

Schroder ISF¹ Global Energy Transition Sustainability report

March 2024

Fund objectives

Schroder ISF Global Energy Transition aims to provide capital growth by investing in equities of companies worldwide that are associated with and driving the transition towards lower-carbon sources of energy. The Fund invests across the entire sustainable energy value chain, classifying investments into seven key energy transition activity groups (shown below). The Fund does not invest in any companies with any exposure to fossil fuels and nuclear power².

The Fund has the objective of sustainable investment (within the meaning of SFDR Article 9). The Fund's sustainable investment objective is to invest at least 90% of its assets in sustainable investments, which are investments in companies worldwide that either: (i) generate at least 50% of their revenues from activities that contribute towards the global transition towards lower carbon sources of energy, such as lower-carbon energy production, more efficient distribution and consumption, and associated supply chains; or (ii) generate a lower percentage of their revenues from these activities but where the Investment Manager considers they are playing critical roles in the energy transition. At least 75% of the Fund's assets will be invested in companies that generate at least 50% of their revenues from energy transition activities. 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, as well as derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

Average company revenue exposure to energy transition activities



Average company revenue exposure to fossil fuels and nuclear power



Percentage of portfolio companies committed to 2°C aligned targets



Fund investment themes

Renewable energy equipment

Renewable energy generation

Transmission and distribution

Batteries and energy storage

Hydrogen

Electrical equipment and energy

Clean mobility



¹ Schroder International Selection Fund is referred to Schroder ISF throughout this document.

² All exclusions are based on data from MSCI. For more information on exclusions, visit our [Sustainability](#) page.

Fund sustainability outcomes

100%

Do no significant harm¹

The fund has restrictions on the following activities:

Fossil fuels / Nuclear activities / Tobacco / Alcohol / Weapons

58%

Benefit multiple stakeholders

Portfolio companies classified as sustainability leaders²

80%

Contribute to solutions³

Portfolio companies explicitly addressing UN SDGs

Portfolio impact

Portfolio impact assessment using Schrodgers proprietary SustainEx impact tool⁴

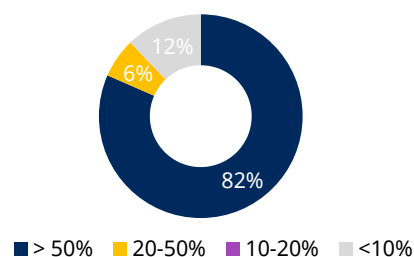


Portfolio +20.0%

GEAE* +46.7%

ACWI -2.1%**

Company revenue exposure to energy transition activities



Impact on people



Portfolio +2.0%

GEAE* +5.5%

ACWI* -1.3%

Impact on planet



Portfolio +17.7%

GEAE* +41.4%

ACWI* -2.1%

Portfolio SDG alignment



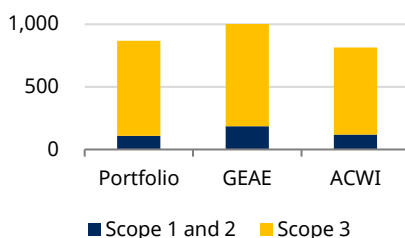
Board gender diversity

Average % of women on Board



Carbon intensity

Tonnes of CO2 per USDm sales⁵



Equivalent tonnes of CO2 avoided per USD 1m invested

Equivalent tonnes of CO2 avoided per USD 1m invested⁶



Source: Bloomberg, MSCI, Schrodgers - 31 March 2024. *GEAE refers to the Global Alternative Energy Index. **ACWI refers to the MSCI All Country World Index.

¹All exclusions are based on data from MSCI. For more information on our exclusion policies, please visit our [Sustainability](#) page. Please note that one of our holdings has a less than 1% exposure to weapons in line with the exclusion policies. ²Sustainability leaders are classified as those companies which we deem to be 'Best-in-class' based on our proprietary sustainability scoring methodology. For more information please visit [European SRI Transparency Code](#).

³Companies must be explicitly providing goods, services or solutions directly related to the [UN Sustainable Development Goals](#). For more information on how we classify investments, please refer to the 'ABC Framework' note in the source and ratings information section. ⁴Schrodgers uses SustainEx™ to estimate the net impact of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schrodgers own estimates and assumptions and the outcome may differ from other sustainability tools and measures. For more information on SustainEx please refer to the source and ratings information section for further details. ⁵Based on Scope 1 and 2 and Scope 3 emissions. ⁶For more information on Avoided Emissions please refer to the source and ratings information section for further details.

Sustainability approach

The energy transition is required to transform the global energy system from one based on fossil fuels to one that is net zero-carbon. At its heart, the energy transition aims to reduce energy-related CO2 emissions to limit climate change, but it will also have the added benefit of reducing global energy poverty and making the energy system more affordable, flexible and secure as global temperatures rise, energy demand grows and inequality deepens.

Given its global importance, those companies directly contributing to and actively involved in driving this transition – and so helping the world meet its globally-agreed climate and sustainability goals – are not only adding value to society, but are also well-placed to generate consistent real earnings and cash flow growth for shareholders over the long-term. Schroder ISF Global Energy Transition is focused on identifying these companies.

Alongside contributing to the energy transition, we also believe companies should be ‘best-in-class’ from a broader sustainability perspective. We believe companies that exhibit strong sustainability practices, clear commitment to Environmental, Social and Governance (ESG) principles, and that contribute to society more widely – with respect to both people and the planet – have the greatest potential to maximise the earnings growth potential behind the energy transition and enhance value for shareholders.

Portfolio activity exposure

Schroder ISF Global Energy Transition aims to provide investors with focused exposure to those companies directly involved and actively contributing to the transition to a more sustainable energy system. It is focused on identifying and investing in companies that are impacting the energy transition through the services they offer and the goods that they produce. This aim and focus is aligned with the requirement for Article 9 Funds under the Sustainable Finance Disclosure Regulation (SFDR) to target ‘sustainable investments’.

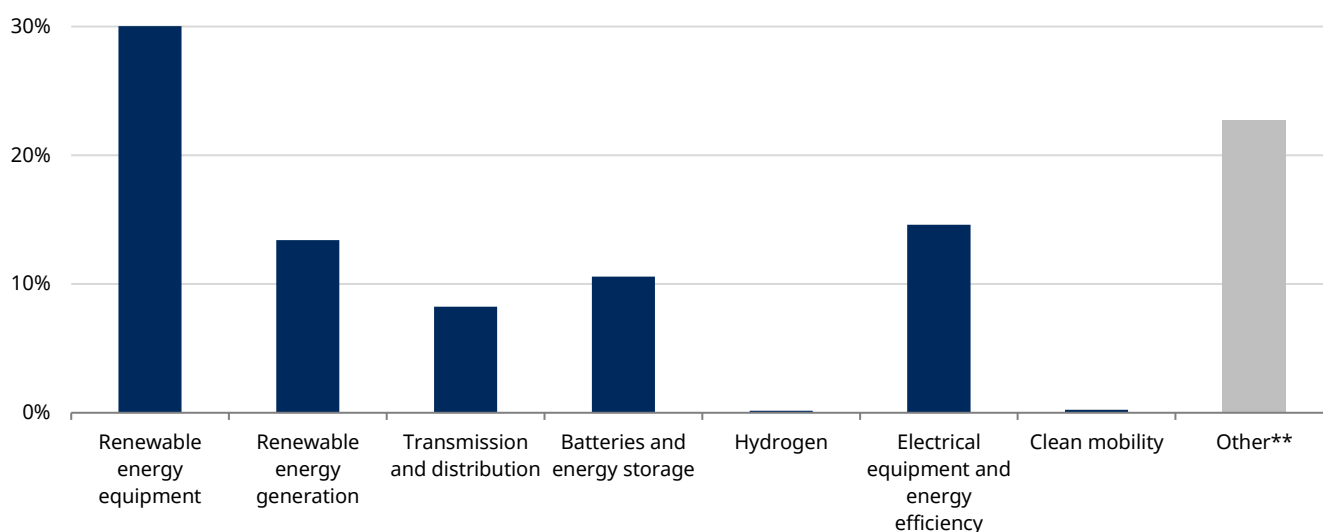
Under SFDR, the definition of a sustainable investment is ‘an investment in an economic activity that contributes to an environmental objective, or an investment in an economic activity that contributes to a social objective’, with it additionally stated that this is ‘provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance’. The primary means through which we assess whether a company’s economic activity contributes to the core environmental and social objective of the fund – that is the transforming of our global energy system from one based on fossil fuels to one that is net zero-carbon – is by considering the revenues companies are generating in relation to the energy transition.

Chart 1 below shows the current exposure the fund is providing its investors in terms of the total revenue generated by companies across the portfolio. As of 31 March 2024, the highest revenue exposure comes from the manufacturing and sale of renewable energy equipment, a crucial part of the supply chain helping to decarbonise the global energy mix. The fund is also currently strongly exposed to electrical equipment. A stronger, more flexible, and more efficient electrical grid, which is suitably equipped with critical new infrastructure such as electric vehicle charging points, is fundamental to help manage the growing consumption of clean electricity. **The fund has 0% direct revenue exposure to fossil fuels or nuclear power¹.**

As at 31 March 2024, companies in the portfolio generated on average 77.2% of their revenues from energy transition activities. On a position weighted basis, **81.6% of the portfolio is exposed to companies that generate more than 50% of their revenue from energy transition activities, with 84.0% of portfolio companies (42 out of 50) meeting this threshold.** This highlights the fund’s focused exposure to companies directly contributing to and actively involved in the transition to a more sustainable energy system.

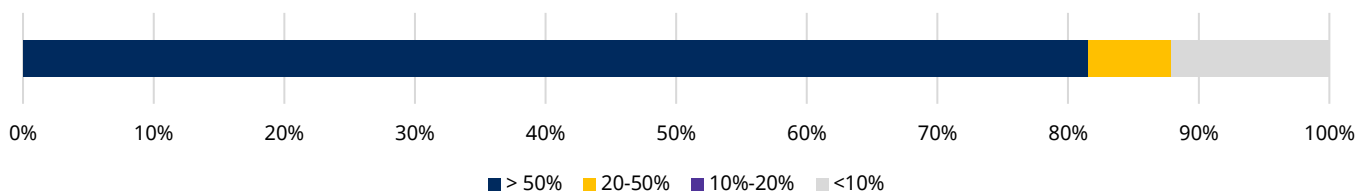
Chart 1: Portfolio revenue exposure to energy transition activities

Weighted average portfolio revenue exposure by energy transition activity group* (%)



¹All exclusions are based on data from MSCI. For more information on our exclusion policies, please visit our [Sustainability](#) page.

Weighted average company revenue exposure to energy transition activities* (%)



Source: Bloomberg, Schroders – 31 March 2024. *This weighted average excludes the cash position of the fund. It is calculated using Bloomberg revenue data and activity sub-groups created specifically for Schroder ISF Global Energy Transition. These activity groups, and so the revenue share for each activity, may differ from other data sources and calculation methodologies. **Other activities include non-energy transition related revenues. For example, these may include the non-electrical businesses within diversified capital goods providers or the non-EV-related businesses with auto manufactures.

To ensure the fund stays true to its thematic alignment and sustainability goals, the fund will always invest at least 75% of its assets in companies that generate at least 50% of their revenue from activities that contribute towards the transition towards lower carbon and more sustainable sources of energy, such as lower-carbon energy production, distribution and consumption, and associated supply chains.

But it is also important that the fund has the potential to provide investors with exposure to other sustainable companies that, while having energy transition-related revenue exposure below the 50% threshold today, are playing critical roles in the energy transition and are increasing their exposure to such activities. When considering their capital expenditure focus, technology leadership, sustainability characteristics, market share, or other KPIs, there are certain companies playing vital roles in the transformation of our energy system that is not necessarily reflected in their relatively low overall company revenue exposure today.

For any such companies to be eligible for investment within the fund, they must not only be playing critical roles in the energy transition based on key KPIs, and increasingly their exposure to such activities, but they must also not be causing significant harm from an environmental and social perspective and must be following good governance practices. Finally, the Schroders Sustainable Investment Team must permit these companies into the investment universe based on their view of the role those companies are playing in the energy transition.

As at 31 March 2024, there are five companies within the portfolio, comprising 12.1% of the portfolio, that have energy transition-related revenue exposure below 20%. The rationale for their inclusion as ‘sustainable investments’ that are contributing to the transition of our energy system is provided in Chart 2 below.

Chart 2: List of sustainable companies within the portfolio with energy transition revenue exposure below 20%

Company name	Activity group	Sustainable investment rationale	Sustainable investment KPIs and targets
Johnson Matthey	Hydrogen	Johnson Matthey is a leading supplier of electrochemical components for hydrogen technologies, including catalyst coated membranes for hydrogen electrolyzers and membrane electrode assemblies for hydrogen fuel cells. Other group businesses contribute significantly to sustainability goals too.	Market share: The company believe they have a ~20% market share in the supply of catalyst coated membranes and membrane electrode assemblies, selling these components to key customers in the value chain. Capex and opex: 20-25% of cumulative group capex between 2022-2025 to be spent on hydrogen business.
Plastic Omnium	Clean Mobility	Plastic Omnium is a leading provider of automotive components related to clean mobility applications, including modules and electronics for electric vehicles and fuel cells and storage tanks for hydrogen mobility solutions.	Market share: Targeting 25% market share for hydrogen storage tanks and 10-15% market share for fuel cell systems. Revenue target: Targeting ~20% revenues related to hydrogen and electrification in 2030.
Wacker Chemie	Renewable Equipment	Wacker Chemie is a global chemicals company that is one of the few non-Chinese producers of polysilicon for solar modules. While only a small percentage of the revenues, the non-Chinese production base and low carbon, high efficiency product makes Wacker Chemie critical for the energy transition	Market share: The company is the fourth largest supplier of solar-grade polysilicon globally and the largest non-Chinese player. Sustainability Leadership: All of Wacker Chemie's polysilicon is all produced in Europe using locally sourced materials. It is also produced with lower carbon intensity relative to peers.
Forvia	Clean Mobility	Forvia is a leading automotive component manufacturer with exposure in hydrogen tanks, hydrogen fuel cells and smart electronics for EVs. It has a strong market share in these areas and a fast growing customer book in these areas too.	Capex and opex: 25% of research and development spend is on hydrogen technologies. Revenue target: Targeting ~10% revenues related to hydrogen and electrification in 2030
Industrie De Nora	Hydrogen	De Nora is a leading supplier of electrochemical components for hydrogen technologies, including gas diffusion layers and gas diffusion electrodes for fuel cells and electrolyzers, as well as electro-catalysts and electrodes for flow batteries.	Capex and opex: 40% of research and development spend is on energy transition technologies, including hydrogen and energy storage technologies. Revenue target: 40% of revenues to be from energy transition activities by 2025.

Source: Schroders – 31 March 2024.

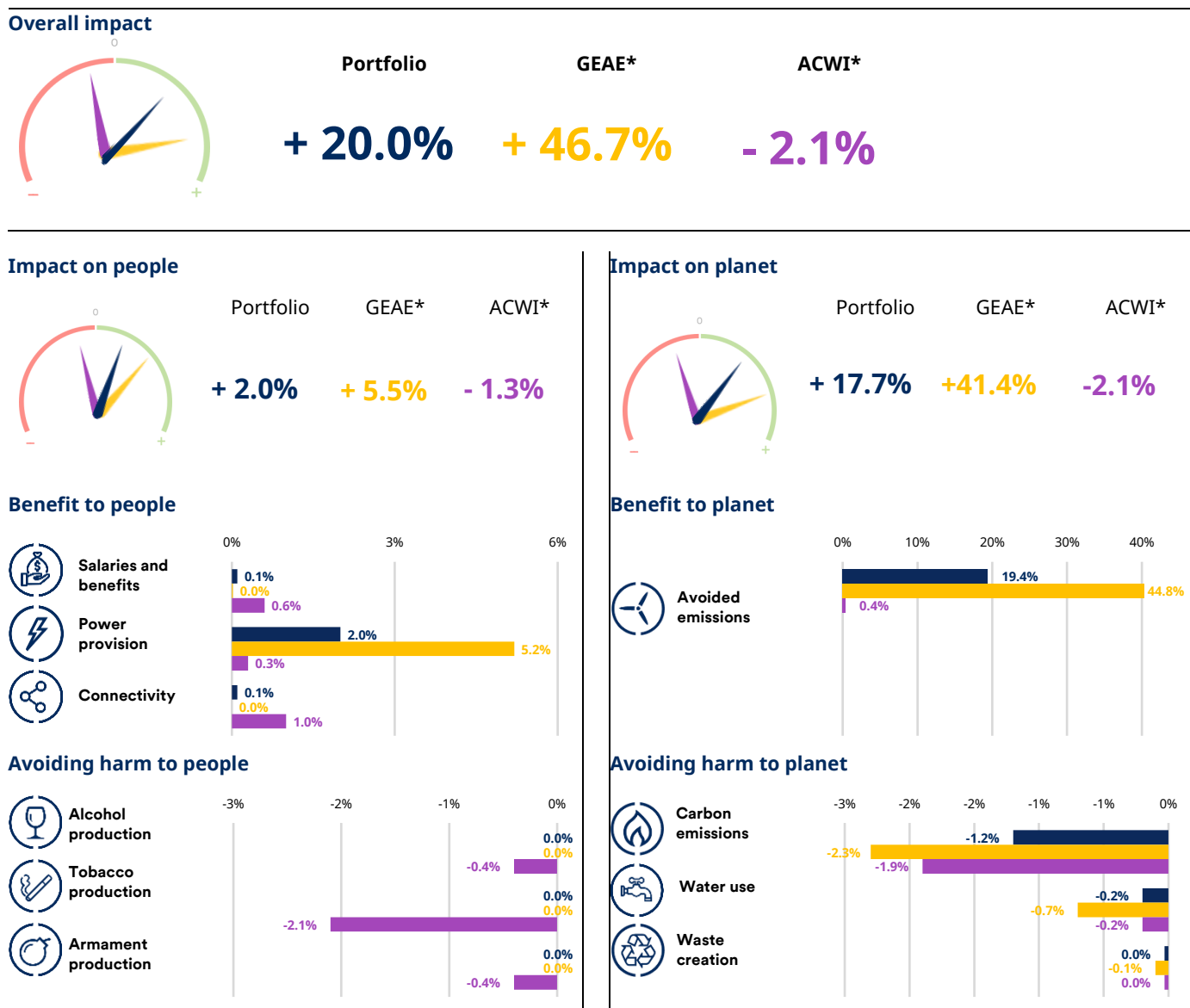
Portfolio impact measures

The portfolio activity exposure analysis above examines portfolio impact by assessing 'what companies are doing'. It looks at the products and services companies within the fund are providing for society. But as well as assessing portfolio impact by examining company exposure to certain activities, we can also measure portfolio impact through a variety of dedicated impact tools.

One approach to assessing portfolio impact is through the lens of **Schroders' proprietary SustainEx tool**¹. SustainEx is an impact assessment tool that produces a measure of the potential societal and environmental harms and benefits that the companies in which the fund is invested may create per USD 100 of revenue generated. It expresses the result as a percentage. For example, +2% score would mean a company contributes USD 2 of positive impact per USD 100 of revenues. SustainEx provides an estimate of the extent to which companies in a portfolio are avoiding planetary and social harm, while maximising social and environmental benefit.

We calculate SustainEx scores for all companies in the portfolio to arrive at the total portfolio score. Chart 3 below shows the impact of Schroder ISF Global Energy Transition portfolio using SustainEx. Overall impact is determined using the fund's total SustainEx score, with this compared to its two comparator indexes – the MSCI Global Alternative Energy Index (GEAE) and MSCI ACWI Index (ACWI). Impact on People and Impact on Planet indicate the fund's underlying benefits and harms with respect to these two categories, with these also compared to the two comparators.

Chart 3: Schroders Impact Rating and impact assessment using the proprietary SustainEx impact tool



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: Schroders proprietary tools – 31 March 2024. In the charts above, benefits are displayed as positive numbers and are stronger when higher than 0. Harms are generally negative numbers and are stronger when closer to 0. Please refer to the source and ratings information section for further details.

*GEAE refers to the Global Alternative Energy Index and ACWI refers to the MSCI All Country World Index.¹ **SustainEx****: For more information on SustainEx visit <https://www.schroders.com/en/lu/professional-investor/insights/thought-leadership/sustainex-quantifying-the-hidden-costs-of-companies-social-impacts/>. Please refer to the source and ratings information section for further details.

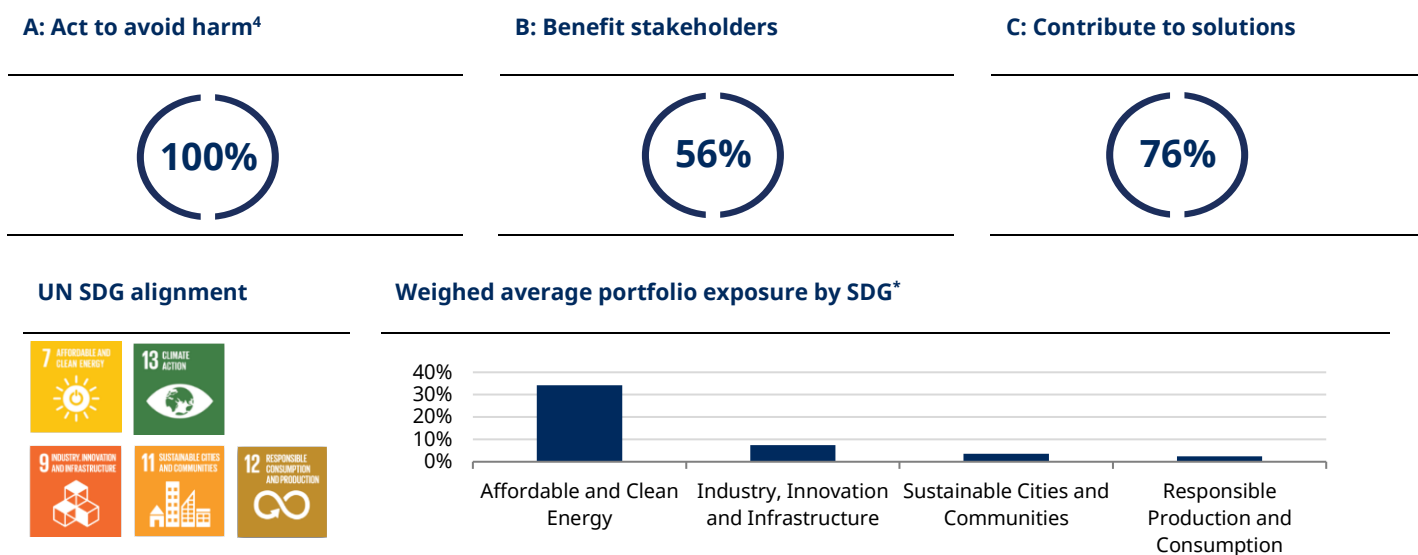
SustainEx is based on Schroders' own methodology for quantifying the positive and negative externalities of companies in financial terms. It utilises more than 500 pieces of academic research, analyses 70+ data points for every company and covers more than 16,000 global companies. If a data point is not disclosed by a company, we use the sector average and apply a discount for non-disclosure. We are constantly trying to drive enhancements in SustainEx to best reflect the impact that portfolio companies are having on society.

Looking at the data in Chart 3, a number of features stand out. The first is that **the fund has a strong positive overall SustainEx score (+19.5%)** and a score that is significantly higher than the broader equity market, as defined by the MSCI ACWI Index. This clearly highlights the positive impact that companies within the portfolio are having on society and the value they are creating. The key positive performance drivers are the 'avoided emissions', 'power provision' and 'salaries and benefits' metrics, highlighting how companies within the fund are creating significant societal value through these particular actions. The limited negative impact that companies within the fund are creating, both in absolute terms and relative to the comparators, is also clear. The fund has a lower overall SustainEx score compared to the MSCI Global Alternative Energy Index, with this is explained by the heavy focus on renewable energy companies within the index. These companies score very strongly on both 'power provision' and 'avoided emissions'. While SustainEx currently gives a lower social value to companies that are critical enablers of the build out of renewable energy, including those in the electrical equipment and energy storage markets, we believe they are still playing a vital role in creating positive value for society.

An alternative lens through which we can examine portfolio impact is through investor impact frameworks, such as the **'ABC Framework'**. This framework, which is derived from work by the Impact Management Project¹, sets out a systematic approach for classifying investments in line with enterprises' intentions. It asks whether investors have chosen to invest in companies that either: (A) simply 'act to avoid harm', (B) actively seek to 'benefit stakeholders'; or (C) 'contribute to solutions'. By classifying investments through this framework, we can understand what individual companies within the portfolio are focused on and are intending to achieve. Chart 4 shows that, **as at 31 March 2024, 76% of investments within the fund are focused on using their full capabilities to contribute to solutions to pressing social or environmental problems**. In addition, we consider **58% of investments within the fund to be 'sustainability leaders'** that are strongly focused on benefiting multiple stakeholders through their actions. We believe companies can be contributing to solutions without necessarily benefitting all stakeholders related to the business, explaining the difference between these two exposures. This focus on companies contributing to solutions and benefitting stakeholders aligns with the sustainability approach of the fund.

The final lens through which we can analyse portfolio impact is with respect to the **United Nations Sustainable Development Goals (SDGs)**. Given its focus on sustainable energy, the fund is principally targeting companies helping to meet Goals 7 (Affordable Clean Energy) and 13 (Climate Action), but also has strong exposure to companies contributing to Goals 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and 12 (Responsible Consumption and Production). Chart 4 shows the portfolio weighted average exposure to the UN SDGs based on **Schroders' proprietary ThemEx tool**². ThemEx quantitatively analyses the thematic alignment of individual companies and portfolios to the UN SDGs by mapping the goods and services offered by companies with respect to their positive and negative impacts on these SDGs. ThemEx offers a comprehensive view of SDG alignment, where we have made active decisions about the impacts of over 6,000 business segments (goods and services) on each SDG based on a set of qualitative views derived from hundreds of hours of conversations with investors and ESG thematic specialists, informed by analyses of highly impactful peer-reviewed academic research. **As at 31 March 2024, the weighted net UN SDG alignment score was 73.8% of company revenues within the fund**, highlighting the strong thematic alignment of the strategy with this to supporting the UN SDGs.

Chart 4: Portfolio exposure to companies within the ABC Framework³ and in terms of alignment with the UN SDGs



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested. Source: Schroders - 31 March 2024. *Portfolio exposure represents the ex-cash position weighted average exposure by category.

¹For more information on the Impact Management Project visit <https://impactmanagementproject.com/>.

²**ThemEx*******: Please refer to the source and ratings information section for further details on ThemEx.

³**ABC Framework*****: Please refer to the source and ratings information section for further details on how we classify investments.

⁴All exclusions are based on data from MSCI. For more information on our exclusion policies, visit our [Sustainability](#) page. Please note that one of our holdings has a less than 1% exposure to weapons in line with the exclusion policy.

Climate performance measures

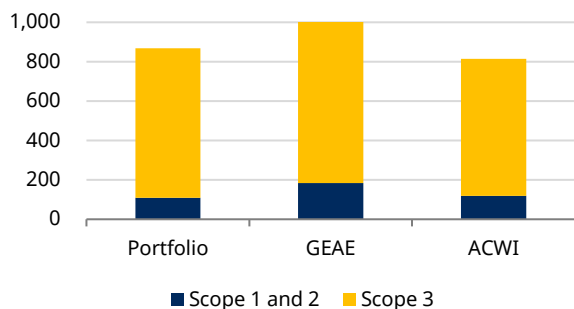
Given the specific focus of the fund in helping to decarbonise the energy system, it is also appropriate to consider how the fund measures on metrics that are more directly focused on the climate, carbon emissions, and the energy transition.

One way of approaching climate-focused analysis is to examine in detail the relative carbon footprint of the fund against its comparators. Traditional carbon foot-printing typically measures the carbon intensity of an investment portfolio by assessing both the direct emissions from company operations (Scope 1), the indirect emissions of the energy purchased by companies (Scope 2), and emissions that are not produced by the companies themselves, but by those in their respective supply chains (Scope 3). This analysis is shown in Chart 5, alongside the exposure of the fund and its comparators to various fossil fuel activities. **As at 31 March 2024, the fund is not exposed in any way to direct fossil fuel activities.**

Chart 5: Climate performance measures summary

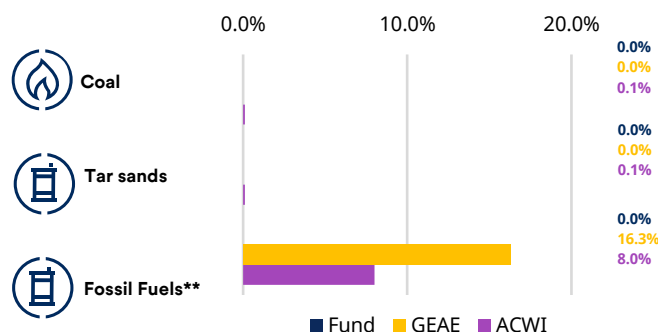
Carbon intensity*

Tonnes of CO2 per USDmn sales



Fossil fuel exposures

% Portfolio exposure



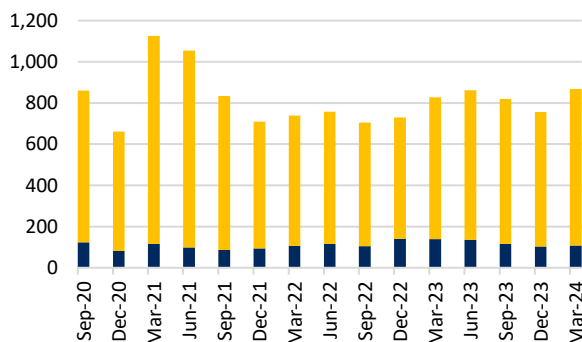
Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: MSCI. Data represents the latest available data as at 31 March 2024. *Carbon intensity data uses Scope 1, 2 and 3 emissions. **Carbon intensity data coverage is 92% for the portfolio, 100% for the MSCI Global Alternative Energy Index and 100% for the MSCI ACWI.** **Fund exposure to fossil fuels represents the fund's exposure to fossil fuel based revenues, which is the weighted average of each issuer's percent of revenue generated by goods and services, including thermal coal extraction, unconventional and conventional oil and gas extraction, oil refining, as well as revenue from thermal coal based power generation, liquid fuel based power generation, or natural gas based power generation. Note: All of the analysis shown is based on company-disclosed information collected and provided by MSCI. We recognise that some judgement is applied in determining these specific datapoints. We have calculated the weighted average for each metric for the fund and benchmark.

Chart 6: Portfolio performance on carbon emissions metrics

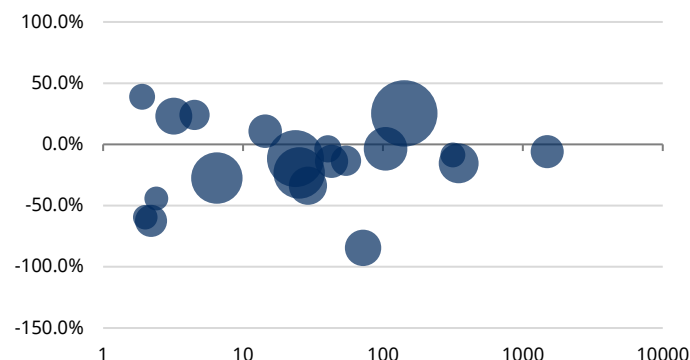
Carbon intensity* over time

Tonnes of CO2 per USDmn sales



Two year change in carbon intensity** for Top 20 holdings

Change in emissions (y-axis) vs Scope 1 and 2 intensity (x-axis) vs portfolio weight (size)



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: MSCI. Data represents the latest available data as at 31 March 2024. All data measured in tonnes of CO2 per USD mn of sales. *Carbon intensity data uses Scope 1 and 2 and Scope 3 emissions. **Carbon intensity data coverage is 92% for the portfolio, 100% for the MSCI Global Alternative Energy Index and 100% for the MSCI ACWI.** ** Carbon intensity data uses reported Scope 1 and Scope 2 emissions. Change shown between 2019 and 2021. Change shown for Top 20 holdings. Note: All of the analysis shown is based on company-disclosed information collected and provided by MSCI. We recognise that some judgement is applied in determining these specific datapoints. We have calculated the weighted average for each metric for the fund and benchmark. For further details on each metric, please refer to the source and ratings information section for further details.

While traditional carbon footprinting using Scope 1 and Scope 2 emissions alone is a widely used measure, this approach is limited by the fact that the majority of a company's overall emissions (on average more than 80%¹) often come from activities classified as Scope 3. These activities are those that take place up and down a company's value chain, including the sourcing of input materials (upstream) and the usage of a company's products (downstream). Given the magnitude and importance of Scope 3 emissions in relation to the energy transition, we believe it is useful to assess the portfolio based on the full emissions profile of the companies that it holds.

Alongside measuring the current carbon footprint of the portfolio, we can also examine how this footprint has evolved over time. This is shown in Chart 6. While we would expect the overall carbon footprint of the portfolio to gradually decline over the long-term as companies seek to reduce their carbon emissions as they align to a 1.5°C or 2°C climate trajectory, in the short-term this footprint will be far more influenced by the positioning of the portfolio from a company and sub-sector perspective. With this in mind, it is perhaps more useful to consider how each company within the portfolio is improving their emissions profile. In Chart 6, we show the two year (2019-2021) emissions reduction progress of the Top 20 companies in the portfolio, relative to their existing carbon footprint. Please note we have used Scope 1 and 2 emissions only here for now, given not all companies provide reported Scope 3 emissions historically. **As at 31 March 2024, 58.0% of companies within the portfolio have reduced their carbon intensity over the last two years.** Importantly, companies that have seen increases in their intensity mostly have very low carbon footprints in absolute terms, meaning small absolute increases can result in quite large percentage increases.

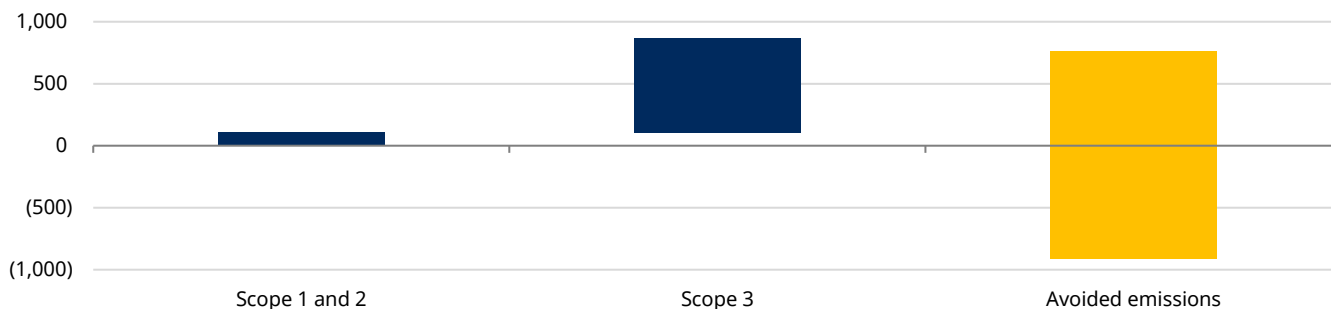
The consideration of Scope 3 emissions certainly enhances the traditional carbon footprint analysis, but it still does not tell the complete story. In certain cases companies involved in the provision of critical climate solutions can have relatively high carbon footprints. For example, a company using significant grid-derived electricity to produce clean energy solutions such as solar panels or wind turbines may have a high carbon footprint if the electricity they use from the grid is largely fossil-fuel derived. Although we would encourage these companies to find alternative, cleaner forms of electricity to feed their production processes, there is unquestionably a potential mismatch in terms of considering possible climate risks and the underlying social impact that these companies are having on society.

Because the key focus of Schroder ISF Global Energy Transition fund is identifying and investing in companies that are providing these types of sustainability solutions and driving the transition to a lower-carbon energy system, we believe it is also useful to consider the potential emissions that companies within the portfolio are helping to avoid as a result of the products that they sell and the services they offer. The **Schroders' proprietary 'Avoided Emissions' tool²** is designed to demonstrate the efforts that companies within an investment portfolio have made to reduce emissions throughout the carbon value chain.

Chart 7: Portfolio equivalent avoided emissions assessment

Portfolio adjusted weighted average carbon intensity by emissions type

Tonnes of CO2 per USDmn sales



Equivalent tonnes of CO2 avoided per USD 1m invested*

Equivalent trees planted*

Equivalent car km not driven*

Equivalent tonnes coal not burned*



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Source: MSCI. Data represents the latest available data as at 31 March 2024. Note: All of the analysis shown is based on company-disclosed information collected by MSCI. We recognise that some judgement is applied in determining specific datapoints. We have calculated the weighted average for each metric for the fund and benchmark. ***The equivalent comparative impact is not equivalent to changes in the amount of GHGs emitted into the atmosphere. Equivalent amounts are calculated based on estimates of the carbon emissions from each category using academic research.**

¹CDP Full GHG Emissions Dataset, CDP 2020.

²**Schroders proprietary Avoided Emissions tool****:** The Schroders proprietary Avoided Emissions tool is designed to calculate the 'equivalent' emissions avoided based on USD 1m of invested capital based on the emissions savings companies within the portfolio are creating relative to their sector average peers. Please refer to the source and ratings information section for further details.

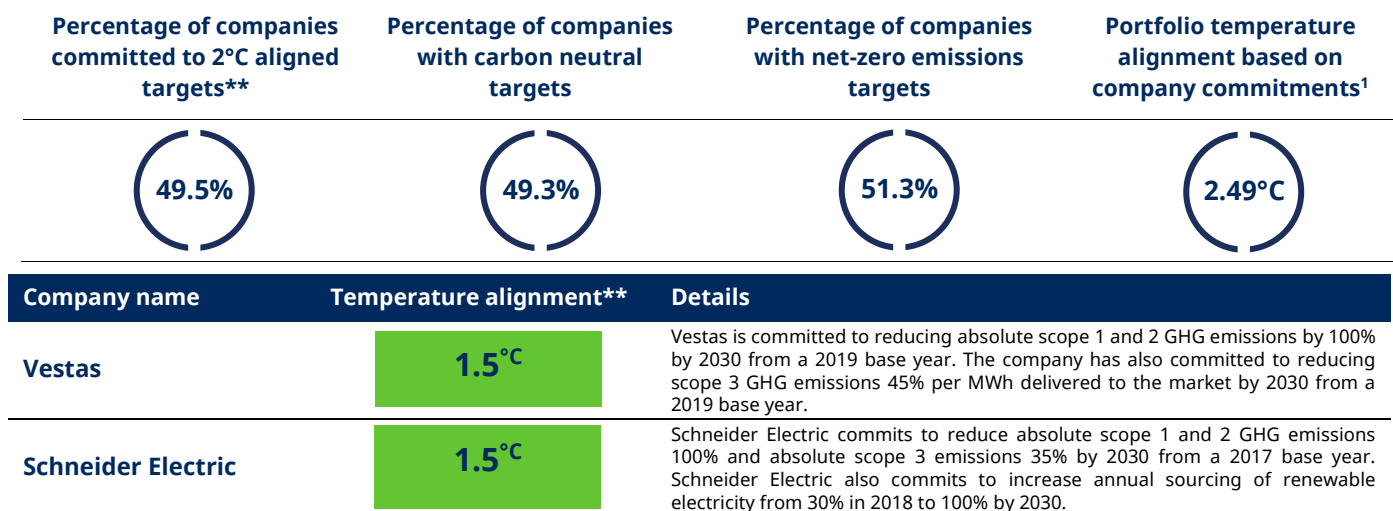
The Avoided Emissions tool examines emissions differences across sub-industries to see whether companies involved in the production, sale and usage of different technologies and services help to save emissions. For instance, companies producing wind turbines can reduce the carbon intensity of the electric utility sector compared to alternative fossil-fuel derived power forms. In total, the tool covers over twenty different sources of avoided emissions, which collectively target around two-thirds of man-made emissions globally. For each of the activities identified, we estimate the emissions saved relative to an alternative more carbon-intensive activity using academic and industry literature. Where activities reduce emissions directly, we estimate savings versus if the activity had not been undertaken at all. The emissions differences from this assessment are classified as 'avoided emissions'. We then attribute these avoided emissions through different parts of the value chain by industry and then allocate this saving to companies based on their revenues from avoided emissions sources. Together, these 'avoided emissions' can be examined alongside the emissions from Scope 1, 2 and 3 activities to give a more holistic view of a company's emission profile.

Chart 7 provides some additional details on the 'equivalent avoided emissions' of the portfolio. It shows the equivalent tonnes of CO2 avoided by companies in the portfolio as a proportion of company sales. It also shows the 'equivalent tonnes of CO2 avoided per year' in absolute terms by companies in the portfolio per USD 1 million, as well as what these 'avoided emissions' would be equivalent to, based on a variety of different measures. We estimate that, **as at 31 March 2024, companies in the portfolio are helping to avoid 294,675,477 tonnes of equivalent CO2 emissions, with this equating to 986 tonnes of equivalent CO2 emissions per USD 1 million invested in the portfolio.** This clearly demonstrates the focus of the fund in investing in companies trying to address global emissions within the energy system, such as those producing sustainable electricity, or providing equipment or enabling solutions for efficient, clean energy use. **We would stress that 'avoided emissions' are not equivalent to changes in the amount of GHGs emitted into the atmosphere by companies and that they should not be used in the context of a 'net carbon intensity' measure.** But they can be used to illustrate the overall role that companies are playing with respect to global carbon emissions across different parts of industry value chains.

The final lens through which we can assess the extent to which companies within the portfolio are managing climate-related issues is to examine which companies have developed or formally established **net zero or carbon neutral emissions targets or other emissions reduction targets that are aligned with a 1.5°C or 2°C climate trajectory.** This information is shown in Chart 8. We also show the **overall temperature alignment of the portfolio, currently 2.32°C, which aggregates these individual company commitments.** This measure represents the weighted average temperature alignment of companies within the portfolio, with alignment based on committed and approved emissions reduction goals for Scope 1, Scope 2, and Scope 3 emissions due to be achieved within the next five to fifteen years¹. Companies without any explicit emissions reductions targets are given a default alignment of 3.2°C. While this requirement for explicit targets likely overstates the actual temperature alignment of the portfolio, particularly given most companies within the fund are explicitly helping to address our climate goals, we believe it fairly reflects worst case potential temperature outcomes and the extent of company ambition.

Company commitment to 2°C aligned targets is defined as those companies that have set emissions reduction targets that have been formally verified and approved by **the Science-Based Targets initiative (SBTi)**². Carbon neutrality is defined here as the stated goal of balancing greenhouse gas (GHG) emissions with the ability to 'offset' an equivalent amount of carbon for the amount produced. Importantly, a commitment to carbon neutrality does not require (or even necessarily imply) a commitment to reduce overall GHG emissions. A carbon-neutral business needs only to offset the GHG emissions it produces – even if those emissions are increasing. In contrast, a commitment to net-zero carbon means reducing greenhouse gas emissions with the goal of balancing the emissions produced and emissions removed from the earth's atmosphere. This distinction is important from a global climate change perspective, hence why we felt it helpful to outline the difference here. Companies currently held within the portfolio that have net-zero carbon emissions goals that have been verified by the Science-Based Targets initiative include: **Vestas, Siemens Gamesa, and Schneider Electric.** Recent commitments have come from **Johnson Matthey and Nexans.**

Chart 8: Portfolio alignment with global climate goals*



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: Schroders – 31 March 2024. *Source Schroders. Portfolio exposure represents position weighted average exposure by category. This weighted average excludes the cash position of the fund. **Commitment to 2°C aligned targets as determined by the Science-Based Targets initiative.

¹**Portfolio temperature alignment*****:** The Schroders portfolio temperature alignment tool is designed to highlight how well aligned portfolio company emissions reduction policies are with our global emissions reductions targets and the aim of limiting global temperature increases to 2°C. Please refer to the source and ratings information section for further details.

²**Science-Based Targets Initiative:** For more information please visit: <https://sciencebasedtargets.org/>.

Sustainability performance measures

The final lens through which we can assess the sustainability of the Schroder ISF Global Energy Transition portfolio is to examine the portfolio against a variety of broader **sustainability performance measures**¹ related to both 'People' and 'Planet'. These measures are broadly aligned to the Sustainable Development Goals (SDGs). Schroders is a signatory to the United Nations Global Compact to support and advance these goals. Chart 9 shows sustainability performance measures for the fund. It uses reported company data to identify or derive Environmental, Social and Governance (ESG) metrics. Using this data the table compares a range of ESG metrics for the fund's portfolio and its comparators.

As at 31 March 2024, the fund measures well against both of its comparators on most sustainability measures, something that reflects the real importance placed on business model sustainability within the investment approach of the fund. One area of potential weakness is with respect to the governance metrics, with both board independence and gender diversity poor in absolute terms. While this result can be partially explained by the relative size and youth of companies in this sector and in the portfolio, we will continue to actively engage with our holdings on governance concerns, particularly board composition, and have already begun contacting a number of holdings on this issue.

Chart 9: Fund performance on key sustainability metrics

Category	Measure	Description	Units	Portfolio	GEAE	ACWI
People	Policy Human Rights	Does the company publish a policy governing human rights standards of its operations	% of companies with a policy on human rights in place	95.7% Coverage: 95.4%	88.8% Coverage: 93.5%	91.5% Coverage: 99.4%
	Board Gender Diversity	Percentage of women on the Board	Average percentage of women on Board	33.4% Coverage: 95.4%	27.8% Coverage: 93.5%	32.0% Coverage: 99.3%
	Employees Community Work Program	Is there a program for employees to volunteer with community initiatives	% of companies with Employees Community Work programs in place	71.0% Coverage: 95.4%	57.0% Coverage: 93.5%	93.0% Coverage: 99.4%
	Independent Board Members	Percentage of independent directors on the Board	% of total directors who are independent	61.7% Coverage: 95.4%	61.9% Coverage: 93.5%	77.2% Coverage: 99.3%
	CEO-Chairperson Separation	Are the CEO and Chairperson separate role (different people)	% of companies with separate CEO and Chairperson	73.9% Coverage: 95.4%	74.1% Coverage: 93.5%	48.9% Coverage: 99.4%
Planet	Policy Energy Efficiency	Does the company publish a policy to improve energy efficiency	% of companies with a policy on energy efficiency in place	85.9% Coverage: 95.4%	84.9% Coverage: 94.9%	96.5% Coverage: 99.4%
	Policy Emissions Reduction	Does the company publish a policy to reduce GHG emissions	% of companies with a policy on emission reduction in place	87.1% Coverage: 95.4%	93.7% Coverage: 95.5%	97.7% Coverage: 99.4%
	Water intensity	How much water does the company use?	Total water withdrawal (m ³) per USD 1m of sales	2,481 Coverage: 56.7%	187,959 Coverage: 63.3%	8,678 Coverage: 73.6%

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: MSCI and Refinitiv. Data represents the latest available data as at 31 March 2024. The analysis shown is based on company disclosed information. Coverage is calculated based on the average weighted by holding percentage for each metric for the fund and benchmark. Judgement is applied in determining the specific data-points included for any given measure in the table. For example, whether a company's corporate social responsibility policy that refers to energy efficiency constitutes an energy efficiency policy. The coverage percentage shown in the table is an indication of the reliability of each ESG measure. It represents the percentage of the fund's or benchmark's investment universe that has a value published against that measure, weighted by the position of that constituent in the fund or benchmark. Please refer to the source and ratings information section for further details.

¹**Sustainability performance measures*****:** Please refer to the source and ratings information section for further details.

To satisfy the sustainable investment test under SFDR, it is necessary that investments both do no significant harm to any environmental and social objective and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

As outlined in Chart 10, **as at 31 March 2024, all companies within the portfolio are compliant with the UN Global Compact**, a global initiative to implement universal sustainability principals and a key measure with which we assess whether companies are found to be doing significant harm. In addition, the portfolio has zero exposure to any companies with direct revenues from fossil fuels, and practically zero exposure to companies with direct revenues from weapons and other ‘unsustainable’ or ‘sin’ activities such as tobacco and alcohol production (one company in the portfolio has less than 1% of its revenues coming from the production of trucks that are used in military applications).

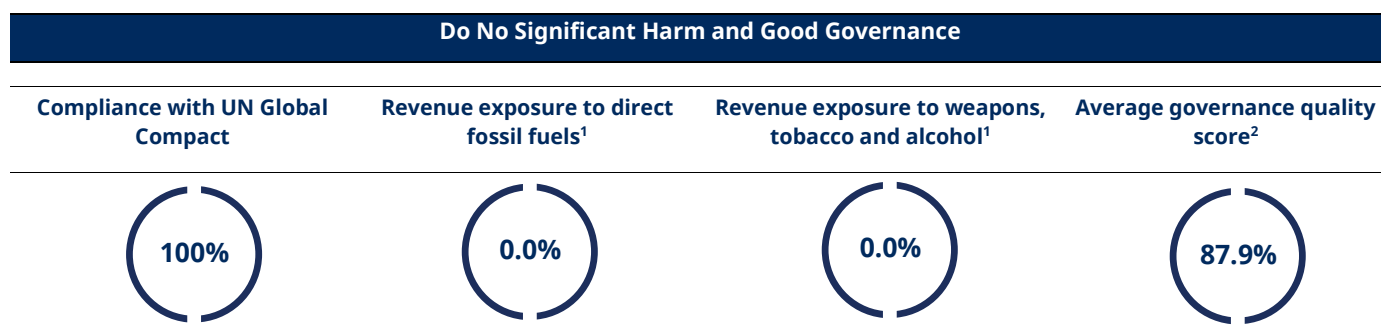
With regards to governance, **as at 31 March 2024, we believe all companies within the portfolio generally exhibit good governance practices based on the range of measures with which we assess this criteria**². We consider ‘good governance’ to represent a certain standard of corporate practices and actions that meet both our and wider society’s expectations in terms of how a company is managed, how it considers and looks after its different stakeholder groups, and how it complies with regulations on both a global and local scale. We expect structures and policies to be in place that help to ensure business decisions are made in line with the best interests of all relevant stakeholders (including its employees, customers, suppliers, and the environment), and to ensure that the business is managed with long-term profitability in mind, that minority shareholders are protected and treated equally, and that the business is contributing positively to wider societal goals. We also expect companies to provide suitable corporate disclosures so that we can assess these activities and examine the success of the business in achieving its goals over time.

To assess whether companies are broadly following good governance practices, we examine 15 different metrics associated with corporate governance, focusing on issues around sound management structures, employee relations, remuneration of staff and tax compliance¹. Working with the Schroders Sustainable Investment Team, we have established critical thresholds for each metric. Companies that fail to meet these ‘minimum expectations’ receive a ‘governance flag’ for that particular measure. The investment team will review these thresholds every year and, if necessary, look to make them more stringent overtime as expectations and norms evolve. In this way, we can continue to push companies within our universe and the portfolio to adopt higher standards of practice. Importantly, when a company is given a ‘governance flag’ for a particular metric, it does not immediately imply poor governance. Firstly, for certain metrics there may well be mitigating circumstances. For example, a low effective tax rate relative to a company’s statutory rate may not be due to tax misconduct, but instead may be due to weak profitability in recent years. Similarly, there may be a mitigating explanation for a particularly high employee turnover, such as an adverse financial event or a significant business transition. There is also a risk that the data may simply be wrong. Secondly, we strongly believe that a holistic approach must be taken with respect to each of the four overarching areas of corporate practice (sound management structures, employee relations, remuneration of staff and tax compliance) to get a complete view. For example, while we would take a negative view on a company that has not refreshed its board in the last three years – and look to engage to encourage change in this particular area – if the management structures were otherwise strong, the lack of board refreshment alone should not immediately imply ‘bad governance’. This is why we believe examining a wide range of metrics for each governance area is key. It is the companies with multiple ‘governance flags’ across the different categories that are the real cause for concern from an overall governance perspective.

As outlined in Chart 10, **as at 31 March 2024, the average number of governance metrics meeting the ‘best-practice’ threshold across the portfolio is 87.2%**, clearly demonstrating that portfolio companies generally exhibit good governance practices based on the range of measures with which we assess this criteria. The investment team continue to engage with all companies on any areas of governance weakness to encourage continuous improvement and change.

We acknowledge that at any given time individual companies within the fund may have experienced or will experience controversy events with regards to environmental, social, and governance issues. In all cases the team will assess the nature of these controversies and the timeframe on which they have occurred, as well as the broader sustainability profile of the company, to assess whether such events are severe enough that we would deem the company to be doing significant harm or failing to exhibit good governance practices more broadly. The investment team will seek to continuously engage with companies on any such issues.

Chart 10: Portfolio level assessment of whether companies do significant harm and have good governance practices



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Source: Schroders – 31 March 2024. *Portfolio exposure represents position weighted average exposure by category. This weighted average excludes the cash position of the fund. ¹All exclusions are based on data from MSCI. For more information on our exclusion policies, please visit our [Sustainability](#) page. ²We assess companies on 15 governance metrics related to sound management structures (11), employee relations (2), remuneration of staff (1) and tax compliance (1). Metrics include board independence, the use of multiple share class structures, significant votes against pay, board diversity, controversy involvement, employee turnover, gender pay gap and effective vs statutory tax rate comparison.

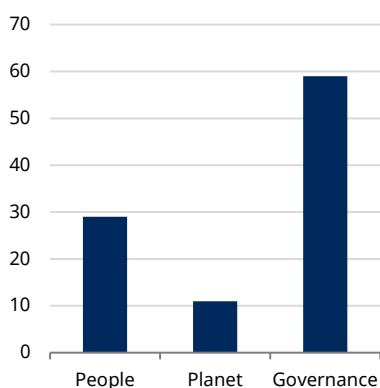
Active ownership

Actively engaging with management is a core part of the investment process and we continuously closely engage with our holdings. On average we try to meet or speak with company management once every six months. During these meetings we regularly discuss sustainability topics alongside business trends and financial performance. Between December 2023 and March 2024, we have spoken with management teams on 107 occasions (Chart 11) and since fund inception in July 2019 we have had 1,571 contacts with management teams.

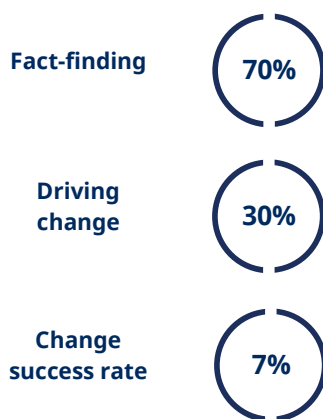
Alongside these regular company engagements, where sustainability is usually discussed but not always the sole reason for contact, we also undertake dedicated sustainability engagements alongside our Sustainable Investment Team. These engagements are dedicated solely to ESG issues and are shown in Chart 11. Importantly, engagements are only counted as dedicated sustainability engagements here when sustainability issues are either the entire focus of the company meeting or discussed for a significant portion of the meeting. Company contacts refer to all investment team contacts with management teams, regardless of discussion issue. Engagement data is measured by topic (as a single company can be engaged on multiple topics) and is divided into “fact-finding” and “driving change”. The “change success rate” is Schroders’ estimation of the percentage of positive outcomes achieved through engagements that seek to drive change.

Chart 11: Portfolio active ownership activity

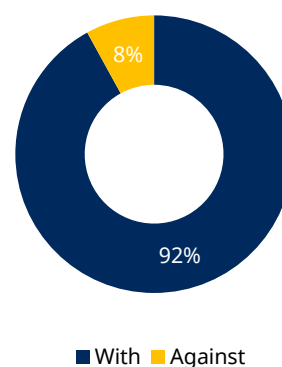
Engagements by topic



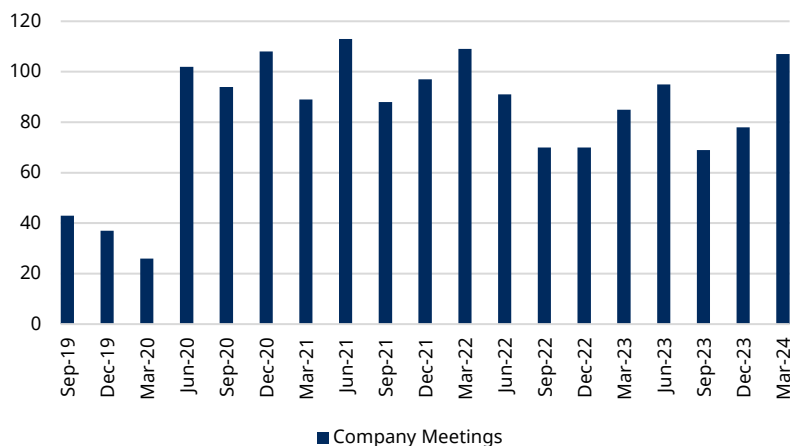
Engagements by type



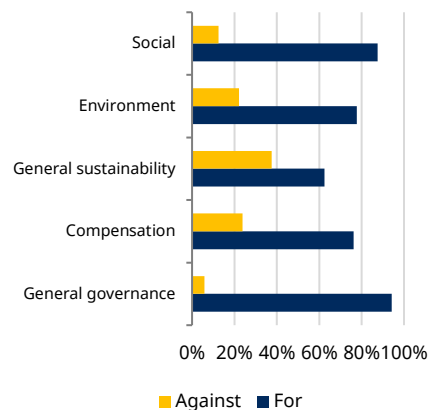
Votes cast with or against management



Company contacts*



Votes cast by resolution type



Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get the amount originally invested.

Source: Schroders. Since inception 10 July 2019 – 31 March 2024. Examples of engagement topics include “people” engagements such as governance, employees, customers, suppliers and communities, and “planet” engagements such as climate change, water, biodiversity and waste.*Engagements are only counted as sustainability engagements when sustainability issues are either the entire focus of the company meeting or discussed for a significant portion of the meeting. Company contacts refer to all investment team contacts with management teams, regardless of discussion issue.

This quarter we continued our engagements with companies across the Chinese solar supply chain on the topic of labour management, supply chain traceability, and emissions reductions. Specifically, we engaged with Xinyi Solar to understand how they manage their own labour force and procurement of raw materials and to encourage them to adopt emissions reduction targets to improve the carbon footprint of their solar glass manufacturing operations. We will continue to push the company to do what it can to reduce its carbon footprint in this energy intensive industry. This quarter also saw us engage with Sif on the topic of labour safety and labour procurement.

We also discussed cyber security with Johnson Controls following a cyber-attack that impacted business operations throughout the fourth quarter of the year. Here, we particularly wanted to understand what processes and oversight the company already had in place and whether these processes were to be strengthened following the attack to prevent similar situations and challenges occurring in the future.

Finally, in terms of voting, the fund voted at 2 company meetings between September 2023 and December 2023, voting on 100% of proposals. We voted in favour of 100% of all resolutions.

Since inception, we have voted against 12% of all company resolutions raised at company meetings (Chart 9). Together with our Corporate Governance Team, we continue to engage with those companies that have significant votes against to ensure that management are aligned with the interests of shareholders and boards are operating in a way that is providing suitable independent management oversight.

Controversies

There were no controversy events during this quarter to report on.

External Validation

The Schroder ISF Global Energy Transition has been awarded the Belgian Febelfin label for sustainable and socially responsible investment, the French Greenfin label, the German FNG-Label, and the Eurosif Transparency label.

The award of these labels, which have stringent criteria on both the activities of the underlying fund investments and the investment process, demonstrate the commitment of Schroder ISF Global Energy Transition to provide our investors with exposure to the most sustainable companies that are actively driving and directly contributing to the transition to a more sustainable energy system.

The European SRI Transparency logo signifies that Schroders commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Sustainable Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Code can be found on www.eurosif.org, and information of the SRI policies and practices of Schroder ISF Global Energy Transition can be found at: www.schroders.com. The Transparency Code is managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual."



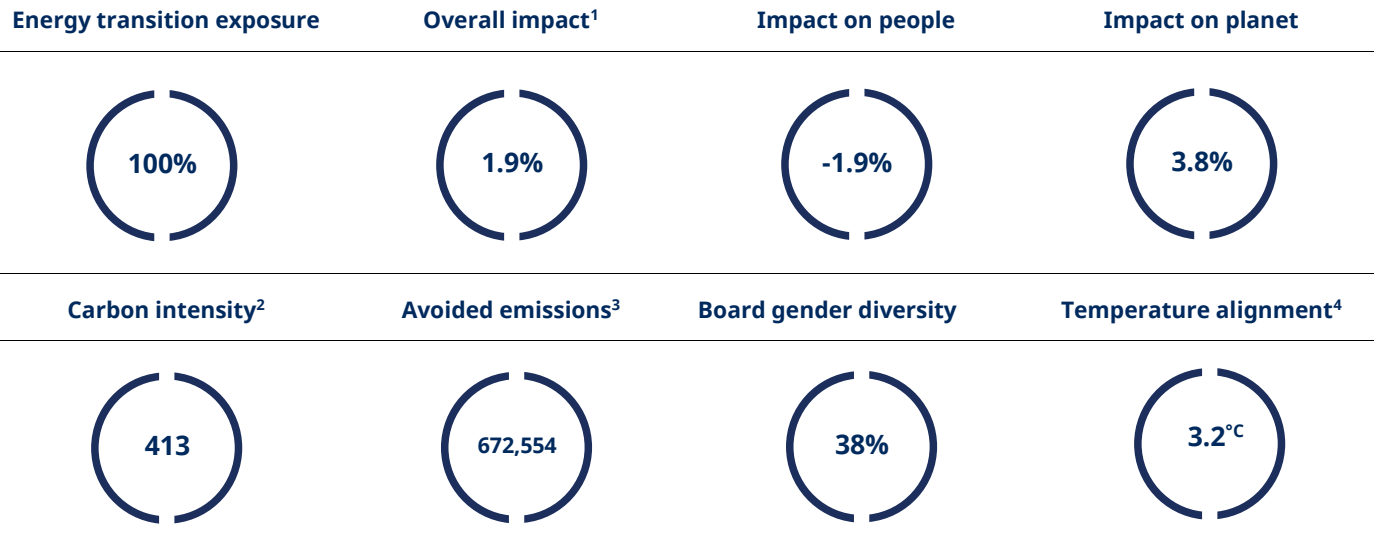
Company spotlight

In order to decarbonise our economy, the world is going to need to produce and consume a lot more renewable electricity. Achieving this successfully will require an electricity grid that can manage increased and much more variable loads, meaning there is a huge need to make the current grid systems we have today smarter and more resilient. Understanding which parts of the grid need to be upgraded and when, how much energy is needed at any given time to meet fast changing supply, and where potential failures might arise will be critical for utilities moving forward, as will better understanding how to optimise returns from newly deployed investment across the electrical system.

For over 100 years, Landis+Gyr has been an industry leader in energy management solutions. Using their advanced metering infrastructure and other cutting-edge smart grid and energy management technologies, they have helped utility companies all over the globe improve their operations, protect their assets, lower their operating costs, and provide better customer service. Landis+Gyr's portfolio of products and services, which includes smart grid applications, demand-management technologies, data analytics, and renewables integration, the company can help utilities modernize their grid infrastructure so that it is ready to deal with the increasingly intense needs of our future energy system. Outside of its roll as a key equipment and service provider for utilities as we transition our energy system, Landis+Gyr has a strong corporate sustainability profile. The company has committed to setting science-based targets to reduce their own emissions, has a strong corporate governance profile, and has consistently scored well on a number of third-party rating agency rankings with regards to the sustainability of their corporate operations, including achieving the Gold Recognition Level from EcoVardis across environment, labour and human rights, ethics and sustainable procurement. The company has had a strong track record on managing waste and water use, as well as its wider environmental footprint too.

Landis+Gyr is an industry leader in energy management solutions. Using their metering infrastructure and other cutting-edge smart grid and energy management technologies, they help utility companies all over the globe improve their operations, protect their assets, lower their operating costs, and provide better customer service.

Intention	To improve the resilience of the global electricity grid and to make it smarter and more flexible as the use of clean renewable power continues to grow
Action	Landis+Gyr's portfolio of products and services, which includes smart grid applications, demand-management technologies, data analytics, and renewables integration, the company can help utilities modernize their grid infrastructure so that it is ready to deal with the increasingly intense needs of our future energy system. By helping to build-out and enhance the electricity grid, Landis is helping to enable the use of renewable power while also ensuring energy security needs are managed too.
Impact	Through its products and services, Landis continues to have a positive overall impact on society. The most notable impact the company has had is through helping to avoid emissions on the grid. Schroders proprietary Avoided Emissions model sees the company having a significant impact in this respect, with the company estimating an even large potential saving based on its own methodology. The company has set SBTi targets to reduce Scope 1 and Scope 2 emissions by over 40% by 2030 and reduce all emissions including Scope 3 by 90% by 20250. Landis+Gyr's aim is to be recognized as an employer of choice, with a positive working environment in which employees are enabled, energized, engaged, and empowered in accordance with Landis+Gyr's Core Values, and has strong supply chain and procurement practices to.



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Source: Schroders, Company Data, MSCI, Refinitiv. Data represents the latest available data as at 31 March 2024. The analysis shown is based on company disclosed information. ¹Schroders uses SustainEx™ to estimate the net impact of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. For more information on SustainEx please refer to the source and ratings information section for further details. ²Carbon intensity measured as tonnes of CO2 per USDm of revenues, using Scope 1, Scope 2, and Scope 3 emissions. ³Avoided emissions based on Schroders propriety avoided emissions tool. Tonnes of emissions avoided per year. ⁴Alignment as determined by the Science-Based Targets initiative. Please refer to the source and ratings information section for further details.

Source and ratings information

External Accreditation source(s): The **European SRI Transparency** logo signifies that the Schroders commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Sustainable Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Code can be found on www.eurosif.org, and information of the SRI policies and practices of the fund can be found on our website. The Transparency Code are managed by **Eurosif**, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual. **Febelfin** (Fédération belge du secteur financier) as at November 2020 (updated annually). Mutual funds with the **FNG-Label** meet the quality standard developed by Forum Nachhaltige Geldanlagen e. V. (FNG) for sustainable investments in the German-speaking countries. As at November 2020 (updated annually). **Greenfin** (French Ministry for Ecology and Inclusive Transition) as at December 2020 (updated annually).

****SustainEx Impact measures:** Based on Schroders' proprietary tool, SustainEx. SustainEx produces a measure of the societal and environmental harms and benefits that the companies in which the fund is invested create per \$100 of revenue generated. It expresses the result as a percentage. For example, +2% would mean a company contributes \$2 of positive impact per \$100 of revenues. We calculate SustainEx scores for all companies in the portfolio to arrive at the total portfolio score. SustainEx is based on Schroders' own methodology for quantifying the positive and negative externalities of companies in financial terms. It utilises more than 1,000 pieces of academic research, analyses 70+ data points for every company and covers more than 16,000 global companies. If a data point is not disclosed by a company, we use the sector average and apply a discount for non-disclosure. The latest available holdings data within SustainEx varies, depending on the underlying holdings reporting date.

*****ABC Framework:** This framework, which is derived from work by the [Impact Management Project](#), sets out a systematic approach for classifying investments in line with enterprises' intentions. It asks whether investors have chosen to invest in companies that either: (A) simply 'act to avoid harm', (B) actively seek to 'benefit stakeholders'; or (C) 'contribute to solutions'. By classifying investments through this framework, we can understand what individual companies within the portfolio are focused on and are intending to achieve. We classify companies as those 'acting to avoid harm' based on our negative exclusions. The fund has restrictions on fossil fuels, nuclear, weapons, tobacco, and alcohol¹. We classify companies 'benefitting stakeholders' as those which we classify as 'Best-in-class' based on our proprietary sustainability scoring framework. We classify those companies 'contributing to solutions' as those which are either producing a product or offering a service that directly contributes to the global energy transition and the broader set of [UN Sustainable Development Goals](#). We believe companies can be contributing to solutions without necessarily benefitting all stakeholders related to the business.

******Avoided Emissions:** The Avoided Emissions tool examines emissions differences across sub-industries to see whether companies involved in the production, sale and usage of different technologies and services help to save emissions. For instance, companies producing wind turbines can reduce the carbon intensity of the electric utility sector compared to alternative fossil-fuel derived power forms. In total, the tool covers over twenty different sources of avoided emissions, which collectively target around two-thirds or man-made emissions globally. For each of the activities identified, we estimate the emissions saved relative to an alternative more carbon-intensive activity using academic and industry literature. Where activities reduce emissions directly, we estimate savings versus if the activity had not been undertaken at all. The emissions differences from this assessment are classified as 'avoided emissions'. We then attribute these avoided emission through different parts of the value chain by industry and then allocate this saving to companies based on their revenues from avoided emissions sources. Together, these 'avoided emissions' can be examined alongside the emissions from Scope 1, 2 and 3 activities to give a more holistic view of a company's emission profile. **Importantly, we would stress that 'avoided emissions' are not equivalent to changes in the amount of GHGs emitted into the atmosphere by companies and that they should not be used in the context of a 'net carbon intensity' measure.** But they can be used to illustrate the overall role that companies are playing with respect to global carbon emissions across different parts of industry value chains.

******Portfolio temperature alignment:** The Schroders portfolio temperature alignment tool is designed to highlight how well aligned portfolio company emissions reduction policies are with our global emissions reductions targets and the aim of limiting global temperature increases to 2°C. The measure represents the weighted average temperature alignment of companies within the portfolio, with alignment based on committed and approved emissions reduction goals for Scope 1, Scope 2, and Scope 3 emissions due to be achieved within the next five to fifteen years. The methodology leverages the approach used by the Science-Based Targets initiative (SBTi). Companies without any explicit emissions reductions targets are given a default alignment of 3.2°C. The default 3.2°C value is based on the projected temperature rise by end-century, assuming that all countries meet their unconditional targets which were submitted to the UNFCCC after the Paris Agreement in 2015. In other words, if no target has been set it is assumed that a company will decarbonise along a business-as-usual pathway of 3.2°C, in line with current policies and with no further action. This approach of defaulting to a value of 3.2°C is not taken in other temperature alignment methodologies and should be considered if comparing scores.

*******Sustainability performance measures:** Judgement is applied in determining the specific data-points included for any given measure in the table. For example, whether a company's corporate social responsibility policy that refers to energy efficiency constitutes an energy efficiency policy. The coverage percentage shown in the table is an indication of the reliability of each ESG measure. It represents the percentage of the fund's or benchmark's investment universe that has a value published against that measure, weighted by the position of that constituent in the fund or benchmark

*******ThemEx:** ThemEx quantitatively analyses the thematic alignment of individual companies and portfolios to the UN SDGs by mapping the goods and services offered by companies with respect to their positive and negative impacts on these UN SDGs. ThemEx offers a comprehensive view of UN SDG alignment, where we have made active decisions about the impacts of over 6,000 business segments (goods and services) on each SDG based on a set of qualitative views derived from hundreds of hours of conversations with investors and ESG thematic specialists, informed by analyses of highly impactful peer-reviewed academic research.

¹ All exclusions are based on data from MSCI. For more information visit our [Sustainability](#) page

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