Additional Information with regards to sustainability practices

Schroder ISF QEP Global ESG excluding Fossil Fuels ("The Fund")

A. Statement of Purpose

The fund aims to provide capital growth in excess of the MSCI AC World ex Energy (Net TR) Index after fees have been deducted over a three to five year period by investing in equities of companies worldwide which meet the investment manager's sustainability criteria, excluding companies that derive any revenues from fossil fuels and excluding companies with fossil fuel reserves.

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

Companies in the investment universe are assessed on their governance, environmental and social profile, across a wide range of underlying measures. The Investment Manager will then decide whether a company is eligible for inclusion in the Fund, based on its sustainability profile. The sustainability characteristics of a company can also impact the sizing of positions in the Fund.

Within governance, criteria assessed include risk to shareholders, business oversight, accounting risk and dividend policy. Environmental considerations include climate change related risks alongside broader environmental impact and opportunities. Social criteria reflects areas such as business involvement, safety, employee welfare, supply chain management and data privacy.

The primary sources of information include fundamental accounting data, Schroders' proprietary sustainability tools and third-party ESG data.

The Investment Manager ensures that at least 90% of companies in the Fund's portfolio are rated against the sustainability criteria. As a result of the application of sustainability criteria, at least 20% of the Fund's potential investment universe is excluded from the selection of investments.

For the purposes of this test, the potential investment universe is the core universe of issuers that the Investment Manager may select for the Fund prior to the application of sustainability criteria, in accordance with the other limitations of the Investment Objective and Policy. This universe is comprised of equity and equity-related securities of companies worldwide.

The fund has environmental and/or social characteristics within the meaning of Article 8 of Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (the "SFDR"). This means that the fund maintains a higher overall sustainability score than its sustainability benchmark based on the investment manager's rating system.

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.

3. CarbonVar

We have developed a new way of looking at carbon risk: carbon footprints remain the dominant measure of carbon exposure, but are an incomplete and sometimes misleading measure of investment risk. We focus on the ways value will be lost or created as policies strengthen, through financial analysis rather than environmental research. Our carbon value at risk (VaR) model assesses the effect of a significant rise in carbon prices on a company's cost structure, industry prices, volumes and cash flows.

C. ESG Strategies

1. ESG Integration

Sustainability has been, and continues to be, a key area of focus for the QEP investment team, as well as Schroders more broadly. Environmental, Social and Governance considerations are fully integrated within the portfolio in a consistent and investment led manner. The key mechanism we employ to systematically integrate sustainability metrics within our investment process is our proprietary QEP ESG rank. This is central in building our assessment of a company's sustainability profile and the sustainability risks that they may face. This rank, and its subcomponents, is utilized as a stock conviction / risk-adjustment scalar which impacts stock weights. As such, any company that we deem as facing material ESG risks would be down-weighted as part of this process.

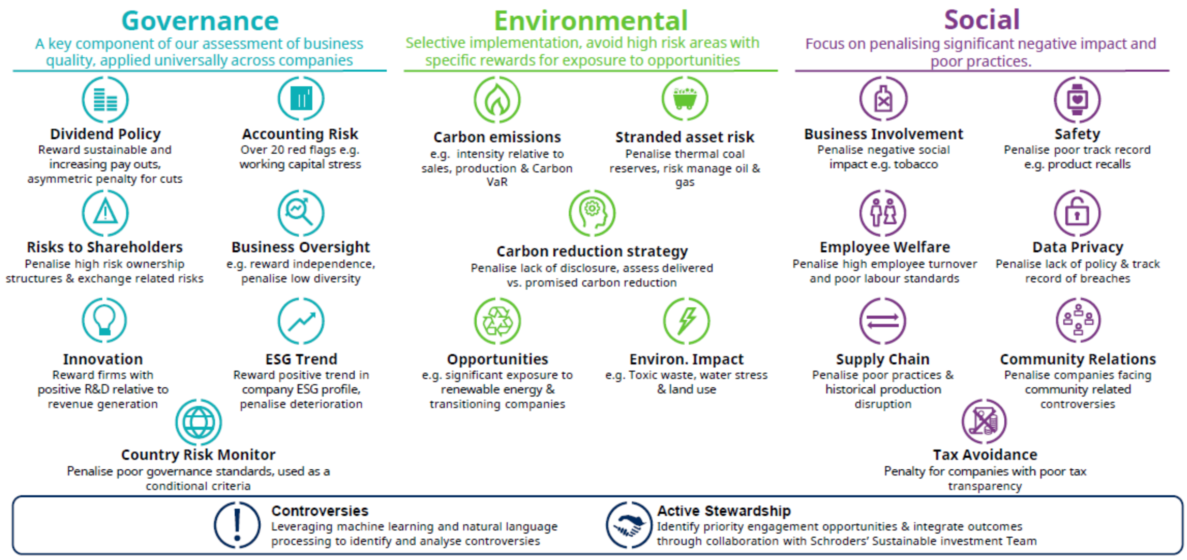
Based on our research, corporate governance is the most important dimension of ESG and is applied universally to all stocks. We capture the material areas such as board independence & diversity and accounting quality as well as the treatment of shareholders by assessing ownership structures and dividend policy, which we regard as a strong forward looking indicator of management quality. In addition, we integrate the potential for corruption & instability and other risks to stakeholders such as high state ownership, low free float and the frequency of stock suspensions. The evolution of a company's performance over time with respect to ESG risks is also incorporated through evaluating how ESG factors and ratings have developed through time. Whilst most governance terms are measured at the stock level, country risk should not be ignored. The credibility of policymakers and the institutional environment more generally is an important influence on decision making at the corporate level, particularly in less developed markets. We therefore complement our bottom up stock assessment with country level analysis, incorporating top-down measures of political and ESG concerns.

Environmental considerations require more tailored implementation. We focus on quantifiable forward looking measures in order to capture the potential threats. We identify several key areas which determine the extent of a company's exposure to environmental risks and opportunities, with each of these areas containing multiple environmental data points to drive our overall view. More specifically, we avoid companies that have high carbon intensity (CO_2 tonnes/mn $ sales) as they have a disproportionately negative impact on global Green House Gas (GHG) emissions and will face increasing regulatory pressures as a result. It is important not to just focus on the resource-heavy companies as carbon emissions from other sectors are often just as significant in terms of their impact, most notably utilities, construction and transport. Whilst we mostly focus on carbon emissions generated either directly or indirectly by a company during the course of its operations (i.e. Scope 1 and 2), we also acknowledge emissions that result from its supply chain (Scope 3). In addition, we reward companies that have a good track record of reducing their carbon emissions, particularly if the company has an explicit reduction target. On a more forward looking basis, companies are penalised where they have no reduction target and this penalty increases if they have a higher level of carbon intensity. The largest rewards are for those companies that have aggressive annualised reduction targets and have actually reduced their carbon emissions intensity historically. We also reward companies with future carbon reduction targets but place less emphasis on this versus those that have historically reduced their emissions.

We also incorporate a view on stranded assets for those companies running the risk of owning obsolete assets in the future. In terms of environmental impact, we also punish companies with higher levels of toxic emissions, indications of increased water stress or poor land use from a biodiversity perspective. Finally, we reward companies that are active in areas of environmental opportunity for example, generating renewable energy, green building initiatives, carbon capture etc. Here we leverage our Sustainable Thematic Research to target companies with exposures to areas of increasing opportunity throughout their supply chain.

Social risks are inherently driven by the nature of the underlying business as well as management decisions, so it is important to adopt a tailored approach that reflects industry specific absolute risks. For example, product quality is a key measure for manufacturing and consumer businesses which is why we focus on product recalls, particularly for high impact industries such as pharmaceuticals. By way of another example, data privacy is material for an increasing number of companies but is especially important for IT services and financials. Social risks are potentially the most subjective area of ESG to measure due to the scarcity of hard data. Many of our engagements with companies involve social issues as a result. We also apply a raft of Social base exclusions on the portfolio (e.g. tobacco, alcohol).

We have provided an infographic below which helps to detail the underlying measures we incorporate within our views of a company's environmental, social and governance profile.



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.

The Fund excludes any 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.

The Fund excludes any company that generates more than 5% of its revenues from any form of tobacco-related activity (including production, distribution, sales and licensing).

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 entirely (i.e. with 0% revenue threshold) any companies active in the production of weapons. This includes nuclear, biological or chemical weapons, anti-personnel mines, submunitions, depleted or industrial uranium, white phosphorous, conventional weapons or other (civilian) weapons or components thereof.

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 portfolio is an ex. Fossil Fuel strategy, so therefore so any company with any revenue or reserve exposure to any kind of fossil fuel is immediately excluded subject to the below thresholds:

Exclude stocks generating >0% revenue from thermal coal.

Exclude stocks generating >0% revenue from thermal coal power generation.

Exclude stocks with any tie to fossil fuels

Exclude stocks with Fossil Fuel Revenue >0%

Exclude stocks with Fossil Fuel Power Generation or Revenue >0%

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 portfolio is an ex Fossil Fuel strategy, so therefore any company with any revenue or reserve exposure to any kind of fossil fuel is immediately excluded, subject to the below thresholds.

Exclude stocks with any tie to fossil fuels

Exclude stocks with Fossil Fuel Revenue >0%

Exclude stocks with Fossil Fuel Power Generation or Revenue >0%

Exclude stocks with Unconventional Oil & Gas Revenue >0%

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 portfolio is an ex Fossil Fuel strategy, so therefore any company with any revenue or reserve exposure to any kind of fossil fuel is immediately excluded, subject to the below thresholds.

Exclude stocks with any tie to fossil fuels

Exclude stocks with Fossil Fuel Revenue >0%

Exclude stocks with Fossil Fuel Power Generation or Revenue >0%

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.

Companies operating in the Nuclear Power industry are excluded and electricity producers who use fossil fuels as the method of electricity generation. We exclude subject to the below thresholds:

> 0% power generation from fossil fuels

≥5% revenue from nuclear power

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 stewardship voting on engagement on behalf of the firm. Quarterly updates, as well as a yearly, reports are being published. More information can found on the following page:

https://publications.schroders.com/view/871029973/24/

In addition the team engages directly during its meetings with management in the course of analysing investee companies.

5. Best-in-class/universe selection

Best in class screening is integrated through two channels, via our previously mentioned proprietary QEP ESG rating and our thematic monitor.

QEP ESG Rank
Within our proprietary QEP ESG Rating, we capture a wide range of ESG risks by combining longstanding QEP measures with metrics built from underlying external ESG data sources in order to provide a view of overall company sustainability. We view Governance as the “anchor” with environmental and social considerations treated more as “scalars” or risk factors. Alongside more traditional fundamental metrics, a company’s QEP ESG rating is central to our assessment

of a stocks attractiveness. The rank and its subcomponents are utilised as a stock conviction/risk adjustment scalar which impacts stock weighting and is central within the stock selection and portfolio construction process. Those stocks with a better ESG rating will be held at a greater weight than other stocks (all else being equal) whilst those with a weaker rating are held at a lower weight or potentially even excluded, resulting in a portfolio that naturally exhibits an ESG profile more positive than that of the reference index.

QEP Thematic Monitor
The team carries out research around ESG themes and, where appropriate, we incorporate into the stock selection process penalties or rewards for stocks which are part of a negative or positive theme respectively. By identifying cohorts of stocks associated with a variety of themes, using machine learning techniques alongside investor intuition, we have created tangible portfolio building blocks to prioritise stock selection within our global universe. These targeted sustainable themes also serve to help highlight those stocks we have identified as mapping to the UN's Sustainable Development Goals (SDGs). In practical terms, we attach conviction ratings to each theme (e.g. high positive conviction) and stocks within those themes are then prioritised providing they are fundamentally attractive also. Conversely, stocks in negative themes are identified as potential sells, particularly if they have performed well (becoming more expensive) or are experiencing a deterioration in their fundamentals.

6.Portfolio tilting: over/underweighting

Of the stocks which meet our initial screening requirements we then decide whether to invest in each one, and if so how much, by assessing their ESG characteristics, company fundamentals, liquidity and volatility. We prioritise stocks which are attractive on ESG and fundamental measures, and where we have no concerns over its liquidity or volatility. These would be allowed our full target weight at time of purchase of 1% per company. Less attractive and/or riskier characteristics are penalised, resulting in our full target purchase weight being scaled back (sometimes to zero). Central to our assessment of company sustainability is our previously mentioned proprietary QEP ESG Rank. The rank and its subcomponents are utilised as a stock conviction/risk adjustment which impacts stock weighting across all of the QEP investment strategies. The impact of the rating on our stock selection and weighting is even greater in our dedicated ESG portfolios such as the Schroder ISF QEP ESG ex Fossil Fuels fund, ultimately leading us to avoid certain stocks with poor ESG credentials altogether.

7. Objective to outperform BM on ESG indicator

The Fund maintains a higher overall sustainability score than its sustainability benchmark based on the investment manager's rating system.

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.

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: 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

Market risk: The value of investments can go up and down and an investor may not get back the amount initially invested.

Counterparty risk: The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.

Higher volatility risk: The price of this fund may be volatile as it may take higher risks in search of higher rewards.

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.

Issued: May 2022

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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

Issued: May 2022