Schroders

European SRI Transparency Code

Schroder ISF QEP Global ESG

September 2019

trans parent

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

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Schroders Investment Management. 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 QEP Global ESG

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

– ESG integration

– Engagement & Voting

Asset class:

– Actively managed, International shares

Exclusions:

– Controversial weapons

– Nuclear weapons

– Military weapons

– Civilian weapons

– Tobacco

– Alcohol

– Gambling

– Adult entertainment

– Predatory lending

– Human embryo cloning

– Thermal coal (revenue & reserves)

– Nuclear power

– Oil shale & tar sands

– Palm Oil

Fund capital as at 30 June 2019:

– USD 1.11 billion

Links to relevant documents:

– KIID: http://www.schroders.com/getfunddocument?oid=1.9.2650761

– Prospectus: http://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=1.9.2875191

– 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 quanitfy, 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.

We 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 dedicated ESG professionals who are responsible for ESG specialist engagement, voting and facilitating ESG integration into the investment process across teams and asset classes ESG data management, sustainability client reporting, and product development. 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 – Principles For Responsible Investment (PRI) – UKSIF – EuroSIF – Investment Association Stewardship Committee – Investment Association Sustainability and Responsible Investment Committee – Investor Forum – Financial Reporting Council – Focusing Capital on the Long Term	– CDP Climate Change – CDP Water – CDP Forest – 'Aiming for A' investor coalition – Climate Action 100+ – Transition Pathway Initiative (TPI) – Global Real Estate Sustainability Benchmark (GRESB) – Better Building Partnerships – Paris Pledge for Action – Green Bond Principles – Powering Past Coal Alliance – Coalition for Climate Resilient Investment	– Access to Medicine Index – Business Benchmark on Farm Animal Welfare – Coalition for Inclusive Capitalism – ShareAction Workforce Disclosure Initiative – Social Bond Principles	– ICGN International Corporate Governance Network – Asian Corporate Governance Association – UK Corporate Governance Forum – Institute of Business Ethics – Eumedion

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?

Schroders' Quantitative Equity Products (QEP) Investment Team combines fundamental analysis with the scalability and rigour of quantitative investment tools. The team integrates ESG considerations into our investment process both as a key component to understanding company fundamentals, alpha potential and in order to mitigate potential risks.

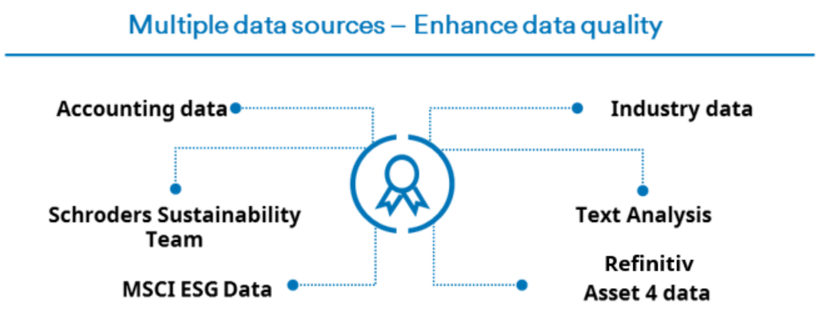
Based on our analysis, we believe that corporate governance has the largest potential to enhance performance over time which is why it also forms a component of our assessment of company quality and is an integral part of our QEP ESG Rating. Alongside this, we assess environmental and social risks on an industry specific basis.

We are active in all areas of ESG including exclusions, integration, engagement, voting and research. The fund aims to maintain a superior ESG profile versus the reference index (MSCI AC World) as an outcome of our ESG integration. It aims to be positively exposed to stocks that perform well on ESG measures, have a lower exposure to those with poorer ESG credentials and avoid those that do not meet our minimum acceptable standards. Through engagement we also aim to encourage good practice from companies in terms of their environmental and social impact, as well as strong corporate governance.

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)?

Similar to our assessment of company fundamentals, we recognise no one measure is perfect for assessing the ESG profile of all companies. We therefore use multiple data sources and multiple measures to build up a view of each company in our universe. It is also essential to recognise the challenges in measuring ESG criteria. We seek to understand the key issues industries face and only focus on those measures that matter the most, based on the materiality of a given issue.

The QEP Investment Team accesses hundreds of data points to help us understand ESG issues, covering a wide range of areas. Data sources include MSCI (ESG Metrics, Carbon Metrics and Business Involvement data), Thomson Reuters Asset4 data, Vigeo EIRIS, SEC filings and Worldscope data. Additionally, in our Country Risk Monitor (described in section 4) we use a very wide range of country level indicators from sources including Bloomberg, IMF, World Bank, BIS, UN, DataStream, OECD, WorldScope, The Good Country Index, Institute for Economics and Peace, Yale Center for Environmental Law & Policy, Center for International Earth Science Information Network.

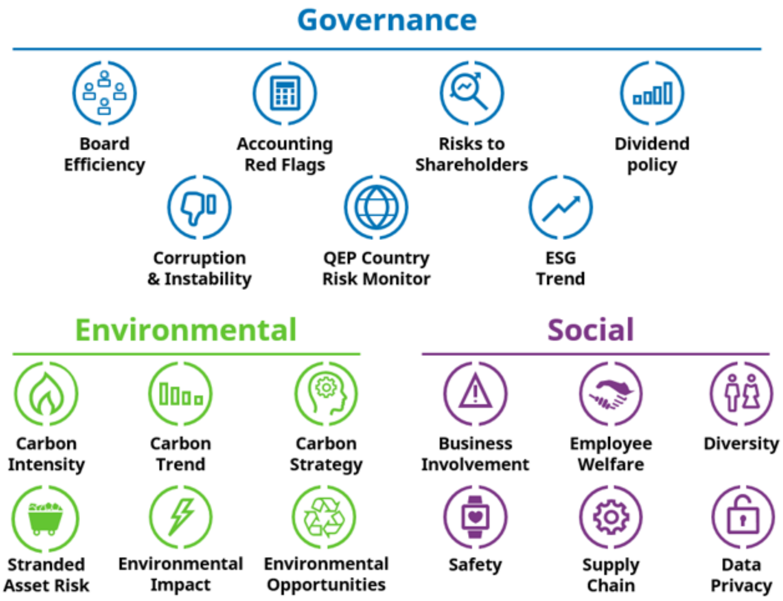


Source: Schroders, as at 30 June 2019. For illustrative purpose only.

We also draw upon the resources of Schroders Sustainability team which, with 17 dedicated ESG specialists and over 160 years' investment experience, undertakes its own research into companies' ESG performance. The team's analysis focuses on issues that may influence valuation (e.g. reputational risks and their potential revenue impacts or operational risks and their impact on costs). The team draw on numerous additional data sources to facilitate this process (e.g. company reports, broker analysis, ESG research providers, NGOs, academia) as well as discussing issues with Schroders' analysts across different equity desks.

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

A key component of our ESG integration is our proprietary QEP ESG Rating which we assign to each stock. We developed this rating as an aid to understanding the ESG risks that companies face. We use multiple data sources and multiple measures to build up a view of each company in our universe. We seek to understand the key issues industries face and only focus on those measures that matter the most, based on the materiality of a given issue. We consider the relevance of any data point in the context of a company's business model. Materiality is a key issue within any ESG analysis – not every metric is appropriate or helpful for every stock. Additionally, we create custom metrics using industry-specific data. Some of the key criteria included in our QEP ESG rating are shown below:



Source: Schroders QEP

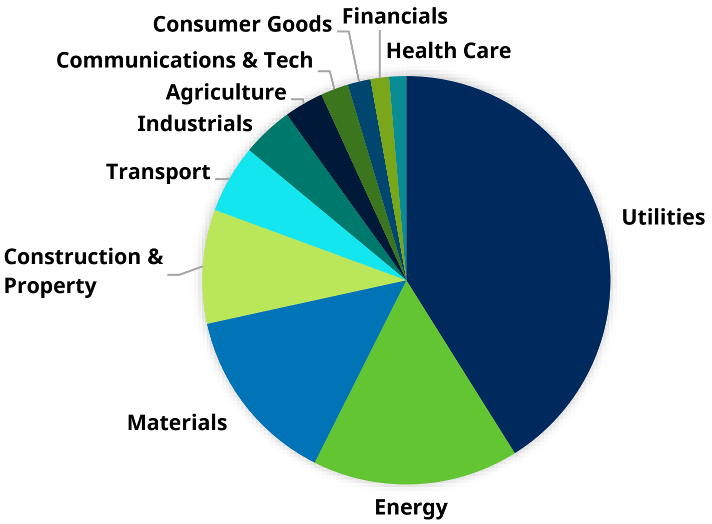
3.4 What principles and criteria linked to climate change are taken into account in the fund?

Our work to identify investment risks within our portfolio includes climate change related risks related to the transition to a lower-carbon economy. Regulatory pressure on carbon emissions continues to intensify. In view of the potential impact of government intervention to reduce greenhouse gas emissions on companies globally, we assess and manage carbon risk explicitly in our process. As portrayed above, Carbon Intensity, Carbon Trend, Carbon Strategy, Stranded Assets, Environmental Impact and Environmental Opportunities are the key components of our environmental analysis within our QEP ESG Rating linked to climate change.

Environmental considerations require more tailored implementation. We focus on quantifiable forward looking measures in order to capture the potential threats associated with the future investment performance of those stocks exposed to environmental risks. Rather than simply adopting a best-in-class approach, we also recognise the absolute risks facing these stocks.

More specifically, we avoid companies that have high carbon intensity (CO_2 tonnes/mn $ sales) as they have a disproportionately negative impact on global Green House Gas (GHG) emissions and will face increasing regulatory pressures as a result. It is important not to just focus on the resource-heavy companies as carbon emissions from other sectors are often just as significant in terms of their impact, most notably utilities, construction and transport (see chart below).

Weighted average carbon emission intensity breakdown by sector (based on MSCI All Country World)



Source: MSCI, CarbonMetrics, Schroders as at 30 April 2019. This is for guidance only. Carbon emissions intensity are defined as Scope 1 & 2 CO2 tonnes/$m sales. Scope 1: GHG emissions from sources directly controlled by the company; scope 2: GHG emissions produced from the generation of energy produced by a third party and consumed by the company.

Whilst we mostly focus on carbon emissions generated either directly or indirectly by a company during the course of its operations (i.e. Scope 1 and 2), we also acknowledge emissions that result from its supply chain (Scope 3). In addition, by explicitly avoiding an industry relative assessment, our approach accepts that carbon emissions are lower in certain industries. More specifically, we reward companies that have a good track record of reducing their carbon emissions, particularly if the company has an explicit reduction target. On a more forward looking basis, companies are penalised where they have no reduction target and this penalty increases if they have a higher level of carbon intensity. We also reward companies with future carbon reduction targets but place less emphasis on this versus those that have historically reduced their emissions. The largest rewards are for those companies that have aggressive annualised reduction targets and have actually reduced their carbon emissions intensity historically.

We also incorporate a view on stranded assets for those companies running the risk of owning obsolete assets in the future. In terms of environmental impact, we also punish companies with higher levels of toxic emissions, indications of increased water stress or poor land use from a biodiversity perspective. Finally, we reward companies that are active in areas of environmental opportunity including generating renewable energy.

In addition, we aim to avoid any company with significant revenue exposure to oil sands production. This method has a significant impact on local environments, as well as being much more carbon intensive to extract. We also exclude companies with any revenue derived from thermal coal or with any thermal coal reserves. Thermal coal is the dirties of the fossil fuels, emitting over three times the amount of greenhouse gases than gas to generate the same amount of energy.

Further, In terms of physical climate risks, we identify those companies at risk of water shortages, facing opposition over water use, or subject to higher water costs. Companies that lack strategies to manage and reduce water use will score lower. Companies that proactively employ water efficient processes, water recycling and alternative water sources will score higher.

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.)?

The strategy is active in all areas of ESG and incorporates environmental, social and governance considerations into the investment process in a number of ways. Our starting point is a universe of over 7,000 companies, those companies with ESG data coverage. We then:

– Apply the exclusions listed above

- Integrate ESG into stock selection and position sizing through our proprietary QEP ESG Rating (the criteria is described in question 3.3).
- Use our country risk monitor to assess relevant ESG (as well as macro/political) concerns at a country level
- Work in partnership with Schroders' Sustainable Investment team, we have an active programme of company engagement and voting.
- We analyse key ESG themes on an ongoing basis, assessing opportunities to integrate these insights into our process.

For further details please see section 4, Investment process

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

When investing in a company previously not held in the fund, we perform a qualitative sense check of our QEP ESG rating, the underlying ESG data and general company information.

On a daily basis, alongside reviewing fundamental, portfolio construction and risk management considerations, portfolio managers will also review any changes in the ESG profile of the companies within our universe. These changes can stem from changes in underlying external data and our ESG models. Any significant deterioration beyond our given thresholds will trigger substantial review of a holding. Depending on the severity of the deterioration, this review may result in engagement or in extreme cases, divestment from a company. This process is also followed in the case of a significant controversy.

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. The portfolio managers ultimately have responsibility for assessing the impact of controversies on the fund and necessary or warranted portfolio action.

In addition, we assess and address controversies in our QEP ESG rating. Whilst after a scandal, a company is likely to add policies to address the short-term risks we believe corporate culture can be slower moving and therefore an understanding of controversies, historic accounts of corporate failures, is important.

Section 4 Investment process

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

As described above, the strategy is active in all areas of ESG, incorporating environmental, social and governance considerations into the investment process in a number of ways. Our starting point is a universe of over 7,000 companies, those companies with ESG data coverage. We incorporate ESG data into our portfolio construction and monitor the ESG profile of our portfolios on a daily basis. ESG considerations are integrated into the investment process at stock, industry, thematic and country level as described below:

– **The exclusion list described above is applied to the investment universe**

– **QEP ESG Rank is central to our assessment of company sustainability and is utilised as a stock conviction/weighted risk adjustment**

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

– **QEP Governance incorporated as a key component of our assessment of business quality**

Alongside our more traditional measures of profitability, stability and financial strength, our view of business quality incorporates QEP governance as a fourth component. Quality considerations are one of the key drivers in the stock selection process, along with an awareness of valuations and a company's ESG profile as described above. A key driver of our view of quality is Governance which has a direct impact on our assessment of the attractiveness of the stocks we analyse. We have a broad definition of Governance including more traditional areas of corporate governance (board efficiency, pay, ownership, accounting standards) combined with areas including shareholder friendliness (with a focus on a company's track record of maintaining and increasing dividends), risks to minority shareholders and corruption and stability. Our multi-faceted view of governance is particularly helpful in emerging markets where it assists us in understanding the heightened risk around state owned enterprises and exposure to countries with higher risk of corruption.

– **QEP Country risk Monitor**

The Country Risk Monitor helps us to understand the corporate environment and enables us to adjust our portfolios' exposure to countries with elevated risks. An overall country risk 'ranking' is driven by consideration of five key groups of factors: Currency Valuation, Currency Credibility, Credit Risk, Growth Prospects and Political / ESG. Within Political/ESG, indicators examined include freedom of speech, labour laws, income inequality, corruption and the impact of the environment on human health, e.g. air quality. The credibility of policymakers and the institutional environment more generally is an important influence on decision making at the corporate level, particularly in less developed markets. We therefore compliment our bottom up stock assessment with country level analysis incorporating top-down measures of political and ESG concerns.

– **QEP Thematic Monitor**

The team carries out research around ESG themes and, where appropriate, we incorporate into the stock selection process penalties or rewards for stocks which are part of a negative or positive theme respectively. Examples of negative themes which are currently in focus for the team are predatory lending (businesses engaged in this practice face increased regulatory risk) and water stress (firms that consume large quantities of water in water-stressed regions face material risks). In contrast, cyber security is a positive theme.

- **Active ESG engagement, voting and research through collaboration with Schroders' Sustainable Investment Team**

The outcome and feedback from our stewardship activities is integrated back within the investment process. We have a formal quarterly engagement process. Working closely with the central Schroders sustainability team, we identify those companies with which we engage and the topics we wish to engage on. Candidates and topics for engagements can be reactive, for instance due to a controversy or a deterioration in ESG profile, or down to on desk research from our analysts. We treat the engagement outcome as another piece of information, with the engagement outcome able to depict a higher or lower level of risk associated with a certain company. As such, our engagement process is circular, with engagements highlighted by our investment process with the outcomes feeding back into it.

Awareness of risk management is integrated throughout our investment process and in particular in portfolio construction. The most critical role of our portfolio managers is to understand when stocks are attractive on a risk-adjusted basis, including ESG considerations, maximising return opportunities within a comprehensive risk framework.

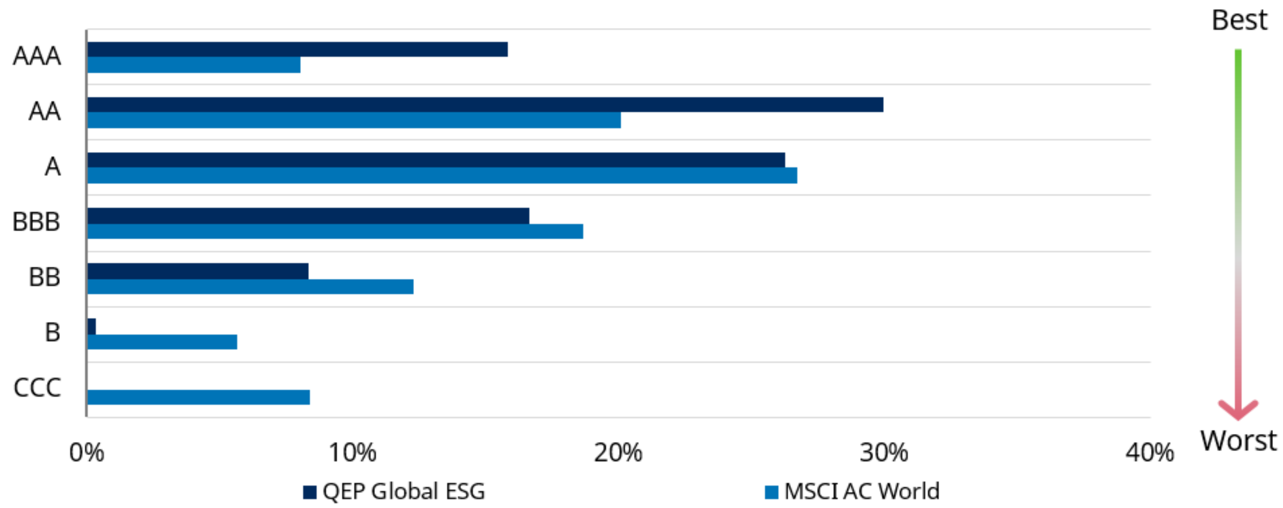
Portfolios are exceptionally diversified, accessing a genuinely broad opportunity set across countries, sectors and market capitalisations, while reducing stock-specific risk. Stock selection is primarily driven by bottom-up decisions made on the basis of our evaluation of a company's ESG characteristics, stock fundamentals and other metrics as described above. Sector, country and regional allocations are generally allowed to build from our stock selection process – we only invest where we see the best opportunities.

We take a disciplined and sophisticated approach to portfolio construction. Portfolio managers review their accounts on a daily basis to determine whether rebalancing is appropriate. Every day our models are run and a proprietary allocator tool, which takes account of the particular parameters appropriate to that portfolio, produces a list of recommended trades. Portfolio managers review every trade which has been recommended and make the final decision on implementation; no trade is made automatically. These experienced investors monitor a range of portfolio characteristics and ensure that the risk profile of the portfolio remains appropriate, as well as providing an important overlay in terms of awareness of future opportunities and risks in global markets.

As part of our disciplined approach to rebalancing, an assessment of recent price movements can assist portfolio managers in deciding the timing of their purchases or sales. We monitor all stocks in our universe and flag those which are particularly "hot" or "cold". "Hot" stocks which have appreciated recently are more likely to mean revert downwards in the near future and the reverse is true for "cold" stocks. Portfolio managers can take advantage of such price volatility and will, in certain circumstances, prioritise the sale of a "hot" stock or the purchase of a "cold" stock.

In implementing investment decisions we make use of a variety of different trading techniques and venues to keep dealing costs low. Liquidity considerations are built in at every stage of the QEP investment process in order to keep market impact costs to a minimum.

As a result of our ESG Integration, we would expect our portfolio to maintain a superior ESG profile versus the reference index as shown in the graph overleaf:

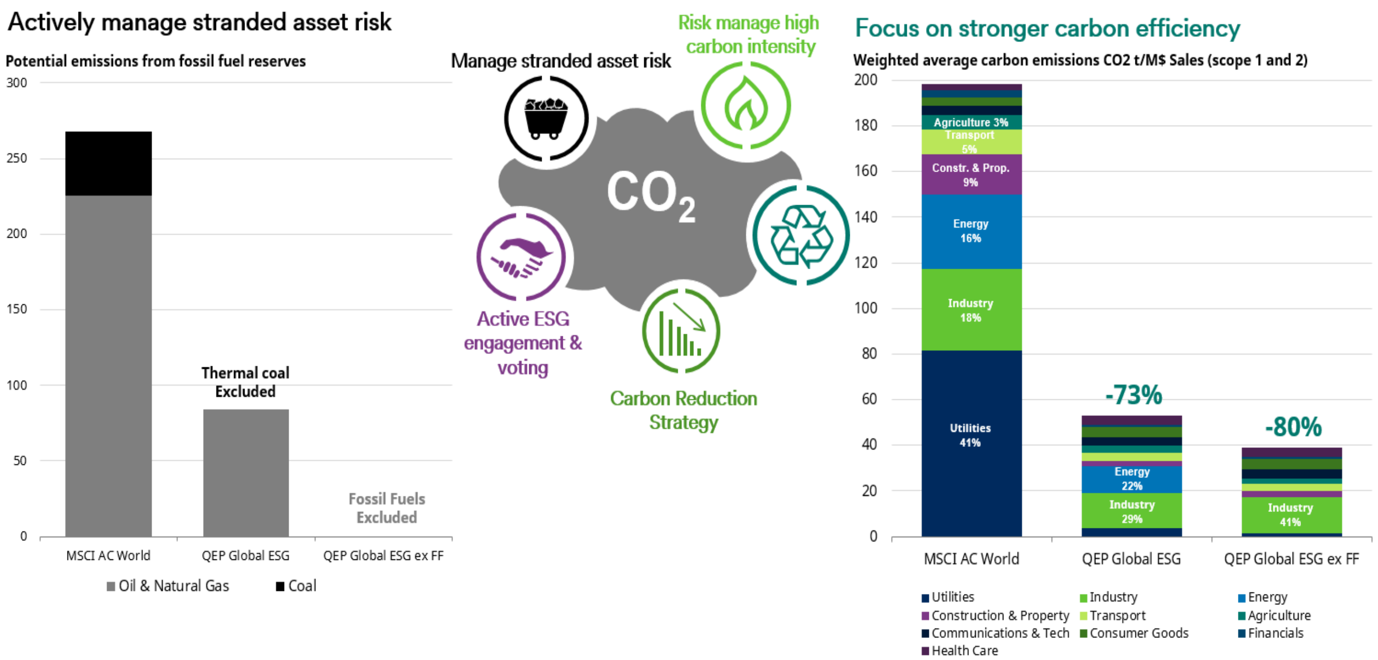


Source: Schroders, MSCI as at June 30, 2019.

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

As described in question 3.3 above, we integrate environmental considerations, including climate change risk into our proprietary QEP ESG Rating. Our QEP ESG rating, alongside our fundamental measures, determines the attractiveness of companies through our stock selection process and therefore the likelihood a given company will be held in the portfolio.

The charts below detail the outcome of our active carbon risk management.



Source: MSCI, CarbonMetrics, Schroders as at June 30, 2019. This is for guidance only. Scope 1: GHG emissions from sources directly controlled by the company; Scope 2: GHG emissions produced from the generation of energy produced by a third party and consumed by the company.

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

As described above, we will only invest in stocks where we have ESG data coverage.

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

The investment process of this strategy has been consistent since its inception. However, constantly changing market conditions, additional data sources and increased transparency demand new ideas and fresh perspectives. Thus the QEP Investment Team carries out innovative, forward-looking research and often makes incremental enhancements to the process. Over time, we continue to seek opportunities to enhance our forward looking ESG measures further and collaborate with Schroders' Sustainable Investment Team.

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. Further, as noted previously we also employ the QEP Thematic Monitor to highlight and reward those companies operating in industries that we consider positive from an ESG perspective, such as energy storage or cyber security.

As well as this, 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?

We make limited use of derivatives for efficient portfolio management and risk reduction purposes only. We find that equity index futures are an efficient way of dealing with cashflows into and out of accounts. In addition, we have the flexibility to use currency forwards to hedge some of the risk resulting from larger active country positions. Occasionally where a particular market is difficult to access, it makes sense to invest via derivatives, usually index futures.

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

No, 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?

As mentioned earlier, on a daily basis, alongside reviewing fundamental, portfolio construction and risk management considerations, portfolio managers will also review any changes in the ESG profile of the companies within our universe. These changes can stem from changes in underlying external data and our ESG models. Any significant deterioration beyond our acceptable standards will trigger substantial review of a holding. Depending on the severity of the deterioration, this review may result in engagement or in extreme cases, divestment from a company. This process is also followed in the case of a significant controversy.

In addition, we assess and address controversies in our QEP ESG rating. Whilst after a scandal, a company is likely to add policies to address the short-term risks we believe corporate culture can be slower moving and therefore an understanding of controversies, historic accounts of corporate failures, is important.

When investing in a company previously not held in the fund, we perform a qualitative sense check of our QEP ESG rating, the underlying ESG data and general company information.

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, along with any other controls in line with our ESG policy, 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 Aladdin system runs a post-trade batch check of all restrictions to identify any positions that are not compliant with coded restrictions.

The central Schroders Sustainable Investment team also provide a further layer of oversight, given their continual assessment of a company's ESG profile and communication of various ESG themes which they monitor. The QEP team and the central Schroders Sustainable Investment team have a close relationship, collaborating across multiple streams, from the facilitation of stewardship activities to knowledge and research sharing. We meet with the Sustainable Investment team on both a monthly and quarterly basis, ensuring any ESG based developments, whether they be company specific or thematic in nature, are communicated swiftly and effectively. This provides us with the tools and information to mitigate any such risks in a timely manner and ensure we maintain the desired ESG profile of the portfolio.

Section 6 Impact measures and ESG reporting

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

As a result of our ESG Integration, our portfolio is skewed towards companies with stronger ESG credentials and away from the lower rated businesses compared to the reference index (MSCI AC World). To that extent, we closely monitor the fund's overall ESG profile versus the reference index on a continual basis and ensure a superior ESG profile is maintained.

Another measure on which the portfolio is notably different to the reference index is the exposure to climate change related risks. As mentioned before, Carbon Intensity, Carbon Trend, Carbon Strategy, Stranded Assets, Environmental Impact and Environmental Opportunities are the key components of our environmental analysis within our QEP ESG Rating linked to climate change.

We avoid companies that have high carbon intensity (CO_2 tonnes/mn $ sales) as they have a disproportionately negative impact on global Green House Gas (GHG) emissions and will face increasing regulatory pressures as a result while also excluding any companies that derive any revenues from coal or with any exposure to coal reserves. It is important not to just focus on the resource-heavy companies as carbon emissions from other sectors are often just as significant in terms of their impact. On a more forward looking basis, companies are penalised where they have no reduction target and this penalty increases if they have a higher level of carbon intensity. We also reward companies with future carbon reduction targets but place less emphasis on this versus those that have historically reduced their emissions. The largest rewards are for those companies that have aggressive annualised reduction targets and have actually reduced their carbon emissions intensity historically.

Social risks are potentially the most subjective area of ESG to measure due to the scarcity of hard data. Many of our engagements with companies involve social issues as a result. It is not always easy to determine if the absence of a policy is due to the company not managing their risks or simply a lack of public disclosure. For this reason, we do not automatically penalise companies that have low disclosure and view these as candidates for engagement (please refer to separate paper on QEP engagement). Many of our engagements with companies involve social issues as a result.

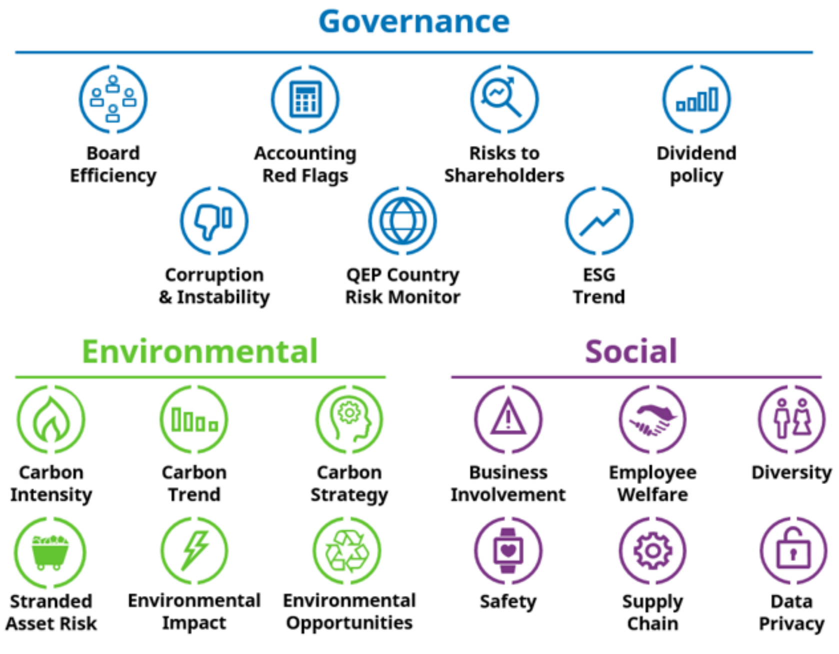
Across our strategies, we are particularly focused on avoiding or scaling back exposure to companies with higher social risks. For our dedicated ESG strategies, we will avoid areas involved in certain businesses altogether (e.g. tobacco). Within our QEP ESG rank, we focus on quantifiable risks where possible and are selective on data points to make sure we avoid biases and topics that are hard to measure. Business involvement captures any association with activities that generate a negative social impact. We track revenue exposure to tobacco, gambling, adult entertainment, alcohol, weapons and predatory lending across companies. Focusing more on the internal workings of a company, we measure employee satisfaction and welfare by employee turnover, disruptions due to labour unrest and various indicators of job satisfaction. Gender diversity is measured by the proportion of women in leadership positions. Our definition of safety spans multiple topics from human injuries to product quality issues where we also include the products of financial companies. Injury and fatality rates are another good example of objective, quantifiable data as industries like mining and construction are inherently more dangerous so these are treated as absolute risks. Thus, we are able to measure, monitor and manage the social profile of the QEP ESG portfolio and the risks associated with this.

As such, ESG considerations are fully integrated within the QEP ESG strategy. The QEP ESG stock rank and its subcomponents are utilised as a stock conviction/risk adjustment which impacts stock weighting in the portfolio, ultimately leading us to avoid certain stocks with poor ESG credentials altogether. We also apply our broadest exclusion policy to our ESG strategy to create a socially responsible universe. The QEP ESG strategy naturally exhibits an ESG profile far superior to that of the broader MSCI AC World index across a variety of measures, and this profile is consistently evaluated to ensure ESG quality remains high.

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

All of the criteria described in question 3.3, have associated measures and are used in our stock selection and portfolio construction process. As mentioned, we consider the relevance of any data point in the context of a company's business model. Materiality is a key issue within any ESG analysis – not every metric is appropriate or helpful for every stock.

The key ESG indicators used by the funds are shown below:



Source: Schroders QEP

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

Monthly fund updates which include a market statement, portfolio key statistics, the overall ESG score of the fund as well as our quarterly sustainability report, which includes:

- Environmental performance measures, including metric tonnes per every $1m invested into our strategy as well as policies on energy efficiency and emissions reduction
- Social performance measures, including employee fatalities
- Human rights performance measures
- Governance performance measures, including the percentage of independent board members and the CEO-Chairman separation
- Most significant engagements by topic
- Votes cast with or against management.

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

Additionally, 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 – 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 Exclusions
- Sustainability insights on a range of environmental, social and governance factors
- 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 QEP Global ESG: Risk Factors
The following risks may affect fund performance. 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. Derivatives risk: A derivative may not perform as expected, and may create losses greater than the cost of the derivative. Equity risk: Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. Leverage risk: The fund uses derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss. 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.