, operating expenditure or market share. The minimum proportion stated applies in normal market conditions.

#2 Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.



Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) 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). 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 Schroders' 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 a Schroders' 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 Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.

Monitoring of the sustainable investment objective

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, will be measured within the Investment Manager's portfolio compliance framework. Exclusions and limits are coded into this framework to seek to ensure that pre-trade compliance correctly flags

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data.

The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available. Users are able to build customised reports to focus on specific aspects of the portfolio.

Exclusion Criteria

Environmental exclusions

Excluded Activity	Criteria
Thermal Coal Mining Maximum Percentage of Revenue	0%
Thermal Coal Power Generation Maximum Percentage of Revenue	0%
Unconventional Oil and Gas Extraction & Production Maximum Percentage of Revenue	0%
Oil and Gas Extraction and Production Maximum Percentage of Revenue	0%
Oil and Gas Distribution and Retail Maximum Percentage of Revenue	0%
Oil and Gas Pipelines and Transportation Maximum Percentage of Revenue	0%
Oil and Gas Refining Maximum Percentage of Revenue	0%
Oil and Gas Trading Maximum Percentage of Revenue	0%
Oil and Gas Power Generation Maximum Percentage of Revenue	0%
Fossil Fuel Power Generation Maximum Percentage of Revenue	0%
Oil Sands Extraction Maximum Percentage of Revenue	0%
Shale Hydraulic Fracking Maximum Percentage of Revenue	5%
Nuclear Power Generation Maximum Percentage of Revenue	0%
Nuclear Power Utility Maximum Percentage of Revenue	0%
Nuclear Power Component Supplier Maximum Percentage of Revenue	5%
Nuclear Power Uranium Mining Maximum Percentage of Revenue	0%
Evidence of Thermal Coal Reserves	True
Evidence of Total Coal Reserves	True
Evidence of Natural Gas Reserves	True
Evidence of Oil Reserves	True
Increasing absolute production of or capacity for thermal-coal related products/services	True
Involvement in coal exploration or the exploitation or development of new coal mines	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration, extraction, processing, and transportation of thermal coal	25%

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Excluded Activity	Criteria
Increasing absolute production of or capacity for unconventional oil & gas ¹ related products/services	True
Involvement in exploration, exploitation or development of new unconventional oil & gas fields	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration and extraction of unconventional oil & gas	25%
Involvement in exploration, exploitation or development of new conventional oil & gas fields	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas	25%
Structurally increasing absolute production of or capacity for coal-based energy-related products/services	True
Absolute production of or capacity for coal-based energy-related products/services	5 GW
Current involvement in building new coal-fired power stations	True

Social exclusions

Excluded Activity	Criteria
Alcohol Value Chain Maximum Percentage of Revenue	0%
Tobacco Value Chain Maximum Percentage of Revenue	0%
Weapons Maximum Percentage of Revenue	1%
Nuclear Weapons Maximum Percentage of Revenue	0%
Civilian Firearms Maximum Percentage of Revenue	0%
Biological/Chemical Weapons Maximum Percentage of Revenue	0%
Any Tie to White Phosphorous Incendiary Weapons	Any tie
Companies Manufacturing Non-Detectable Fragments	Any tie
Any Tie to Cluster Munitions	Any tie
Any Tie to Depleted Uranium Manufacturing	Any tie
Any Tie to Landmine Manufacturing	Any tie
Any Tie to Controversial Weapons	Any tie
Maximum revenue from production of tobacco, tobacco products or e-cigarettes and wholesale trading of tobacco products or e-cigarettes	5%
Maximum revenue from bespoke products, equipment or services dedicated to enabling the production of tobacco products (value chain)	25%
Maximum revenue from manufacture of weapons or tailor-made components thereof and sale of weapons ²	5%

¹ Unconventional oil & gas includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

² A weapon is defined as any implement or device expressly designed for the purpose of causing material damage, inflicting physical or mental harm, or to kill, in the context of a (military) conflict.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Excluded Activity	Criteria
Involvement in manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons	True
Maximum revenue from bespoke products, equipment or services dedicated to enabling the manufacturing or sale of weapons and tailor-made components thereof	25%

Transition exclusions:

Excluded Activity
<p>Companies with exposure to coal that do not meet one of the relevant transition criteria:</p> <ul style="list-style-type: none"> • Have a SBTi target aligned with 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment • Have an annual thermal coal production less than 10Mt and derive less than 5% of revenues from exploration, extraction, processing, and transportation of thermal coal • Have less than 10% of CapEx dedicated to exploration, extraction, processing, and transportation of thermal coal and not with the objective of increasing revenue • Have more than 50% of CapEx dedicated to contributing activities³
<p>Companies with exposure to unconventional oil & gas that do not meet one of the relevant transition criteria:</p> <ul style="list-style-type: none"> • Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment • Derive less than 5% of revenues from exploration and extraction of unconventional oil & gas • Unconventional oil and gas production is less than 5% of total oil and gas production • Have more than 50% of CapEx dedicated to contributing activities³
<p>Companies with exposure to conventional oil & gas that do not meet one of the relevant transition criteria:</p> <ul style="list-style-type: none"> • Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment • Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 57.57 gCO₂e/MJ in 2024, or other science-based alignment assessment) • Derive less than 5% of its revenues from exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas • Have less than 15% of CapEx dedicated to exploration, processing or refining (except oil to chemicals), and transportation (not distribution) of conventional oil & gas and not with the objective of increasing revenue • Have more than 15% of CapEx dedicated to contributing activities³
<p>Companies with exposure to non-renewable power or heat generation that do not meet one of the relevant transition criteria:</p> <ul style="list-style-type: none"> • Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment • Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0.318 tCO₂e/MWh in 2024, or other science-based alignment assessment) • Derive less than 5% of its revenues from non-renewable power or heat generation • Derive more than 50% of its revenues from contributing activities³ • Have more than 50% of CapEx dedicated to contributing activities³

³ Contributing activities is defined as economic activities included in the EU Taxonomy, except for activities under 4.27-4.31 that were included by the Complementary Climate Delegated Act.

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Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List	All
Schroders' 'Global Norms' Breach List	All

Controversy/misconduct exclusions

Excluded Activity	Criteria
Companies Flagged for Severe Business Ethics Failures (Bribery and Fraud)	Red
Companies Flagged for Violating the UN's Guiding Principles of Business and Human Rights	Fail
Companies Flagged for Violating the International Labour Organisation's Broad Labour Standards	Fail
Companies Flagged for Violating the International Labour Organisation's Core Labour Standards	Fail
Company Controversy Summary - Overall Flag	Red
Company Controversy Indicator	Scores 1 AND Partially Concluded AND Severe
Environment Controversy Flag	Red
Companies Flagged for Violating the UN's Global Compact Principles	Fail

Methodologies

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager's approach in this assessment considers whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure or market share contributes to an environmental or social objective (as applicable). The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with the minimum percentage in sustainable investments is monitored daily via our automated compliance controls. Exclusions are applied to direct investments in companies. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager use a quantitative screening tool to identify companies that derive a certain percentage of their revenues, capital expenditure, operating expenditure or market share from their main activity that is associated with specific energy transition activities: including (1) renewable energy equipment; (2) renewable energy generation; (3) transmission and distribution; (4) batteries, storage and other equipment; (5) hydrogen; (6) electrical equipment and energy; and (7) clean mobility.

Subsequently, the Investment Manager uses a number of indicators to derive a sustainability score out of ten for each company. Based on this score, each company is placed within one of the following categories: (1) Best-in-class, (2) Neutral and (3) Laggard. The indicators used to determine the score include but are not limited to metrics such as carbon intensity, board gender diversity and management remuneration. The information is drawn from company management meetings, publicly available corporate information as well as the Investment Manager's internal proprietary tools.

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Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

Data sources and processing

In order to assess and understand the potential impact of sustainability risks and opportunities, Schroders 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 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. Our proprietary tools provide flexibility allowing analysts to input data that is not publicly disclosed however has been disclosed during engagement into a common framework. This additional information will be used alongside data from conventional and unconventional data sources.

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

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing". In order to assess alignment with sustainable investment objectives, we draw upon a variety of data sources, meeting companies, studying research and analysing assets. 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 sustainable investment objective of the Fund.

Due diligence

The 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.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

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.
3. Voting (where applicable): We use our voice and rights as shareholders to make sure these changes are effected.

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.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

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>.

Attainment of the sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

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