



European SRI Transparency Code

**Schroder ISF Global Sustainable
Growth**

September 2019



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 ISG QEP Global ESG can be found at www.schroders.lu/sustainability. 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.

Contents

- Statement of Commitment 3
- Section 1 List of funds covered by the Code 4
- Section 2 General information about the fund management company 5
- Section 3 General information about the SRI fund that comes under the scope of the Code 9
- Section 4 Investment process 13
- Section 5 ESG controls..... 15
- Section 6 Impact measures and ESG reporting 16

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Schroder Investment Management Limited ('Schroders'). We have been involved in SRI since 2000 and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 12 months from approval. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

Schroders Investment Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Schroders Investment Management meets the full recommendations of the European SRI Transparency Code without any exception.

September 2019

Section 1 List of funds covered by the Code

Fund name:

- Schroder ISF Global Sustainable Growth

Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies):

- ESG integration
- Sustainability themed

Asset class:

- Actively managed, International shares

Exclusions:

- Controversial weapons
- Alcohol
- Tobacco
- Weapons
- Gambling
- Adult entertainment
- Civilian Firearms
- Human Embryonic Cloning
- High Interest Rate Lending
- Climate Change - tar sands, thermal coal

Fund capital as at 30 June 2019:

- USD 174.6 million

Links to relevant documents:

- KIID: <http://www.schroders.com/getfunddocument?oid=1.9.2843698>
- Prospectus: <https://www.schroders.com/getfunddocument/?oid=1.9.1755>
- Annual report: <http://www.schroders.com/getfunddocument?oid=1.9.49335>
- Semi Annual report: <http://www.schroders.com/getfunddocument?oid=1.9.25163>
- Fund fact sheet: <http://www.schroders.com/getfunddocument?oid=1.9.1005399>
- Quarterly fund update: <http://www.schroders.com/getfunddocument?oid=1.9.2890714>
- Financial and non-financial reporting: <http://www.schroders.com/en/lu/professional-investor/literature/legal-documents/>

Section 2 General information about the fund management company

2.1 Name of the of the fund management company that manages the applicant fund

Schroder Investment Management Limited

2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

At Schroders, responsible investment principles drive our investment decisions and the way we manage funds. We see ourselves as long-term stewards of our clients' capital and this philosophy naturally leads us to focus on the long-term prospects for companies in which we invest. We believe successful investment is intrinsically linked to identifying, understanding and incorporating the effects of environmental, social and governance (ESG) trends in our decisions and ownership.

Schroders has been incorporating ESG considerations into our fundamental research and security selection process for twenty years. We published our first corporate governance policy in 1998, followed by our Responsible Investment policy in 2001. Since then, the information and tools available to us, our resources, the depth of our expertise and our approach to integrating Responsible Investment principles has evolved, but our commitment has remained the same: to be active owners of the companies in which we invest and to reflect ESG factors as part of our overall investment process.

–
We have a dedicated Sustainability webpage (<http://www.schroders.com/en/about-us/sustainability/>) which contains the following:

- [Schroders' ESG Policy](#)
- [Statement of compliance with the UK Stewardship Code](#)
- [Statement of compliance with the UN Principles for Responsible Investment](#)
- [Details of industry involvement](#)
- [Quarterly Sustainable Investment Report](#) – Current ESG related topics and thematic research, engagements details, voting details
- [Annual Sustainable Investment Report](#) – Our approach to ESG Integration, policy details, current ESG related topics and thematic research, engagements details, voting and governance details, general statistics and AUMs, details of industry involvement
- Information on [screening and firm-wide exclusions](#)
- Sustainability [insights](#) on a range of environmental, social and governance topics
- Historical [voting reports](#)

2.3 How does the company formalise its sustainable investment process?

Schroders has a global [ESG policy](#) for listed assets, which outlines our principles and practices around sustainability, and reflects our commitment to responsible investment. It covers how we integrate ESG considerations as part of the overall investment process, our engagement process and rationale, our voting policy and our core corporate governance principles when determining how to vote.

2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

While ESG issues are sometimes difficult to quantify, we recognise these factors can have a material impact on a company's performance both in the short and long term, as well as the inherent risk of investing in a company. Therefore, we firmly believe analysing a company's exposure to, and management of, ESG factors, in addition to traditional financial analysis, will enhance our understanding of a company's fair value and ability to deliver sustainable returns.

Our integration approach spans the breadth of the ownership lifecycle, from identifying trends and analysing companies, through to ownership, engagement, voting and reporting.

The fund managers believe that climate change will be a defining driver of the global economy, society and financial markets over coming years, decades and beyond. Whether the global economy is rebuilt on less carbon intensive foundations or the temperature continues to escalate, investors will be unable to avoid its impacts.

Our Sustainable Investment team produces dedicated research on the topic; our first report was in in 2003 and we have published consistently since then examining both sector specific and portfolio level issues. Ultimately we are looking to provide tools for asset owners, portfolio managers, and analysts to understand this complex issue.

More recently the team launched the Climate Progress Dashboard in July 2017. The dashboard 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 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 <http://www.schroders.com/en/lu/professional-investor/featured/climate-change-dashboard/>.

Schroders has examined the extent to which company profits and investor returns could be at risk from tougher climate policies and higher carbon prices. Our Carbon Value at Risk model shows almost half of listed global companies would face a rise or fall of more than 20% in earnings if carbon prices rose to \$100 a tonne (for further details see: <http://www.schroders.com/en/about-us/corporate-responsibility/sustainability/climate-progress-dashboard/carbon-var/>). We have also looked at how falling demand will impact the profitability and the fate of fossil fuel producers. Our analysis shows that up to 20% of listed companies' cashflows are at risk if policies strengthen in line with political commitments (for further details see: <http://www.schroders.com/en/about-us/corporate-responsibility/sustainability/climate-progress-dashboard/fossil-fuel-producers/>).

Most recently, we have developed a proprietary model to help our analysts, fund managers and clients measure and manage the physical risks climate change poses. Effectively, we ask "what would it cost a company to insure against physical risks caused by climate change for the remaining life of their assets?" The costs to most global companies are under 5% of their current market value, but are higher for the most exposed companies. While smaller than the risks posed by carbon pricing or changes in demand growth, the impact is clearly significant and more certain. For further information, please see: https://www.schroders.com/en/sysglobalassets/digital/insights/2018/thought-leadership/climate-change--the-forgotten-physical-risks_final.pdf/.

2.5 How many employees are directly involved in the company's sustainable investment activity?

Schroders has an experienced and well-resourced Sustainable Investment team, which has been embedded as part of our overall investment processes for some time. The team comprises of 17 ESG specialists who are responsible for ESG specialist engagement, voting and facilitating ESG integration into the investment process across teams and asset classes. In addition we have one dedicated ESG product specialist. Together they have over 160 years' combined investment experience.

2.6 Is the company involved in any responsible investment initiatives?

Yes. Schroders continues to support, and collaborate with, several industry groups, organisations and initiatives. These are important in improving sustainability standards across sectors, establishing a consistent dialogue with companies, and in promoting the ongoing development and recognition of ESG within the investment industry. We also work with organisations that we are members of, and with national and regional trade associations to develop their submissions on various regulatory issues around the world.

We believe that working with peers and policy makers on ESG issues is an important activity and regularly respond to public consultations both as a firm and through our work with investor groups.

Schroders is also an active member of a number of investor groups focused on promoting ESG and dealing with specific issues or industries.

Below we provide examples of some of these important initiatives.

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
– EFAMA Responsible Investment Working Group	– CDP Climate Change	– Access to Medicine Index	– ICGN International Corporate Governance Network
– Principles For Responsible Investment (PRI)	– CDP Water	– Business Benchmark on Farm Animal Welfare	– Asian Corporate Governance Association
– UKSIF	– CDP Forest	– Coalition for Inclusive Capitalism	– UK Corporate Governance Forum
– EuroSIF	– ‘Aiming for A’ investor coalition	– ShareAction Workforce Disclosure Initiative	– Institute of Business Ethics
– Investment Association Stewardship Committee	– Climate Action 100+	– Social Bond Principles	– Eumedion
– Investment Association Sustainability and Responsible Investment Committee	– Transition Pathway Initiative (TPI)		
– Investor Forum	– Global Real Estate Sustainability Benchmark (GRESB)		
– Financial Reporting Council	– Better Building Partnerships		
– Focusing Capital on the Long Term	– Paris Pledge for Action		
	– Green Bond Principles		
	– Powering Past Coal Alliance		
	– Coalition for Climate Resilient Investment		

2.7 What is the total number of SRI assets under the company’s management?

Schroders fully supports the following international conventions:

- 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
- The Chemical Weapons Convention (1997): prohibits the use, stockpiling, production and transfer of chemical weapons
- Biological Weapons Convention (1975): prohibits the use, stockpiling, production and transfer of biological weapons.

We will not knowingly hold any security that is involved in the production, stockpiling, transfer and use of these weapons. We do not exclude those companies whose business activities or products only have the potential to be used for these purposes, or where these activities or products have not been undertaken or created with these uses in mind. Schroders will apply this policy to all Schroders funds that we directly manage. As of 30 June 2019, Schroders managed £444.4 billion of assets globally.

We recognise there are different approaches under the broad ESG/SRI umbrella with different definitions, goals and objectives. Across the assets that we manage, we identify whether they are Screened, Integrated and/or Sustainable. The categories are not mutually exclusive.

Screened means the fund or mandate includes negative screening beyond our firm-wide exclusions outlined above. We implement a wide range of negative screens and exclusions according to specific ethical criteria requested by our clients. As at 31 December 2018, we managed £47 billion of assets to which such ethical screens are applied.

Integrated means sustainability is a building block of the investment process. It is robust, systematic and there is a commitment to engagement and stewardship. We seek to integrate ESG considerations across all of our investment desks. As of 30 June 2019, Schroders managed £166.1 billion of Integrated assets.

Sustainable means sustainability is a cornerstone of the investment process. The resulting portfolio has a strong sustainability profile, focused on generating returns that can truly be maintained over the long term. As of 30 June 2019, Schroders managed £1.29 billion of Sustainable assets.

Section 3 General information about the SRI fund that comes under the scope of the Code

3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

ESG is integral to the way in which we evaluate and appraise every stock that is under consideration for the fund. It is a core component of our modelling and analysis and is central to the investment decisions we make. We believe that ESG factors have a material bearing on both the alpha potential of a stock and the risks associated with owning the stock, and it is therefore incorrect to think about ESG as a separate investment discipline.

Schroder ISF Global Sustainable Growth reflects our belief that only companies demonstrating positive sustainability characteristics, which incorporate conventional ESG factors (e.g. environmental policies, human rights, labour standards, board structure, corporate strategy), will be able to maintain growth and returns over the long-term. To the managers of the fund, the sustainability assessment seeks to capture the impacts of a company's operations and policies on its broader set of stakeholders (customers, suppliers, employees, society, the natural environment, regulators, and shareholders). Our analysis seeks to understand the strength of a company's license to operate and pressures that could be exerted on the company which might affect future returns. Only those companies that are managed with due consideration for their stakeholders will be considered for the fund.

3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The vast majority of research material that we use for ESG evaluation is produced internally, with external sources providing a secondary input into the process.

The Global & International Equity team's Global Sector Specialists (GSS) build on the ESG analysis conducted across Schroders' equity research platform by over 90 equity analysts, and provide the majority of the information and insight necessary to form a view about ESG factors for companies being considered for this fund. The GSS' view is consolidated in an ESG assessment and reflected in a score for each company. This analysis is supplemented by work carried out by the Sustainable Growth Investor Group within our proprietary Sustainability Quotient (SQ) framework, which provides an additional layer of ESG and sustainability analysis, and forms the basis of stock selection decisions for the fund. For further details please see our response to 3.3 below.

Our Sustainable Investment team has extensive networks within its respective field. Information is drawn from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics; wherever it is felt the information would add value.





Third party research is used by the team as a secondary consideration, and often provides a source of challenge or endorsement for our proprietary view. It serves also to indicate where consensus sits, given that a majority of our competitors systematically utilise third party research conclusions and ratings within their processes. Sector analysts also use third-party research to support their assessment of ESG issues when analysing companies. We currently subscribe to the following external ESG research providers: MSCI ESG research, Bloomberg, EIRiS, Thomson Reuters Asset4 and CDP. In addition, we subscribe to Institutional Shareholder Services (ISS) and Association of British Insurers' Institutional Voting Information Service for our proxy voting research.

3.3 What ESG criteria are taken into account by the fund(s)?

Our investment approach includes an analysis of ESG factors, which is integrated into our fundamental stock analysis across all portfolios which Schroders' Global & International Equity Team manages. Our approach to ESG analysis is based on the view that as long term investors seeking to identify future earnings growth of companies, it is important to understand the entire range of factors that will shape the trajectory of future

growth, both positively and negatively. Schroders' equity analysts assess the materiality of ESG factors as they relate to the specifics of each company and evaluate those that are considered material to the sustainability of future earnings growth and as potential risk factors for a company. The GSS are supported in this analysis by both the local analyst teams, who also analyse ESG factors, as well as Schroders' dedicated Sustainable Investment team.

In addition, given the explicit focus on sustainability for this fund, a more-detailed assessment of sustainability is incorporated via our proprietary SQ framework. This is a systematic process for evaluating sustainability characteristics. The framework incorporates 20 critical ESG-related factors and elements of corporate performance across four categories:

Respect for the environment 	Products	Do the company's products have a significant positive or negative environmental impact?
	Operations	Does the company use resources efficiently and responsibly, and seek to minimise its environmental impact?
	Suppliers	Does the company hold suppliers to high environmental standards?
	Controversies	Has the company faced significant environmental controversies in recent years? Has it responded to controversies appropriately?
	Employees	Does the company provide fair pay and working conditions to employees? Does the company guard against discrimination or oppressive working environment? Does the company take steps to ensure a safe working environment?
Fair and equitable treatment of employees, suppliers and customers 	Suppliers	Does the company take steps to ensure standards commensurate with those afforded to its employees are applied to suppliers? Does the company have a fair and constructive relationship with suppliers?
	Customers	Does the company provide value for money and communicate to customers in good faith? Does the company take appropriate measures to manage and mitigate cybersecurity risk? Does it collect, use and store customer data responsibly and ethically?
	Tax	Does the company use aggressive and unsustainable tax planning?
	Society	Do the company's activities create significant positive or negative externalities (benefit/harm to society)? Does the company have a constructive relationship with the government and regulators in countries where they operate? Does the company support local communities around its operations?
	Business ethics	Does the company ensure high ethical standards across its business?
Good corporate citizens 	Shareholder returns	Does the company allocate capital with an appropriate consideration of long-term risk and reward? Does the company have a governance structure that protects shareholder interests?
	Transparency	Does the company's reporting and communication enable investors to reasonably appraise results? How seriously does the company take CSR? Does the governance structure ensure oversight of corporate responsibility activities?
Prudent allocation of capital 		

We examine every company in which we invest or are considering for the portfolio across these elements, focusing on those aspects that are most relevant to business and its ability to deliver sustainable growth. Although we draw on corporate disclosures, our assessment is primarily based on qualitative analysis and a deep understanding of the company and its relationship with stakeholders. Only those companies that demonstrate the highest sustainability credentials are considered for the portfolio.

3.4 What principles and criteria linked to climate change are taken into account in the fund?

Environmental impact is a key focus for this fund and the portfolio managers seek to assess all aspects of companies' environmental footprint, resource intensity and efficiency. Climate change is at the forefront of this analysis. More specifically the fund seeks to understand and model the risks and opportunities arising from the transition to a lower carbon economy, for example, changes in the power mix, efforts to improve energy efficiency and sustainable transport. The managers also seek to consider the financial and physical risks posed by increasingly extreme and unpredictable weather patterns, for example, pressures on agricultural production, resource intensity and impact of climate-related catastrophes. These aspects have a material effect on revenues, costs and earnings as well as balance sheet impairment.

In common with the fund's managers' holistic assessment of sustainability, no single climate change metric dominates this assessment. However, it is a central tenet of the Global & International Equity team that the world needs to transition to a low carbon economy. Companies that fail to adapt or improve their resource efficiency will be materially disadvantaged due to the imposition of additional costs and ultimately, the long term viability of their businesses. This belief is implicitly and explicitly reflected in our ESG analysis and the fund's sustainability 'SQ' assessments.

As a consequence, companies with significant exposure to coal, oil and natural gas production and exploration or firms with carbon-intensive operations are unlikely to be viewed as 'sustainable' and therefore will fall outside the remit of this fund. In this regard, the fund managers will evaluate companies based on metrics such as GHG emissions intensity (Tonnes of CO₂/Sales) and the incorporation of explicit energy efficiency targets, for example.

The fund leverages detailed work conducted by the Sustainability team in the area of climate change, which informs both its broader strategies and its Global Climate Change strategy more specifically. The Global Climate Change Strategy has been managed by the Global & International Equity team since 2007. The lead portfolio manager of the climate change strategy, Simon Webber, also works on the Global Sustainable Growth fund as a member of the Global Sustainable Growth Investor Group.

3.5 What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

ESG is integral to the way the Global & International Equity team appraise the risk-adjusted returns of any stock that we are seeking to analyse. Our investment approach is fundamentally-based and deliberately qualitative in its approach.

This does not lend itself to more-simplistic 'rules-based' screening which we believe are crude in their application and blunt in their contribution to financial and non-financial outcomes. There is therefore no formulaic approach to our assessment and we do not assign scores nor do we have minimum thresholds. However, analysis and evaluation of ESG and sustainability are systematically applied to the way we think about stocks.

We believe the non-financial analysis is a mosaic that is not easily condensed into a standardised numeric value or rating and needs to be considered based on the specifics of each company. It is an integral element within the process and is significant in shaping the way our analysts think about a company and its stock. Once relevant information is sourced, one of the primary tasks of our analysts is to assess which aspects are material to a particular and how these factors influence such things as the durability of its business model, its license to operate and its future growth trajectory.

Central to this is the assessment of a company's relationship with its broader-set of stakeholders. The team use its proprietary Sustainability Quotient 'SQ' framework to systematically evaluate these relationships.

The 'SQ' analysis employs a wide range of data and resources, and invariably requires further interactions with the company concerned, enabling the group to both clarify aspects of company policy and request additional data and, more importantly, to assess a company's genuine commitment to the cause of sustainability rather than just disclosure levels. This also serves to highlight areas for potential engagement.

3.6 How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

Our appraisal of ESG is dynamic. News flow, data or insights from company meetings will be immediately considered both in terms of how they affect a company's financial and non-financial outlook. Any changes will be immediately reflected in our assessment and notes accompanying any change will be available to investors via Schroders' proprietary research portal.

In the context of the fund's holdings, or those being considered for inclusion on the fund's investible bench, the Sustainable Growth Investor Group meet monthly to discuss amongst other things, changes to the ESG score by the Global & International Equity team's Global Sector Specialists. While it would be highly unusual to take a contradictory view to that of the relevant GSS the Sustainable Growth Investor Group will independently evaluate the sustainability characteristics of each name.

Although the fund's sustainability and ESG characteristics are based on proprietary research and analysis, third-party ESG ratings, and changes to these ratings, are also reviewed on a quarterly basis.

While it should be anticipated that the risk of controversy relating to stocks in the Fund is significantly reduced in light of the team's ESG and sustainability focus, it is impossible to remove the risk of future controversy entirely. In instances where a controversy occurs for a stock owned by the portfolio, the stock and related issue would be immediately investigated.

Our Sustainable Investment team acts as a central point of liaison for investors across Schroders who may have exposure to the company in a variety of instruments. Our ESG specialists are responsible for assessing the impact of the incident, drawing on a wide body of information from direct contact with the company to insights gained from our Data Insights Unit. Together with investors, they will agree a programme of

engagement to understand why the incident occurred, and what remedial steps have been/will be taken to prevent the incident from reoccurring. In the context of this fund, the Sustainable Growth Investor Group will discuss the controversy and evaluate whether the company's response is appropriate. As lead portfolio manager, Katherine Davidson ultimately has responsibility for assessing the impact of controversies on the fund and necessary or warranted portfolio action.

Controversies, where they arise, would be routinely reported to fund holders along with a summary of the controversy, Schroders assessment of the event, portfolio actions, and engagement priorities and milestones.

Section 4 Investment process

4.1 How are the results of the ESG research integrated into portfolio construction?

In building the portfolio, the managers seek to identify those names that have outstanding sustainability characteristics and are capable of delivering sustainable growth ahead of consensus expectations. It is believed that investing in these companies, at the right price, offers attractive risk-adjusted return potential over the investment cycle.

The 'SQ' assessment is designed to impose a high bar for inclusion rather than a 'cut-off' for exclusion. However, our strategy and process does lead to a natural 'exclusion' of stocks in industries evaluated as 'unsustainable'.

In addition, we apply the following stock exclusions when constructing the portfolio:

Hard Exclusions	
Involvement	Revenue threshold
Adult Entertainment	>=3%
Tobacco	>=10%
Gambling	>=10%
Civilian Firearms	>=10%
Weapons	>=10%
Biochemical Weapons	>=10%
High Interest Rate Lending	>=10%
Human Embryonic Cloning	>=10%
Climate Change – tar sands, thermal coal	>=10%
Alcohol	>=25%

Soft Exclusions	
Involvement	Revenue threshold
Alcohol Stocks with exposure to alcohol up to 25% can be admitted if the company has a responsible sale of alcohol policy.	3% <= Revenue < 25%

Source: Schroders. Schroders as at 30 June 2019

Stocks that meet the necessary sustainability threshold, based on the Sustainable Growth Investor Group's qualitative assessment of ESG and sustainability, and offer the potential for attractive risk-adjusted returns will be considered for inclusion in the fund.

4.2 How are criteria specific to climate change integrated into portfolio construction?

There is no specific bias within the portfolio construction process to climate change. However, it is an area of particular focus for the team and a 'theme' therefore observable within a number of stocks within the fund.

As per our response to question 3.4, it is a central tenet of the Global & International Equity team that the world needs to transition to a low carbon economy. Companies that fail to adapt or improve their resource efficiency will be materially disadvantaged due to the imposition of additional costs and ultimately, the long term viability of their businesses. This belief is explicitly demonstrated by our exclusion list, outlined in question 4.1, which places a hard exclusion on companies where there is material revenue exposure to tar sands and thermal coal. It is also implicitly reflected in our ESG analysis and the fund's sustainability 'SQ' assessments.

As a consequence, the fund is unlikely to have material exposure to the energy sector or resource stocks with material exposure to fossil fuels. Furthermore, utility stocks, industrials and other manufacturers with significant emission intensity are also likely to fall-short of the fund's sustainability criteria without material and significant mitigating factors.

4.3 How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All holdings that are present in the portfolio are subject to ESG analysis.

4.4 Has the ESG evaluation or investment process changed in the last 12 months?

The strategy was formally launched on 2 November 2017 but the investment philosophy anchored around the prospects for durable long term growth and significant aspects of the process have been substantially in place since 2010 when the team's Demographic Opportunities strategy was launched by the team.

Both the Demographic Opportunities strategy and its replacement pursue a strategy focused on stocks demonstrating the potential for long term earnings growth underpinned by strong sustainability characteristics. Whereas the Demographics strategy focused primarily on growth supported by demographic trends and changing patterns of wealth, the Sustainable Growth strategy has a broader remit to include any potential source of future long term growth.

Our proprietary SQ framework was developed to systematically assess companies' sustainability characteristics and inform stock selection. This assessment, designed to impose a high bar for inclusion, expands upon the proprietary ESG assessment already integrated within Schroders' Global & International Equity team's investment process and provides a more comprehensive and rigorous assessment of companies' commitment to long term value creation.

The team, philosophy and overall process have remained constant over the past 12 months. However, we modified the way in which we evaluate a company's sustainability characteristics and long term growth profile by adapting the SQ analysis to include an explicit cybersecurity assessment, alongside the other 19 questions. In this particular appraisal, the team seeks to understand the level and types of cybersecurity risk faced by a company and determine what measures are being taken to manage and mitigate these risks.

4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

Positive social impact is an outcome of the strategy, rather than a primary objective when building the portfolio.

However, the application of the fund's philosophy and process will result in a significant bias towards companies that actively take their stakeholders, and society as a whole, into account. Those companies that have a strong corporate culture, are managed for the long term, and consider the impact of their operations and policies on stakeholders will typically demonstrate positive 'social' and non-financial attributes.

4.6 Does (do) the fund(s) engage in securities lending activities?

No, the fund does not engage in securities lending.

4.7 Does (do) the fund(s) use derivative instruments?

As stated in Appendix I of the Schroder ISF prospectus, derivatives (including futures, swaps and forwards) may be used for the purpose of efficient portfolio management of the fund's assets or used to provide protection against exchange rate risks under the conditions and within the limits laid down by law, regulation and administrative practice.

4.8 Does (do) the fund(s) invest in mutual funds?

The fund does not invest in mutual funds.

Section 5 ESG controls

5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund as defined in section 4?

Every month our Sustainable Growth Investor Group meets to discuss potential investments being considered for the fund. The Sustainable Growth Investor Group is a small sub-committee comprising of the strategy's two portfolio managers, a senior member of the Global & International Equity team and three members of the Sustainability Team, including the Global Head of Stewardship and Head of Sustainable Research. The group meets monthly with a primary aim to offer a proprietary and holistic assessment of a business's long-term sustainability characteristics. In addition, this group review existing holdings to assess if stocks in the portfolio and investable bench still meet the fund's sustainability criteria, corporate performance (financial and non-financial) and set objectives for longer term engagement.

These discussions are anchored around stakeholder relationships and how they feed into the long-term quality and durability of a company's business model and from that, the degree to which this will support long term earnings growth.

As previously mentioned the team use its proprietary Sustainability Quotient 'SQ' framework developed to ensure companies sustainability characteristics are assessed and evaluated in a systematic way. This framework shapes further discussion and analysis. Once a company enters our investable bench it is continuously monitored for its corporate sustainability performance and our analysis is updated (based on company interactions, results, controversies etc.) with historic iterations preserved for auditing purposes.

If we believe that a company has deteriorated on our assessment for example as a result of a material controversy or failed engagement we would remove the stock from our investable bench or portfolio.

Additionally based on the specific exclusion criteria, Schroders' Sustainable Investment team will draw on a variety of sources including MSCI, EIRIS and Bloomberg to construct the fund's exclusion list. This exclusion list is provided to our central compliance and risk department for coding in our order management system, Aladdin®. Aladdin contains an integrated compliance module, which checks orders against restrictions pre-trade. Portfolio Managers are therefore warned in advance if a proposed trade would breach any restrictions before it goes through. Overnight the system runs a post-trade batch check of all restrictions to identify any positions that are not compliant with coded restrictions. The Sustainable Investment team has an ongoing review process to ensure the exclusion list is up to date, which forms part of the Compliance team's monitoring procedure.

Section 6 Impact measures and ESG reporting

6.1 How is the ESG quality of the fund(s) assessed?

The fund's ESG characteristics are assessed in a number of ways:

1. The distribution of the ESG scores ascribed to the fund's holdings by the team's Global Sectors Specialists (as a component of the team's proprietary fundamental risk framework) are benchmarked against the distribution of ESG scores for all stocks under active research coverage by the Global & International Equity team. We expect the distribution of the Fund to exhibit a persistent skew to strong ESG scores.
2. The Fund portfolio should demonstrate, in aggregate, positive non-financial characteristics relative to the fund benchmark based on the Sustainability Metrics used for the purpose of fund reporting (see 6.4 below). This is believed to infer a bias to positive ESG scores given that the sustainability focus of the fund, and SQ analysis more specifically, lead the fund's managers towards stocks with positive ESG characteristics.
3. The fund's third party ESG characteristics are routinely monitored to ensure the portfolio exhibits a positive ESG tilt relative to benchmark based on a recognised and independent assessment. Although the stocks are not selected for the fund based on third-party ESG research - given the arguable shortcomings of such measures - we expect nevertheless to observe a positive skew based on third party measures of ESG. In this context, the investment desk monitors MSCI ESG ratings (overall and its subcomponents) accessed via Style Research. Portfolio actions would be considered if scores indicated materially lower ESG characteristics for the fund.

6.2 What ESG indicators are used by the fund(s)?

As mentioned in our answer to question 3.3, given the explicit focus on sustainability for this fund, a more-detailed assessment of conventional ESG factors is incorporated via our proprietary Sustainability Quotient (SQ) framework. The 'SQ' assessment expands upon the ESG analysis already integrated within the Global & International Equity team's investment process. It provides a more comprehensive and rigorous assessment of companies' commitment to long term value creation. The framework incorporates 20 critical ESG-related components of corporate performance across four categories:

- **Respect for the environment** - how does a company's products and operations impact the environment; how does it manage the environmental impact of its supply chain; what is the companies environmental controversy track record.
- **Fair and equitable treatment of employees, suppliers and customers** - how does the company promote anti-discrimination and ensure fair and equitable treatment of all employees within a safe working environment; does the company have a constructive relationship with suppliers and provide value for money to its customers
- **Good corporate citizens** - are tax policies unfair and aggressive; do activities benefit or harm society; are relationships with governments and regulators constructive; does the company support local communities
- **Prudent allocation of capital** - does the company have governance structures that allocate consideration for the long terms and ultimately protect shareholder interests; is reporting and communication transparent enough for investors to adequately appraise results

Quantitative and measurable metrics are maintained across each of these categories to demonstrate the sustainability/ESG characteristics of the fund (see 6.3. below).

6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Please find below a list of documents we produce to provide investors with information about the SRI approach of the fund:

Quarterly investment report which includes:

- A valuation of assets
- Portfolio and benchmark performance
- Market review
- Performance attribution analysis with an explanation of the factors contributing to the portfolio's performance, at the sector and individual stock level
- Portfolio activity
- Fund positioning, including the largest individual stock positions
- Sustainability developments

Quarterly sustainability report, which includes:

- Environmental performance measures
- Social performance measures
- Human rights performance measures
- Governance performance measures
- Most significant engagements by topic
- Votes cast with or against management

Full fund holdings are also available upon request subject to NDA agreements.

As mentioned earlier, Schroders has a dedicated Sustainability webpage (<http://www.schroders.com/en/about-us/sustainability/>) which contains the following:

- [Schroders' ESG Policy](#)
- [Statement of compliance with the UK Stewardship Code](#)
- [Statement of compliance with the UN Principles for Responsible Investment](#)
- [Details of industry involvement](#)
- [Quarterly Sustainable Investment Report](#)
- [Annual Sustainable Investment Report](#)
- Information on [screening and firm-wide exclusions](#)
- Sustainability [insights](#) on a range of environmental, social and governance topics
- Historical [voting reports](#)

6.4 Does the fund management company publish the results of its voting and engagement policies?

If so, please include links to the relevant activity reports.

Yes. We believe that clear and ongoing communication to clients and other stakeholders on our ESG and stewardship activities is important. We publicly report on our engagement and voting activities in our [annual and quarterly Sustainable Investment reports](#), and include case studies. We also publicly disclose our [global voting activity](#).

Schroder ISF Global Sustainable Growth: Risk Factors

The following risks may affect fund performance. China country risk: Changes in China's political, legal, economic or tax policies could cause losses or higher costs for the fund. Counterparty risk: The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. Currency risk: The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. Currency risk / hedged share class: Changes in exchange rates will affect the returns on your investment. The aim of this euro hedged share class is to provide you with the performance returns of the fund's investments by reducing the effects of exchange rate fluctuations between euro and the fund's base currency US dollar. Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative. Emerging markets & frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty and operational risk. Equity risk: Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. Liquidity risk: In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. Operational risk: Failures at service providers could lead to disruptions of fund operations or losses.

Important Information:

This document does not constitute an offer to anyone, or a solicitation by anyone, to subscribe for shares of Schroder International Selection Fund (the "Company"). Nothing in this document should be construed as advice and is therefore not a recommendation to buy or sell shares.

Subscriptions for shares of the Company can only be made on the basis of its latest Key Investor Information Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Luxembourg) S.A.

An investment in the Company entails risks, which are fully described in the prospectus.

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.

Schroders has expressed its own views and opinions in this document and these may change.

This document is issued by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registration No. 1893220 England. Authorised and regulated by the Financial Conduct Authority.

. For your security, communications may be taped or monitored.