Schroders

European SRI Transparency Code

Schroder ISF Global Energy Transition

May 2020

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The European SRI Transparency logo signifies that Schroders commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Sustainable Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Code can be found on www.eurosif.org, and information of the SRI policies and practices of Schroder ISF Global Energy Transition can be found at www.schroders.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 (SRI) 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 fourth 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 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.

May 2020

Section 1 List of funds covered by the Code

Fund name:

– Schroder ISF Global Energy Transition

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

– Sustainability themed

– Integration of ESG Factors into Financial Analysis

Asset class:

Actively managed, International shares

Exclusions:

– Cluster Munitions
– Anti-Personnel Landmines
– Biological Weapons
– Chemical Weapons
– Military weapons
– Tobacco
– Alcohol
– Thermal coal
– Nuclear power
– Fossil fuel extraction and production
– Fossil fuel power generation

Fund capital as at 31 March 2020:

– USD 23.3 million

Other labels:

– French TEEC label
– Febelfin label

Links to relevant documents:

– KIID: Schroder ISF Global Energy Transition - KIID USD I Share Class
– 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 factsheet: Schroder ISF Global Energy Transition - Factsheet USD I Share Class
– Monthly Update: Schroder ISF Global Energy Transition - Monthly Fund Update
– 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 of the 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 more than 20 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 – This outlines 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. This 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 the company?

While ESG issues are sometimes difficult to quantify, we recognise that 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. We firmly believe that 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 the coming years, decades and beyond. Whether the global economy is rebuilt on less carbon intensive foundations or the temperature continues to rise, investors will be unable to avoid its impacts.

Our Sustainable Investment team produces dedicated research on the topic; our first report was 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.

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

We have 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 that 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' cash flows 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/).

We have also developed a proprietary model to help our analysts, fund managers and clients measure and manage the physical risks climate change poses. 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 less than 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 21 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.t. Together they have more than 200 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 – Swiss Sustainable Finance – Responsible Investment Association Australasia (RIAA) – 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 – Powering Past Coal Alliance Finance Principles	– Access to Medicine Index – Business Benchmark on Farm Animal Welfare – Coalition for Inclusive Capitalism – ShareAction Workforce Disclosure Initiative	– 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 31 December 2019, Schroders managed £500.2 billion (€590.3 billion/$662.6 billion) of assets globally.

We recognise that 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 2019, we managed £69 billion (€82 billion/$92 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 31 December 2019, Schroders managed over £300 billion (€354 billion/$397 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 31 December 2019, Schroders managed over £2.6 billion (€3.1 billion/$3.4 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?

Schroder ISF Global Energy Transition aims to provide investors with a focused, actively-managed, thematic exposure to the best performing companies involved in the transition to a more sustainable energy system. It has the principal goal of finding companies within the energy transition universe that, at reasonable value, have the potential to deliver long-term structural real earnings and cash flow growth. The team believe that companies active in sustainable industries, with more sustainable business practices, have the greatest ability to deliver this real earnings and cash flow growth over the long-run.

The energy transition embodies a number of themes and societal aims. Primarily it is required to reduce energy-related CO2 emissions, and consequently limit global climate change, but it will also have the added benefit of reducing global energy poverty by making the energy system more affordable, flexible and secure. This is particularly important as rising global temperatures could otherwise trigger a vicious cycle, as energy demand grows and inequality deepens. Given its global importance, as well as the substantial investment required to achieve the change, we believe that companies directly contributing and most actively involved in driving this transition are not only adding value to society, but also best-placed to generate consistent real earnings and cash flow growth over the long-term.

At the same time, we strongly believe that just because a company operates in a sustainable business area, it does not necessarily mean they are a sustainable business – with the number of high-profile bankruptcies seen in the clean energy space over the last decade clear evidence of this. By integrating ESG analysis when assessing investment opportunities, we aim to identify those companies that have the greatest potential to realise the long-term real earnings and cash flow growth associated with the energy transition opportunity, and so those that are best placed to outperform their peers and enhance value for shareholders.

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)?

To assess the sustainability of companies across the Schroder ISF Global Energy Transition universe, the team score and classify all investable companies using a proprietary sustainability assessment that combines detailed ESG analysis and long-term engagement with company management. The team use a range of internal and external resources to analyse companies within this framework.

Alongside our own detailed analysis of company ESG practices, the investment team look to collaborate with Schroders' Sustainable Investment Team (which consists of 21 dedicated sustainability analysts) and leverage the internal research and investment tools that this in-house team produce. Central to this collaboration is the dedicated monthly meeting the team have with the Sustainable Investment Team to discuss the fund universe, company engagements, and relevant new research and analysis.

The Schroders Sustainable Investment team has extensive networks within its respective field and regularly produces innovative ESG research. They draw information 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 their (and 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. Schroders currently subscribe to the following external ESG research providers: MSCI ESG research, Bloomberg, EIRiS, Thomson Reuters Asset4 and CDP. In addition, Schroders subscribes to Institutional Shareholder Services (ISS) and Association of British Insurers' Institutional Voting Information Service for our proxy voting research.

Of particular importance to the sustainability assessment performed on companies within the fund universe are the various investor tools that the Sustainable Investment Team produce, including SustainEx, BoardEx, Carbon Value at Risk (VaR) and, most notably, CONTEXT. CONTEXT is a proprietary data–driven investment tool that provides a systematic framework for analysing a company's relationship with its stakeholders and the sustainability of its business model. It identifies key performance drivers and data points to examine company strengths and weakness across different key stakeholder groups and is central driver of our assessment of a company's stakeholder management. CONTEXT has three key benefits compared to other third party providers. First and most importantly, the tool is proprietary to Schroders, so we have visibility and control over the data inputs and outputs. This not only gives us a robust understanding of what drives peer rankings but also gives us the opportunity to drill down into a particular issue. Second, the tool is dynamic and can be and adjusted to reflect new insights. The tool will only improve as we continue to engage with businesses, sustainability analysts develop their thematic research, and data analysts collate more input metrics. Finally, the tool is forward-looking. It not only highlights where companies need to improve but also captures where improvements have already been made.

Alongside the work produced by the in-house Sustainable Investment Team, of equal important are the meetings the Schroder ISF Global Energy Transition team have with management and stock-specific analysis from the team itself to ensure that the relevant ESG information is being incorporated into the investment process. This involves taking data direct from company sustainability reports and other external sources. In this sense, the team do not rely one single source of information, but pull together various sources to help classify each company in a thoughtful manner.

Active engagement is also critical to the ESG evaluation and investment process. We continuously closely engage with both our holdings and prospective investments and on average we try to meet or speak with company management once every six months. An initial sustainability assessment is an important input to the engagement process and informs the questions asked of management and the areas where the team would like to see improvement.

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

When thinking about the sustainability and durability of businesses across the energy transition universe, we believe it is vital to consider both macro-level sustainability trends and company-specific ESG characteristics. At the company level, we believe that there are four core characteristics that will allow businesses to thrive:

- **Clear awareness and management of ESG issues across stakeholder groups:** Strong relationships with stakeholders can act as a crucial source of competitive advantage and the team believe that all stakeholders matter to a company's financial performance. Companies that can position themselves as suppliers of choice to their customers, that can attract motivated, quality employees to enhance innovation, and that work closely with regulators to shape the use of technologies, will be best placed to be market leaders, avoid controversies, and ultimately grow above the average industry rate. Companies that ensure they are managing their environmental footprints, avoid negative scrutiny, and have well-managed supply chains, can mitigate key business risks and prevent setbacks to growth. When assessing companies, the team believe it is important to take a holistic approach that considers the perspectives of all stakeholders, with this approach firmly in-line with the views of the in-house Sustainable Investment Team at Schroders.

- **Robust corporate governance:** This is vital to ensure that management is overseen effectively and that minority shareholders are treated fairly.

- **High-quality management:** Strong leadership, a clear corporate vision, and disciplined capital allocation are fundamental drivers of consistent company growth and long-term value creation for shareholders.

- **Strong and flexible balance sheets:** To ensure companies remain competitive and can continue to operate during periods of market weakness a strong balance sheet will be crucial. A strong balance sheet can also be used to manage changing stakeholder needs and new industry opportunities.

The team believe companies that can clearly exhibit these four characteristics – which are all examined when assessing the sustainability of potential investment ideas – have the greatest potential to achieve long-term real earnings growth and enhance value for shareholders. Equally, companies that fail to show these characteristics, however attractive their industries may be on the surface, will be at risk of failing to realise their potential and grow successfully over the long-term.

Key company-specific questions Schroder ISF Global Energy Transition will use to assess company sustainability

Sustainability Characteristic	Key questions and metrics
High-quality management	Does the company have a strong track record of value enhancement? Does management have a clear understanding of sustainability issues and make clear linkages between how issues impact financial performance?
Robust corporate governance	Are the board and sub-committees independent and diverse? Is management remunerated fairly? Does the ownership structure create risks for minority shareholders? Are the right business structures in place to support sustainable business development?
Strong and flexible balance sheets	Does the company have a robust balance sheet to manage market shocks and business cycles or a clear path to improving balance sheet strength? Does the company have the balance sheet flexibility and cash position to allow for strategic investment?
Clear awareness and management of ESG concerns	Is the company able to attract high quality employees to allow greater innovation and best execution? Does the company effectively manage its supply chain, customer base and regulatory relationships? Does the company effectively manage its environmental footprint and its impact on its local communities?

Source: Schroders - May 2020.

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

The energy transition is required to transform the global energy system to make it cleaner, more affordable and secure. A key part of the transition will be shifting the global energy system from a system based on fossil fuels to one that is zero-carbon by 2050, in order to limit global temperature increases to manageable levels. Electricity and heat currently make up close to 50% of emissions globally, with transportation accounting for another 20%. In order to achieve globally-agreed climate goals, the world must increase the share of electricity and heat generated from renewables from 20% today to close to 85% by 2050, and increase the share of electricity in final energy consumption (through electrified transportation and industrial processes) from 20% today to nearer 45% by 2050.

By focusing purely on companies most actively involved and driving this transition to a more sustainable, lower-carbon energy system, the fund has the issue of climate change at its very core. It is specifically focused on investing in those companies that are providing the critical technological solutions to mitigate climate change and that will benefit from the new earnings and cash flow opportunities associated with this shift.

Alongside this central thematic focus, the fund also applies strict revenue-related exclusions linked to climate change, and specifically the strict restriction of fossil fuel activities. Specifically, the fund will not invest in any company with any revenue (0% revenue threshold) or reserves from:

- Total Coal Reserves
- Thermal Coal Reserves
- Natural Gas Reserves
- Oil Reserves
- Oil & Natural Gas Reserves

- Thermal Coal Revenues
- Oil and Gas Extraction and Revenues
- Oil and Gas Distribution and Retail Revenues
- Oil and Gas Pipelines and Transportation Revenues
- Oil and Gas Refining Revenues
- Oil and Gas Trading Revenues
- Oil Sands Revenues
- Generation Thermal Coal Revenues
- Generation Oil and Gas Revenues
- Generation Fossil Fuels Revenues

On top of the thematic focus of the fund universe and the strict exclusion criteria, climate change criteria is also incorporated into fund analysis through the 'environmental management' component of the stakeholder analysis aspect of our bespoke sustainability classification. As part of our analysis for this particular ESG category, we consider how a firm is managing its environmental footprint (including its impact on the climate), as well as its potential exposure to the effects of long-term climatic change. While no single climate change metric determines the overall assessment of a company's environmental management score, the fund evaluates a variety of different metrics – from both internal and external data sources (including the internal CONTEXT investment tool) – to determine whether a company is adequately managing its climate and environmental risks. These metrics include:

- Carbon Value at Risk (VaR)
- Emissions or energy reduction targets
- Energy cost exposure
- CDP performance band
- Exposure to the physical risk of climate change
- ISO environmental certification
- NOX (nitrous) and SOX (sulphurous oxide) intensity

To help us assess the absolute and relative performance of companies with respect to these metrics, and to help us understand any wider and more complex climate change risks and opportunities for companies across the investment universe, the team also leverage the thematic research and proprietary tools from the Schroders' Sustainable Investment team. Many of these tools are directly integrated into our company valuation sheets. A number of these tools have been detailed below.

Climate Progress Dashboard

The Climate Progress Dashboard was created to help Schroders' analysts, fund managers and clients track the scale of climate action required and the progress being made. Meeting global leaders' commitments to limit temperature rises to 2 degrees will require action across a range of areas, by a range of stakeholders.

The Climate Progress Dashboard is based on examining the difference between the IEA current policies scenario and a 2 degree scenario (2DS). The 2DS analysis developed by the IEA has been developed to include a lot of associated work on implications for carbon prices, renewables investment etc. We use that analysis both qualitatively and quantitatively. The scenario analysis provides a platform from which we can build more detailed investment risk models. For example, by examining the implied trajectory of electric vehicle demand through 2050, based on the IEA's analysis, we can assess the potential opportunities for producers of related products under a range of assumptions for industry disciplines, and the associated implications for the values of individual companies. By comparing the incremental impact of a two degree transition on the value of investments, relative to a current policies baseline in which no further policy action is forthcoming, we are able to understand the exposure of different industries to components of a 2 degree world.

Carbon Value at Risk

Carbon Value at Risk (Carbon VaR) is another tool developed by the Sustainable Investment team to help fund managers and analysts better understand how carbon pricing could affect company profitability. It estimates the impact on companies' earnings of raising carbon prices to $100 a tonne, based on their current emissions, business models, cost structures and elasticity of demand. The Carbon Value at Risk model allows the team to consider the impacts through a range of different lenses. At the sector level, the model shows the extent to which companies are impacted (positively or negatively) from rising carbon prices. We can then overlap our fundamental views with the outputs of the Carbon VaR model, generating insights into how carbon pricing may play out as an investment risk across the board. The model provides the necessary information for fund managers to form a view of portfolio risk, as well as the ability to look into the details within sectors and industries that contribute to that risk. At a more granular level, we can see which companies are likely to be most severely impacted.

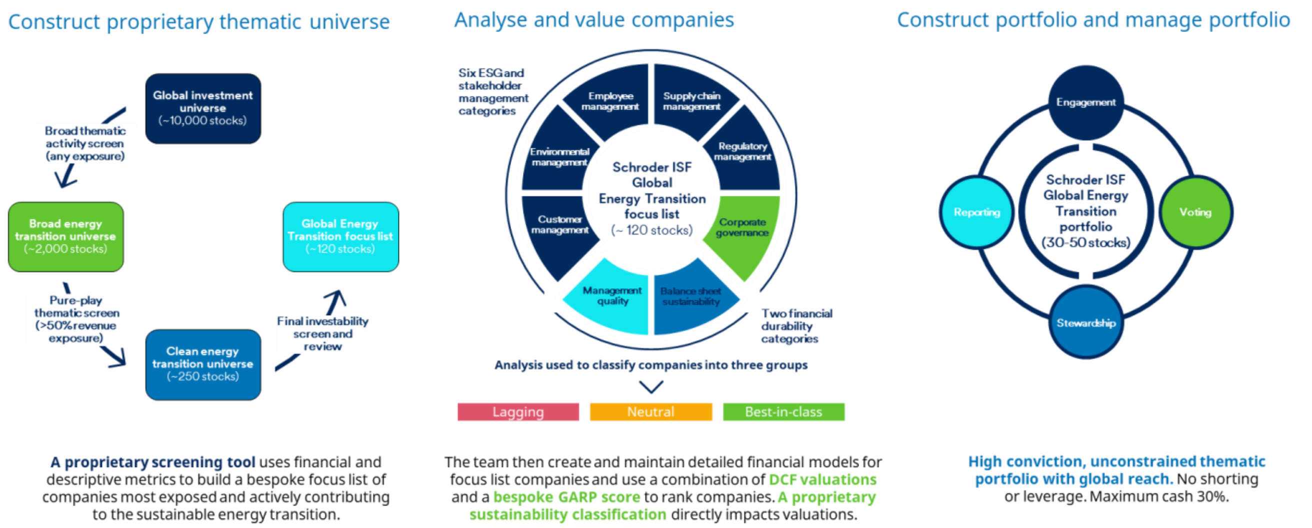
Physical Risk

The Schroders Physical Risk tool examines the average level of exposure to the physical impacts of climate change in the geographic regions in which company assets are located using GermanWatch's Climate Risk Index. This tool allows us to understand which companies could be most exposed from the adverse effects of climate change if action to mitigate it is slower than required.

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.)?

Sustainability is a cornerstone of the Schroder ISF Global Energy Transition investment process, with ESG analysis incorporated at each stage, including: (1) universe creation, (2) company analysis and (3) portfolio construction and reporting.

Sustainability is embedded into each part of Schroder ISF Global Energy Transition investment process



Screen universe

Global universe of companies screened using a proprietary screening tool and review process based on descriptive and financial metrics.

The fund has global reach but applies restrictions based revenue exposure (>50% exposure to the energy transition), sustainability restrictions, liquidity, size, and country-risk.

Focus, build and analyse

Create and maintain detailed financial models of focus list companies. Fair value upside based on DCF and GARP is ranked.

Proprietary sustainability assessment used to classify companies as 'best-in-class', 'neutral', or 'lagging'.

This sustainability assessment directly influences portfolio construction through financial model adjustment and a bias towards 'best-in-class' companies.

Construct and manage

High conviction portfolio. Unconstrained approach. No shorting or leverage. A maximum 10% individual investment weighting. 5/10/40 rule.

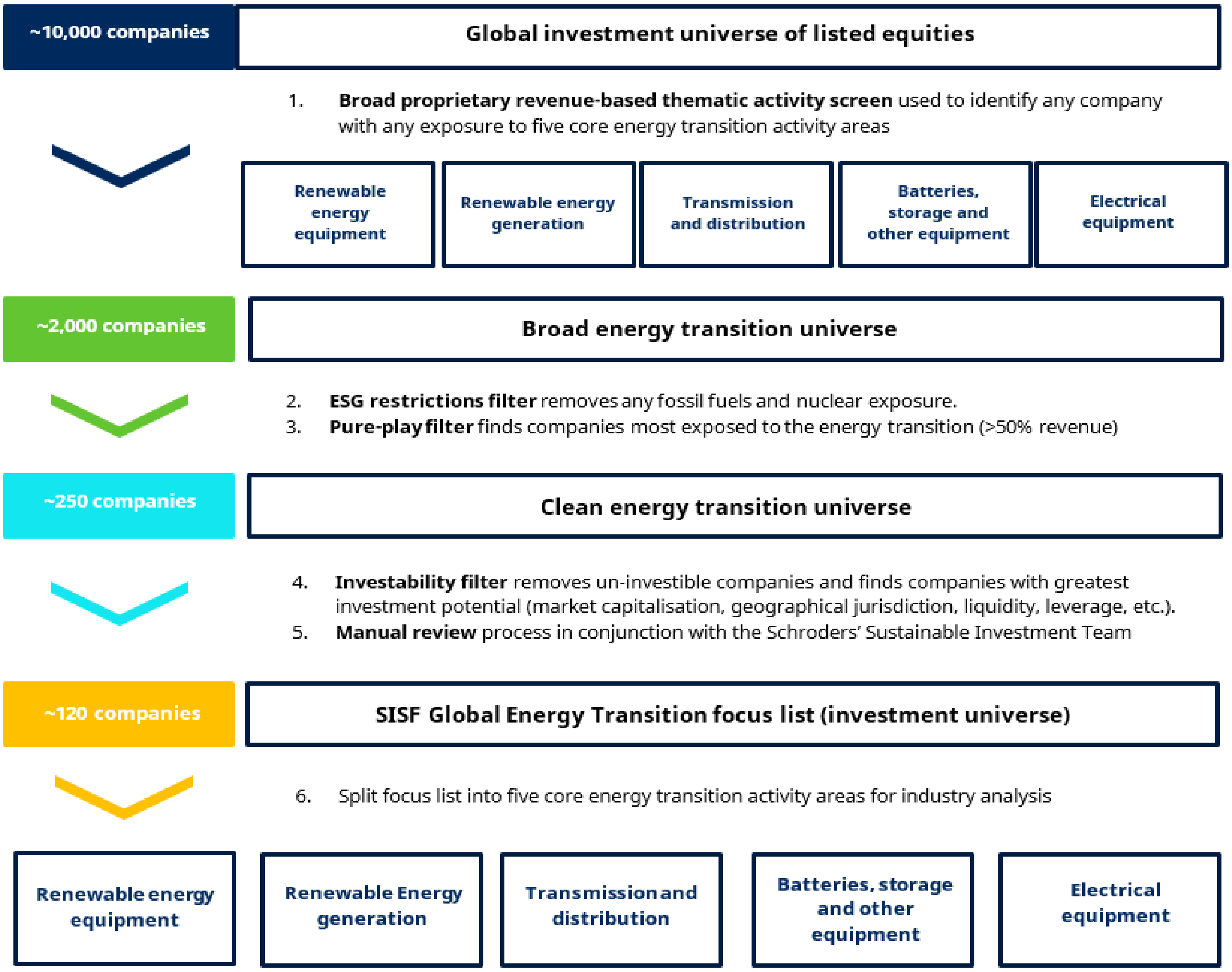
Regular and active engagement with companies held in the fund.

Non-financial impact reporting to demonstrate impact to sustainable energy transition.

Source: Schroders – May 2020.

Starting with the investable universe, to ensure the fund is only investing in companies that are actively involved and directly contributing to the energy transition, the team use a proprietary quantitative screening tool that looks for companies that generate at least 50% of their revenue from specific energy transition activities: including (1) renewable energy equipment; (2) renewable energy generation; (3) transmission and distribution; (4) batteries, storage and other equipment; and (5) electrical equipment. This method allows the assessment to be completely objective, relying on reported company data rather than qualitative assessments.

Schroder ISF Global Energy Transition universe screening process



Source: Schroders – Mayl 2020.

While the vast majority of companies in Schroder ISF Global Energy Transition universe meet this 50% revenue criteria, in certain cases the team can manually add companies with revenue exposure below this threshold to the fund universe.

These 'manual additions' are only permitted if they meet the following three criteria:

1. These companies are playing critical roles in the energy transition.
2. These companies are growing the share of revenue that they have exposed to energy transition activities.
3. The fund has approval from the Schroders Sustainable Investment Team to allow these companies into the universe based on their view of the companies' roles in the transition and whether they fit the fund mandate.

As well as looking for companies with material revenue exposure, as part of its aim to ensure that it is offering clients a pure and focused exposure to the transition to a more sustainable energy system, the universe screen also removes all companies with any exposure to certain restricted activities. Schroder ISF Global Energy Transition will not invest in any companies directly involved in fossil fuels or nuclear power. It will also not invest in any companies with any exposure to weapons, alcohol or tobacco. All exclusions are determined using data from MSCI.

Finally, the fund also considers end-market exposure when thinking about its investment universe. In instances where we find that a particular company has significant exposure to a restricted end-markets, we will exclude these companies from the Schroder ISF Global Energy Transition universe.

Once the investable universe has been established, the team then evaluate the sustainability characteristics of each company. When assessing the ESG characteristics of companies, **each company is classified as one of three things: (1) Best-in-class, (2) neutral, (3) lagging.**

Schroder ISF Global Energy Transition sustainability classification and scoring system

Sustainability category	Key questions
Financial durability	
Management quality	Is management competent, trustworthy and aligned with shareholders? Does the company show an awareness of sustainability issues and make clear linkages between how these issues impact financial performance?
Balance sheet sustainability	Does the company have a robust balance sheet to manage market shocks and stakeholder risks and opportunities?
ESG and stakeholder management	
Corporate governance	Are the right structures in place to support sustainable business growth and protect minority shareholders?
Regulatory risk management	Does the company manage its regulatory environment effectively?
Supply chain management	What standards are suppliers held to and is the supply chain sustainable?
Customer management	Is the company the supplier of choice for customers?
Employee management	Is the company able to attract the right talent to ensure continued business success?
Environmental management	Does the company actively manage its environmental footprint and risks?

Overall sustainability score and category										
0	1	2	3	4	5	6	7	8	9	10
Lagging				Neutral			Best-in-class			

Source: Schroders – May 2020.

These three categories can be considered as follows:

1. **'Lagging':** Companies that show poor corporate governance, unconvincing management, weak balance sheets, poor stakeholder relations, and fail to demonstrate an awareness of material ESG issues they face.

2. **'Neutral':** Companies that show adequate corporate governance, suitable management, reasonably robust balance sheets, have reasonable relationships with stakeholders and some awareness of ESG issues. These companies do not exhibit ESG risks necessarily, but at the same time are not best in class companies with the potential to maintain market leading growth.
3. **'Best-in-class':** Companies that have strong corporate governance, quality management, strong balance sheets, great relationships with stakeholders and a good awareness and management of ESG issues. These companies will be able to attract the best employees, to continue to lead the industry in terms of productivity, have strong supply chain links, acting as the 'supplier of choice' for customers, and are mindful of their environmental impact.

To determine the classification for each company, each company is assessed along a set of eight sustainability and ESG criteria. These eight categories reflect the four core underlying characteristics the team believe that companies with sustainable businesses should exhibit: (1) management of stakeholder ESG issues, (2) strong corporate governance, (3) sustainable balance sheets, and (4) high quality management teams. Crucially, every company assessment is undertaken with the unique situation of each business in mind. The focus is on understanding the most material ESG risks and opportunities for each company and industry – i.e. those most important to the sustainability of company returns – and analysing how companies are managing these. Those companies exposed to greater sustainability risks and opportunities at a macro scale, are expected to be doing more at a company level to appropriately manage and exploit these issues.

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

The ESG evaluation of companies within Schroder ISF Global Energy Transition universe is continuous and iterative in nature, with assessments and views adjusted following company engagements or the release of material new information. Analysis of companies is constant to ensure we are allocating capital appropriately for our clients and so the team are constantly monitoring company developments. While the team continually update their own views of company sustainability, the in-house Sustainable Investment team is responsible for maintaining the various investment tools used by the fund to inform its sustainability analysis. The data included in these tools is updated and upgraded on a regular basis, as and when new information is available.

The Fund continually monitors portfolio holdings for ESG-related controversies using a variety of different sources. We work closely with the Sustainable Investment team, which acts as a central point of liaison for investors across Schroders who may have exposure to companies through a variety of different instruments. Our ESG specialists are responsible for assessing the impact of the incident. In instances where companies within the portfolio are exposed to specific controversies the team work to quickly to assess the nature of the controversy and, if appropriate, engage with the company to understand why the controversy has taken place and what the company is doing to manage risks going forward. Where appropriate engagement is done in conjunction with the Schroders' Sustainable Investment Team.

When engaging with companies the team follow a clear and standardised engagement process that outlines the concerns the team has and sets clear milestone targets for companies. The precise milestone targets are based on company-relevant metrics and are set, where appropriate, in conjunction with the Schroders' Sustainable Investment Team to ensure the targets are sensible and realistically achievable. The time frames for which companies are asked to achieve these targets will vary, depending on the nature of the target and business, but typically seek to see change within six months to two years. The team track the progress of engagements and report on successes and failures as appropriate. Again, this is done with the help of the Sustainable Investment Team where appropriate.

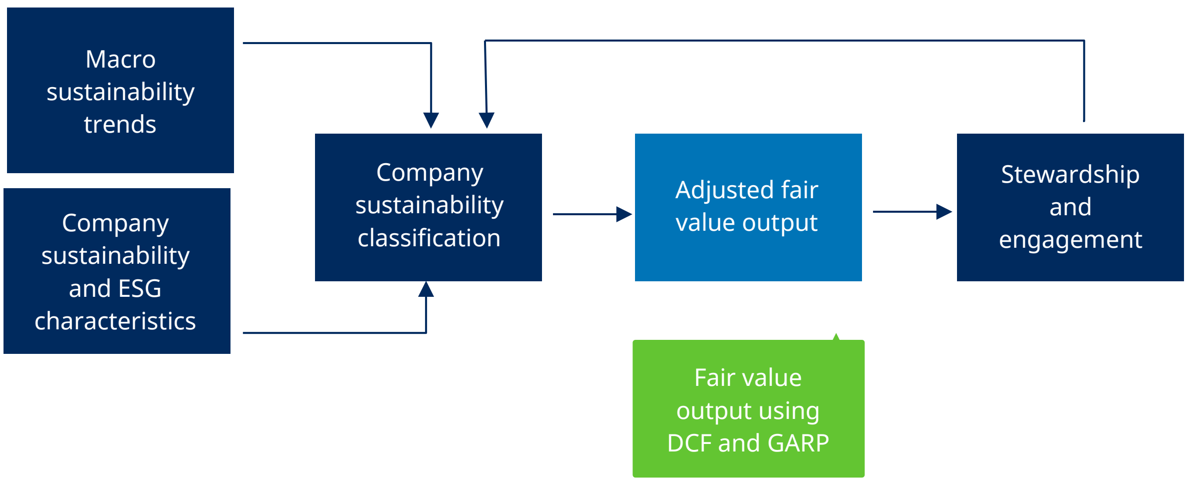
The fund considers ESG-related controversies as part of its ESG analysis for all companies within the investment universe, with this analysis helping to determine portfolio construction.

Section 4 Investment process

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

At the heart of the Schroder ISF Global Energy Transition investment process is stock-level research and a 'focus list' of companies for which the team maintain detailed financial models and notes. A central part of the investment analysis is the sustainability classification. This classification directly impacts investment decisions by influencing the assumptions we make in our financial models (such as the long-term growth rate and equity risk premium applied) and therefore the fair value we believe a company has. In this way, our ESG analysis is fully integrated into our investment process.

Practical integration of ESG analysis in Schroder ISF Global Energy Transition process



Source: Schroders – May 2020.

By influencing the assumptions we make in our financial models, our sustainability classification directly impacts portfolio construction. The team also has an additional, direct bias towards 'best-in-class' companies in portfolio construction. We believe that companies with 'best-in-class' characteristics will be best-placed to deliver sustained earnings and cash flow growth over time, and ultimately the greatest shareholder returns.

As a general rule the team does not invest in 'lagging' companies. But in certain cases where the team feel the upside return potential from 'lagging' companies is still hugely attractive, the team will seek to engage with the company to encourage improvement in their business practices and get assurance that this improvement will take place. Where the team are confident that there is a clear path to improved practices, they will then be able to invest in these companies, subject to agreement with Schroders' Sustainable Investment team. In such instances, practices will be carefully monitored to ensure that improvements are being made. If no improvement is observed over an appropriate time period (six months to two years), the team will reconsider the investment position.

Actively engaging with management is a core part of the investment process and our discussions with companies feed directly back into company sustainability scores in an iterative manner. In this way, the team's view of the sustainability of a particular company can evolve over time. On average we try to meet or speak with company management once every six months. During these meetings we regularly discuss sustainability topics alongside underlying business trends, with these discussions used to inform our sustainability score and influence business practices. When making requests for change, the team use a similar approach to that used when engaging with a company on a particular controversy (as outlined in section 3.6).

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

As discussed in question 3.4, climate change specific criteria is embedded in our proprietary sustainability classification. As a result it directly feeds into all portfolio construction decisions, both through adjustments to company valuation models and through the direct bias to 'best-in-class' companies in the portfolio.

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?

No, the ESG evaluation and investment process has not changed in the last 12 months.

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

While the application of the fund's philosophy and process is likely to result in a positive skew towards companies that actively take their stakeholders, and society as a whole, into account, positive social impact is not the primary objective of the strategy.

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?

No, the fund does not use derivative instruments.

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?

The investment team uses Aladdin as their global compliance monitoring system. The Aladdin platform combines sophisticated risk analytics with comprehensive portfolio management, trading and operations tools on a single platform to enable informed decision-making, effective risk management, efficient trading and operational scale.

Exclusions are coded into Aladdin to ensure that pre-trade compliance correctly flags the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data. The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Portfolio Compliance team within the independent Investment Risk function.

The data in Aladdin forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available. Users of Aladdin are able to build customised reports to focus on specific aspects of the portfolio.

The team holds monthly meetings with the Sustainable Investment team. These meetings are an opportunity to discuss companies within the investment universe, as well any material issues around company controversies. To ensure the robustness of the strict universe inclusion criteria, the Sustainable Investment Team has the right to veto any company included in the fund universe. Minutes are recorded at these meetings to document these discussions.

Section 6 Impact measures and ESG reporting

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

While Schroder ISF Global Energy Transition does not explicitly target specific ESG metrics, we recognise the need to demonstrate the ESG quality of the fund. We would expect the fund to:

1. Have a high proportion of 'best-in-class' companies in the investment portfolio compared to the number of 'lagging' companies.
2. Have a high percentage of overall company revenue exposure within the portfolio associated with key energy transition activities. This is driven by the 50% revenue criteria used to define the investable universe.
3. Demonstrate, in aggregate, better scores than its comparators when measured using data from proprietary investment tools such as CONTEXT, SustainEx, etc.
4. Demonstrate, in aggregate, positive non-financial characteristics relative to its comparators based on the sustainability metrics used for the purpose of fund reporting. This is believed to infer a bias to positive ESG scores given that the sustainability focus of the fund.
5. Demonstrate, in aggregate, a positive ESG tilt relative to its comparators 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 – in general, the investment team expect to observe a positive skew based on third party measures of ESG. In this context, the investment desk monitors MSCI ESG ratings accessed via Style Research.

In addition, the fund has also been awarded a number of internal sustainability accreditations, as well as objective, third-party external sustainability accreditations demonstrating its commitment to sustainability (please see Section 1 for more details).

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

As mentioned in our answer to question 3.3, the fund assess a wide range of metrics when examining and evaluating the sustainability of companies within the portfolio. As well as being an input to the ESG classification and investment process, we use the same measures or similar closely aligned measures as a basis for fund level sustainability performance reporting.

Given the focus of the fund on transitioning the energy system from one based on fossil fuels to one that is less emissions intensive, the fund is evaluated on the basis of Scope 1, Scope 2 and Scope 3 emissions, as well as other carbon performance measures. The fund also reports on stewardship activity across the portfolio, including engagements by topic and voting activity.

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:

Monthly Investment Report which includes:

- Portfolio and comparator performance
- Market review
- Explanation of the factors contributing to the portfolio's performance, at the sector and individual stock level
- Portfolio activity
- Fund positioning and current strategy, including the allocation to the various energy transition sub-sectors
- Relevant sector news and thematic insights
- Outlook

Quarterly sustainability report, which includes:

- Current fund exposure to energy transition activities
- Fund approach to sustainability
- Environmental performance measures
- Social performance measures
- Human rights performance measures
- Governance performance measures
- Carbon and climate focused performance measures
- Most significant engagements by topic
- Voting activity
- Detailed information on engagement activities
- Overview of controversies associated with fund holdings

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.

Risk Factors: 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. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. 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. 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. Failures at service providers could lead to disruptions of fund operations or losses. The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down, which may adversely impact the performance of the fund.