Additional Information with regards to sustainability practices

Schroder ISF Global Climate Change Equity (“The Fund”)

A. Statement of Purpose

The fund aims to provide capital growth by investing in equities of companies worldwide which the manager believes will benefit from efforts to accommodate or limit the impact of global climate change.

The fund invests at least two-thirds of its assets in equities of companies worldwide. The manager believes that companies that recognise the threats and embrace the challenges early, or that form part of the solution to the problems linked to climate change, will ultimately benefit from long term structural growth which is underappreciated by the market. We expect these companies to outperform once the market recognises these stronger earnings growth dynamics.

When assessing the significance of climate change on the long-term business outlook for a company, a company is assessed on a number of factors which include but are not limited to:

– If the company has significant direct industry exposure to climate change trends (mitigation – reducing greenhouse gas emissions through energy efficiency, renewable power, and cleaner vehicles; or adaptation - those that are preparing for the impacts of climate change, for example water stress, coastal flooding, community health issues, or supply chain disruptions, among other issues)

– The proportion of business segments that are potentially exposed to climate change trends.

– If the company has significant investment and research and development spending related to the transition to a lower carbon economy

– A product portfolio that takes into account the physical and transition risks posed by climate change

– The impact on the company of rising carbon costs in the context of its industry and competitive environment

The Investment Manager will then decide on a case by case basis whether a company is eligible for inclusion in the Fund’s investment universe, based on this assessment. In addition, the Investment Manager’s ESG analysis seeks to evaluate the materiality and impact of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors that may affect a company’s valuation. The Investment Manager’s decision will focus on ratings in the areas that are most relevant to the particular business of that company.

B. Proprietary Tools

1. CONTEXT

Our flagship ESG research tool, provides a systematic framework for analysing a company's relationship with its stakeholders and the sustainability of its business model. Comprising over 260 metrics across over 13,000 companies, it is designed to support our investors' understanding of the sustainability of companies' business models and profitability, and provides structured, logical and wide-ranging data to support our analysts' views. This consistent structure makes information sharing easier and allows us to identify market wide trends and insights.

The tool is interactive and highly customisable, enabling analysts to select the most material ESG factors for each sector, weight their importance and apply relevant metrics. Analysts are then able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge. The tool is fully integrated within Schroders' global research platform, which is readily accessible across investment desks and geographies.

We have also developed a number of proprietary quantitative metrics that can be used to demonstrate and measure a portfolio's sustainability characteristics.

2. SustainEx

SustainEx™ is a proprietary model which scientifically combines measures of both the harm companies can do and the good they can bring to arrive at an aggregate measure of each firm's social and environmental impact, allowing investors to target their ESG investments effectively. It quantifies the extent to which companies are in credit or deficit with the societies to which they belong, and the risks they face if the costs they externalise are pushed into companies' own costs.

C. ESG Strategies

1. ESG Integration

As a thematic strategy focusing on companies whose long-term business outlook is significantly impacted by the need to mitigate or adapt to climate change, Schroders' Global Climate Change strategy naturally includes consideration of a range of Environmental factors. Within the climate change theme, our investments can be broadly categorised into five sub-themes: energy efficiency, sustainable transport, environmental resources, clean energy and low carbon leaders. The strategy will not invest in companies that report significant ownership of fossil fuel reserves (e.g. oil, coal, gas, tar-sands, shale-gas) or any firm associated with cluster munitions.

An assessment of environmental, social and governance (ESG) factors is fully integrated into our Global Climate Change investment approach. ESG considerations are integral to our appraisal and evaluation of potential candidates for the climate change portfolio.

Our approach to ESG analysis is based on the view that as long term investors it is important to appraise financial and non-financial factors when analysing a company and its stock. We believe that the ESG performance of companies is inextricably linked to the delivery of long-term shareholder value. Our ESG analysis seeks to evaluate the materiality and impact of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors that may affect a company's valuation.

As part of our assessment of the fundamental risk of owning each company we analyse a number of factors, weighted as outlined below, resulting in a single numeric risk score. We assign a formal ESG score for each stock as part of this fundamental risk analysis. Each company is scored from 1 to 10, with 1 indicating strong ESG positioning and 10 indicating very poor governance / ESG performance.

Risk constituents and weights:
– 40% Leverage
– 50% Quality and Sustainability Assessment
– 10% Country Risk
Risk scores are dynamic and continually reassessed as part of the rigorous monitoring and re-appraisal of stocks held in client portfolios. The sizing of stock positions within the portfolio is a function of upside potential, downside risk and level of conviction. Our ESG assessment is therefore an important consideration in determining the weights of stocks within the portfolio.

Effective and responsible active ownership has long been part of our fundamental approach to investment at Schroders. We recognise that companies play a critical role in societies and are heavily exposed to changes in those societies and the natural environment. We believe by engaging with companies and their management we can improve our understanding of the issues they face and their approaches to managing them, helping us to protect or enhance the value of our investments. Accordingly, we actively engage with companies on a variety of ESG issues.

2. Normative Screening

We recognise the importance of companies respecting and protecting human rights, ensuring decent working conditions and upholding labour rights, promoting greater environmental responsibility and having robust anti-corruption measures and practices in place. Through our ESG integration and active ownership process we take into consideration how companies are interacting with all their stakeholders (customers, suppliers, environment, regulators, employees and communities) and the contribution this might have (both negative and positive) to their long-term success. That analysis also informs our engagement with companies; where we consider companies' business practices may be unsustainable we regularly engage management teams to better understand their plans, and to promote more responsible behaviour.

As part of this framework, our investment process excludes from consideration, companies which are deemed to be UNGC fails, in addition to a broader range of issues. Furthermore, we screen using the Global Norms MSCI screens for:

- compliance with the UN Guiding Principles for Business and Human Rights
- compliance with the International Labour Organisation's broader set of labour standards.

In addition and beyond this systematic screening, managers will take into account any information they are aware of with regards to a company's behaviour.

As detailed below, at a firm level we also exclude investments that fail to comply with the international conventions on cluster munitions, anti-personnel mines, biological weapons and chemical weapons.

The Fund will not knowingly invest in companies not meeting these minimum norms.

3. Exclusion

a. Tobacco

The World Health Organisation has estimated that tobacco use (smoking and smokeless) is currently responsible for the death of about seven million people across the world each year, with more than 10% of deaths due to the effects of second-hand smoke.

By nature of the Fund's thematic focus on the climate change, the Fund does not invest in companies involved in the production or wholesale trading of tobacco products or providing dedicated equipment or services. Companies are considered belonging in the excluded category in case their revenues from these activities exceed the 5% threshold.

b. Weapons

We fully support the international convention on Cluster Munitions and Anti-Personnel Mines:

- The Convention on Cluster Munitions (2008): prohibits the production, stockpiling, transfer and use of cluster munitions
- The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997): prohibits the production, stockpiling, transfer and use of anti-personnel landmines

We will not knowingly hold any security that will derive revenue from these sources.

The Fund excludes for 100% (e.g. no revenue threshold) any company for companies active in the production of Nuclear, Biological or Chemical weapons, anti-personnel mines, submunitions, depleted or industrial uranium, white phosphorous or any components hereof.

The Fund excludes any company that generates more than 5% of revenues from the production of other (civilian) weapons or components hereof.

c. Coal

Coal producers will bear the brunt of decarbonisation's impact. Coal is the most carbon intensive fossil fuel, generating twice as much carbon as gas to produce the same amount of energy. **The Fund excludes the complete Carbon Underground 200 list.** Produced by FFI Solutions the list shows the top 100 coal and top 100 oil and gas companies based on the amount of potential carbon emissions if all of the reserves held by the company were to be extracted.

The Fund excludes any company that generates more than 5% of revenues from thermal Coal related activities. In addition, qualitative due diligence is carried out by the portfolio managers ensure the company's absolute capacity or production for thermal coal related products/services shall not be increasing.

d. Unconventional oil and gas

Unconventional oil and gas, such as tar sands, oil shale and shale gas, Arctic onshore and offshore, require more energy-intensive production methods compared to conventional oil and gas. There are also health and environmental impacts through air, water, land and soil pollution. **The Fund excludes the complete Carbon Underground 200 list.**

The Fund excludes any company which generates more than 5% of revenue from unconventional oil and gas related activities. Through our due diligence process, including contact with company management, we avoid companies who we believe are planning an expansion of unconventional oil & gas extraction.

e. Conventional oil and gas

While conventional oil and gas are less carbon intensive than coal, they are major contributors to global greenhouse gas emissions and their use will have to fall significantly in the future.

The Fund excludes any company that generates more than 5% of revenues from conventional oil and gas extraction. In addition, due diligence is being performed to make sure that the company's absolute capacity or production for conventional oil and gas related products/services shall not be increasing.

f. Power Generation

Thorough due diligence carried out by analysts and fund managers during an ongoing research process that includes regular company interaction ensures that we are kept aware of any changes in capacity / production levels. Were a company to initiate or expand we are therefore in a position to take swift action. Given the revenue based investment exclusions in place and the positive societal contribution focus of the portfolio, we do not currently hold any fossil fuel or Nuclear power generation companies.

The fund will not invest in companies whose absolute capacity or production for coal or nuclear based energy is structurally increasing.

Should the fund invest in companies involved in the generation of power, their absolute production of capacity for renewable based energy must be increasing.

This will be identified during the multi-layered sustainability approach.

Typically companies derive more than 50% of their revenues from contributing activities but we may have the ability to include companies on a case by case basis if more than 50% of their CAPEX over the next few years is going into contributing activities, meaning we have clear visibility that revenues from contributing activities will go above 50%.

4. Engagement

Dialogue between investors and companies is key. With engagement, the aim is to focus on positively influencing corporate behaviour, which will lead to improved performance on the topics of the engagement and on the long-term sustainable returns.

One of the engagements that we have is regarding the exclusion of companies active in the fossil fuel sector. In addition, corporate engagement and shareholder action is important for our company, so this is also an element that we take into consideration when building our portfolio.

Schroders has a large Sustainable Investment team that co-ordinate voting and engagement on behalf the firm. Quarterly updates, as well as a yearly, reports are published. More information can found on the following page:

Schroders Sustainability Report: https://publications.schroders.com/view/408145965/

The investment team engages directly during its meetings with management in the course of analysing investee companies and active ownership once owned. Engagement covers a wide range of issues such as mergers and acquisitions, capital structure, board structure, remuneration incentives and company specific social and environmental engagement. Schroders dynamic ESG tools help the team identify key issues to raise with company management teams and help to track progress made over time on ESG issues.

5. Sustainable themed investing

We have developed a proprietary climate change universe of approximately 600 companies whose long-term business outlook, in our opinion is significantly impacted by efforts to mitigate or adapt to climate change. In building our proprietary global climate change universe we focus on identifying the relevance and materiality of this factor for the broadest range of companies, and, in doing so we are placing what we believe to be a unique filter on the investment universe before we assess the more traditional, growth and valuation-based investment case. We have built a team process and supporting systems that draw on a range of inputs to identify companies where climate change is a significant positive to the business outlook. The climate change universe review team consists of 6 members including 2 climate change and policy experts who are a part of the Sustainability team. The team formally meet once a month to ensure the existing universe constituents continue to meet the stated criteria and potential candidates for inclusion. Given rapidly changing business impacts, it is not possible to have simple percentage rules for the amount that a company is positively or negatively impacted by climate change. Therefore, the team assesses relevance based on the factors below. The overarching principle is that climate change must have a significant impact on the long-term business outlook for a stock to be included. A company's management and strategy is assessed on the following basis.

- If the company has significant direct industry exposure to climate change trends (mitigation - reducing greenhouse gas (GHG) emissions through energy efficiency, renewable power, and cleaner vehicles or adaptation - those that are preparing for the impacts of climate change, for example water stress, coastal flooding, community health issues, or supply chain disruptions, among other issues)
- The proportion of business segments that are potentially exposed to climate change trends
- If the company has significant investment and R&D spending related to the transition to a lower carbon economy
- A product portfolio that takes into account the physical and transition risks posed by climate change.
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When assessing the significance of climate change on the long-term business-outlook for a company, we consider the impact of all these factors on expected revenue growth, operating margin and capital intensity of the company. Stocks in the universe are then classified as beneficiaries of either adaptation to, or mitigation of, the effects of climate change.

6.Objective to outperform BM on ESG indicator

The fund maintains a higher overall sustainability score than the MSCI World based on the investment manager's rating criteria (as measured by SustainEx described above).

D. Embedded Policies

Biodiversity

The variety of plants and animals, and where they live – is critical for our everyday lives. It provides us with food, water, clean air, shelter and medicines. Loss of biodiversity and changes to ecosystems can increase the risk of infectious diseases in animals, plants and humans.

We recognise that deforestation, changes in land use, increasing agricultural intensity, over-population, climate change and pollution contribute to biodiversity loss and we therefore take these factors into consideration in our ESG analysis of companies and engage with companies where we believe their practices are unsustainable.

Water use

Water is critical to human and ecosystem health, necessary in many industrial processes, indispensable in food and energy production, an important vehicle for disposing of wastes, and integral to many forms of recreation. While ~70% of the earth's surface is covered in water, less than 1% of this is water available for consumption by people and business, and the supply of clean, fresh water is decreasing. At the same time, there is an increasing demand for water through agriculture, a growing global population and economic development. Supply side and demand side pressure means that water is increasingly becoming a material risk for companies that are struggling to source scarce, clean water. Understanding and managing water risk may be fundamental to a company's ability to continue as a going concern.

As a result, the water intensity of companies' operations, scarcity in the regions in which they operate and their strategies to manage their use all feature in our ESG analysis of companies. We also engage companies with direct or indirect exposure.

Taxation

Taxes are probably the clearest form of companies' social contribution. They are reinvested by the state into society, providing vital public services. We believe it is important that companies behave responsibly and conduct their tax affairs in an open and transparent way. Responsible tax payment is reflected in the tools available to our analysts when examining ESG performances and is regularly included in our engagement with companies.

Oppressive regimes

Oppressive regimes are commonly associated with systematic human rights abuses, and often an absence of the rule of law, a lack of freedom of expression and land rights abuses. Through our ESG integration and active ownership process we seek to understand whether companies operate or have supply chains in countries governed by oppressive regimes.

We comply with the sanctions regimes issued by the EU, the UN, Her Majesty's Treasury (HMT), and the Office of Foreign Asset Control (OFAC) in the United States.

Cannabis

The Single Convention and the Psychotropic Convention have been implemented in the UK through the Misuse of Drugs Act 1971 ("MDA") and the Misuse of Drugs Regulations 2001 ("MDR") – making it a criminal offense to invest in companies that produce, distribute and sell cannabis in the form of THC. Investments in companies with exposure to the industry but for medicinal purposes only are still permitted. Please note this a regulatory requirement and not part of the ESG framework.

Pollution & waste (e.g. plastics)

While the Fund does not have a specific policy on pollution & waste, the Context score takes this into account when scoring the E (Environment) dimension.

Gender & diversity

While the Fund does not have a specific policy on gender & diversity, the Context score takes this into account when scoring the S (Social) and G (Governance) dimensions.

Death penalty

The Fund does not have a specific policy on death penalty

Forward contracts on agricultural commodities

The Fund does not invest in any agricultural commodities

Risk Considerations

Currency risk: The fund may lose value as a result of movements in foreign exchange rates.

Emerging Markets & Frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.

Sustainability Risk Factor: The fund has environmental and/or social characteristics. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria. Therefore, the fund may underperform other funds that do not apply similar criteria. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.

Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.

Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Performance risk: Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

IBOR: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

Derivatives risk: Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

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Schroders sustainability accreditation

Our Schroders sustainability accreditation helps investors distinguish how ESG factors are considered across our products. The fund has been awarded an Integrated accreditation. ESG factors are embedded into the investment process and can be clearly evidenced. There is a strong commitment to stewardship and company engagement. The fund has been awarded a Sustainable accreditation. Sustainability is a cornerstone of the investment process. The fund has been awarded a Screened accreditation. The fund has additional stock/security restrictions (not necessarily for ethical reasons) beyond cluster munitions and anti-personnel mines. For further information about our Schroders Sustainability Accreditation please visit
www.schroders.lu/sustainabilityaccreditation

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