Additional Information with regards to sustainability practices

Schroder ISF Global Energy Transition (“The Fund”)

A. Statement of Purpose

Schroder ISF Global Energy Transition is a Luxembourg based UCITS SICAV, which aims to provide investors with a focused thematic exposure to the best performing companies involved in new clean energy systems, as the world transitions to lower-carbon energy. Investments are made globally and via listed equities. The fund will invest in companies directly involved and actively contributing to the transition to a more sustainable energy system. It will invest across the entire sustainable energy supply chain, which includes companies involved in seven categories: 1) renewable energy equipment; (2) renewable energy generation; (3) transmission and distribution; (4) batteries, storage and other equipment; and (5) hydrogen (6) electrical equipment and energy and (7) Clean mobility. The fund will not invest in companies involved in fossil fuels or nuclear energy.

The Fund has the objective of sustainable investment (within the meaning of Article 9 SFDR). A Fund with this objective may have limited exposure to some companies, industries or sectors as a result and the Fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the Investment Manager. As Investors may differ in their views of what constitutes sustainable investing, the Fund may also invest in companies that do not reflect the beliefs and values of any particular Investor.

B. Proprietary Tools

Alongside the investment teams' detailed analysis of company ESG practices, the team collaborate with Schroders' Sustainable Investment Team and leverage the internal research and investment tools that this in-house team produce. These have been outlined below.

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.

4. Climate Progress Dashboard

In July 2017, we launched our Climate Progress Dashboard. This monitors 12 indicators to show the progress governments and industries around the world are making towards decarbonising the global economy. It compares projections made by international organisations to estimate the temperature change implied by the progress in each area. Together, they suggest that we are heading for a rise closer to 4° than the 2° commitment global leaders made in Paris in 2015. More information can be found at https://www.schroders.com/en/about-us/corporate-responsibility/sustainability/climate-progress-dashboard/.

C. ESG Strategies

1. ESG Integration

Sustainability is a cornerstone of the Schroder ISF Global Energy Transition investment process, with ESG incorporated at each stage of this process, from universe creation to idea generation, portfolio construction and reporting.

The team evaluate the sustainability of all investable companies using a proprietary sustainability scoring assessment. As part of this assessment the team analyse companies with respect to their corporate governance (G), regulatory landscape management (G), environmental management (E), customer management (S), supply chain management (S), and employee management (S). Each company is scored with respect to each of these categories, with these scores contributing to an overall assessment of business sustainability. This overall assessment is then used to influence investment decisions by adjusting the discount rate and exit value in financial valuation models, and as a discrete measure to consider in portfolio construction.

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.

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 global transition towards lower-carbon sources of energy, the Fund excludes any companies involved in the production or wholesale trading of tobacco products or providing dedicated equipment or services.

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 1% of revenues from the production of all weapon-related activities (military and civilian).

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.

By nature of the Fund's thematic focus on the global transition towards lower-carbon sources of energy, the Fund excludes any companies involved in coal activities.

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.

By nature of the Fund's thematic focus on the global transition towards lower-carbon sources of energy, the Fund excludes any companies involved in unconventional oil and gas.

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.

By nature of the Fund's thematic focus on the global transition towards lower-carbon sources of energy, the Fund excludes any companies involved in conventional oil and gas.

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 that generate any revenue from the sale of fossil fuel or nuclear power generation. More specifically the fund will not invest in any company with any revenue (0% revenue threshold) from:
• Nuclear Power Uranium Mining Percentage of Revenues (>0%)
• Nuclear Power Utility Percentage of Revenues (>0%)

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. Best-in-class/universe selection

Team screen a universe of companies based on revenue exposure (to make sure we find pure-play companies), balance sheets, corporate governance and market cap and so our initial focus universe has been narrowed to around 298 companies, for which we have fully audited accounts and individual models.

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 will be categorized based on the score.

6. Sustainable themed investing

To understand whether the energy transition will create long-term real earnings growth opportunities we need to first understand what the energy transition is, the structural trends that will be associated with it, and the forces that will drive these trends. Ultimately, there are three key structural trends that will characterise the energy transition and drive significant investment across the entire energy value chain: decarbonisation of power generation, electrification of energy use and energy efficiency.

The Schroder Global Energy Transition fund aims to only invest in companies directly involved and actively contributing to the transition to a more sustainable energy system. As such, the first step of the investment process involves creating the universe of companies that meet this sustainability criteria, from which the fund can invest ('focus list'). The fund will not invest in any company that has not been accepted into the universe 'focus list'.

To ensure the Schroder Global Energy Transition fund is only investing in companies that meet this criteria, the team use a proprietary quantitative screening tool that looks for companies that generate at least 50% of their revenue from specific energy transition activities: including (1) renewable energy equipment; (2) renewable energy generation; (3) transmission and distribution; (4) batteries, storage and other equipment; and (5) hydrogen (6) electrical equipment and energy and (7) clean mobility
This method allows the assessment to be completely objective, relying on reported company data rather than qualitative assessments.
While the vast majority of companies in the Schroder Global Energy Transition universe meet this 50% revenue criteria, in certain cases the team can manually add companies with revenue exposure below this threshold to the fund universe.
These 'manual additions' are only permitted if:
1. These companies are playing critical roles in the energy transition.
2. These companies are growing the share of revenue that they do have exposed to energy transition activities.

3. The fund has approval from the Schroders Sustainable Investment Team to allow these companies into the universe based on their view of the companies' roles in the transition and whether they fit the fund mandate.

SFDR classification:

The Fund has the objective of sustainable investment (within the meaning of Article 9 SFDR). The fund will only invest in companies that generate at least 50% of their revenue from activities contributing to the energy transition, or those which play critical roles in the transition and are increasing their exposure to such activities. The Fund will ensure at least 75% of its total assets under management are invested in companies that generate at least 50% of their revenue from activities contributing to the energy transition.

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

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.

Concentration risk: The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.

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

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

Derivatives risk – Efficient Portfolio Management and Investment Purposes: 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. 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.

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.

Important Information

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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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