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SCHRODER INVESTMENT FUNDS

Climate-Related Statements

31st March 2024

Prepared by FundRock NZ Limited in
Compliance with the Aotearoa New Zealand Climate Standards

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1. INTRODUCTION

FundRock NZ Limited ("**FundRock**") has prepared these climate-related statements (the "**Statements**") for Schroder Investment Funds (the "**Scheme**") in collaboration with Schroder Investment Management Australia Limited ("**Schroders**") and in compliance with the requirements of the Aotearoa New Zealand Climate Standards (the "**Standards**"). These Statements cover the reporting period between 1st April 2023 and 31st March 2024 (inclusive) and the following funds (collectively, the "**Funds**"):

- Schroder Sustainable Global Core PIE Fund ("**Sustainable Global Core PIE Fund**");
- Schroder Sustainable Global Core PIE Fund (Hedged) ("**Sustainable Global Core PIE Fund (Hedged)**")[1].

FundRock is a fund hosting business; we issue and manage funds on behalf of investment managers who want to provide Aotearoa New Zealand investors with access to their investment solutions via Portfolio Investment Entities (PIE funds) under our MIS (managed investment scheme manager) licence. FundRock's goal is to provide Aotearoa New Zealand investors with access to leading global and boutique domestic investment managers. Our funds cover all asset classes and a broad variety of strategies.

While FundRock retains sole authority over all aspects of fund management, all decisions about investments are made by Schroders, in accordance with the Investment Management Agreement. These statements reflect this arrangement: certain sections are focused on how FundRock manages Climate-Related Risks and Opportunities ("**CRR&O**"); certain others, on how Schroders does it; and still others – in fact, most –present both. It is important when reading these statements to consider these arrangements, and the respective responsibilities, to understand the Funds' strategy in relation to CRR&O.

FundRock is part of the Apex Group, which has published a Sustainability Report where more details on the group's approach to sustainability can be found. At the level of schemes and funds (that at which these Statements were prepared), our approach to climate-change varies and is strongly influenced by the investment manager associated with them.

The investment manager for the Scheme is Schroders, as detailed in the Scheme's governing documents and the Product Disclosure Statement for the Funds.

Schroders believes 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. Schroders has three pillars of action to reach Net Zero by 2050 or sooner: "Insights", "Influence", "Innovate". In order to transition the investments it manages to deliver value over the longer term, Schroders will use Insights to measure and manage exposure in its clients' investment portfolios. Next, Schroders will use its influence to encourage and support companies to act more sustainably. Finally, it will take a solutions approach to net zero by developing investment products and innovative solutions to meet client needs. Schroders has set targets of aligning portfolios to 2.2°C by 2030 and 1.5°C by 2040, which have been validated by the Science Based Targets initiative. In the near term, Schroders has also committed to reduce carbon intensity of Scope 1, 2 and 3 (tenant energy consumption in Schroders Capital Real Estate assets) by 16% by 2025 and 36% by 2030, and to reduce Scope 1 and 2 emissions intensity of Schroders Greencoat (Schroders' renewables investment manager) assets by 50% by 2030.

[1] Currency hedging has no effect over a fund's climate risks or strategies, or its carbon emissions. Therefore, all references to Schroder Sustainable Global Core PIE Fund below should, for all practical purposes, be read as also referring to Schroder Sustainable Global Core PIE Fund (Hedged).

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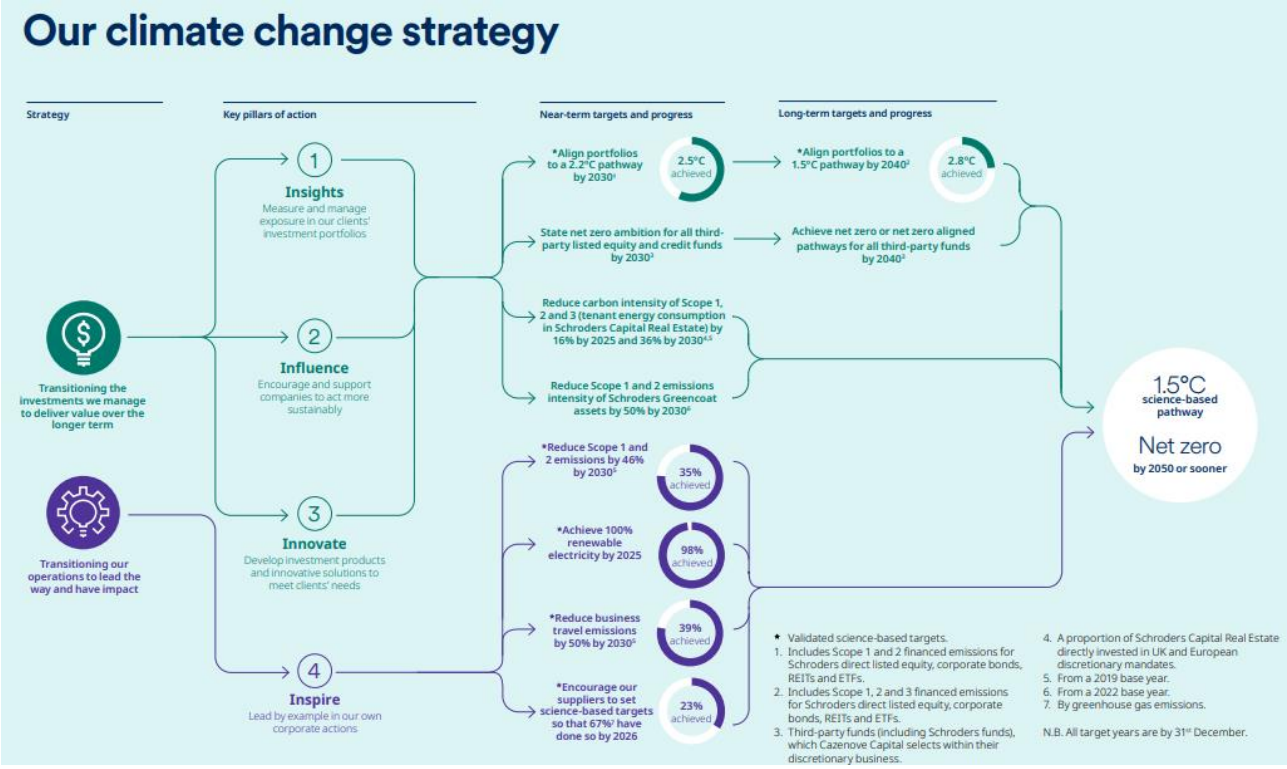
The second part of Schroders' strategy to reach Net Zero by 2050 or sooner is to transition its operations to lead the way and have impact. Schroders aims to "Inspire" by leading by example in its corporate actions. Schroders has set near term targets of:

- Reducing Scope 1 and 2 emissions by 46% by 2030,
- Achieving 100% renewable electricity by 2025[2],
- Reducing business travel emissions by 50% by 2030,
- Encouraging Schroders' suppliers to set science-based targets so that 67% have done so by 2026.



Source: Schroders Climate (TCFD) Report 2023

The comprehensive report outlining Schroders' Group strategy, risk management, governance and metrics and targets with regards to climate change risks and opportunities and relevant to the management of the Schroder Sustainable Global Core PIE Fund is provided in the Schroders' Group Climate (TCFD) report 2023 available at this link, and should be read in conjunction with this report, where referenced.

1.1. Adoption Provisions

In preparing these Statements, FundRock made use of the following adoption provisions found in the Aotearoa New Zealand Climate Standard 2 (the "**CS2**"):

(A) Adoption provision 1 (Current financial impacts);
(B) Adoption provision 2 (Anticipated financial impacts);
(C) Adoption provision 3 (Transition planning);

[2] For all properties owned or leased by Schroders (to cover all Scope 2 emissions within Schroders' financial control as defined by the Greenhouse Gas Protocol).

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(D) Adoption provision 6 (Comparatives for metrics);
(E) Adoption provision 7 (Analysis of trends).

1.2. Cautionary Note and Limitations

This report is a summary of FundRock's assessment of future CRR&O and its resulting strategy. It contains FundRock's current assessment of the future CRR&O which could affect its business and customers, as well as its current planning to address these risks. This process necessarily involves estimates, projections, and assumptions about the future, which are inherently uncertain and are not forecasts of future performance.

This report contains statements that are, or may be deemed to be, forward looking statements, including climate-related goals, targets, pathways, ambitions, and related risks and opportunities, as well as FundRock's current planning to address related risks. By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, many of which are beyond our control and give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct, and that our objectives, vision, commitments, goals, targets, and strategies to mitigate and adapt to CRR&O will not be achieved. FundRock has set out the basis and limitations of its analysis in these Statements and reserves the right to revisit its assumptions and assessments as it develops its understanding of CRR&O and its response to climate change. This section should be read together with the limitations identified elsewhere in these Statements. Many of the assumptions, standards, metrics, and measurements used in preparing these Statements continue to evolve and are based on assumptions believed to be reasonable at the time of preparation, but should not be considered guarantees.

In light of the above, while FundRock has taken all due care in preparing these Statements, including its scenarios and assumptions, FundRock makes no representation as to their accuracy, completeness, or reliability, in particular in relation to FundRock's assumptions regarding future events. FundRock expressly disclaims responsibility for, and makes no representation, and gives no warranty, assurance, or guarantee, as to the accuracy, completeness, or reliability of any contents of these Statements. To the greatest extent possible under New Zealand law, FundRock also expressly disclaims all liability for any loss (direct, indirect, consequential, or otherwise) or damage arising from the use of these Statements. We recommend you seek independent advice before acting or relying on any information in this report. FundRock reserves the right to revise statements made and its strategy or business activities described in these Statements without notice.

1.3. Directors' Approval

Signed on 18 July 2024 by the Directors identified below on behalf of FundRock, approving compliance with the Standards:

Hugh Stevens

Jeremy Valentine

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2. GOVERNANCE

2.1. Governance Body

FundRock's Board of Directors (the "**Board**") is the governance body for the Scheme (as well as all the schemes and funds managed by FundRock). It is accountable for the long-term stewardship and resilience vis-à-vis potential impacts of climate change.

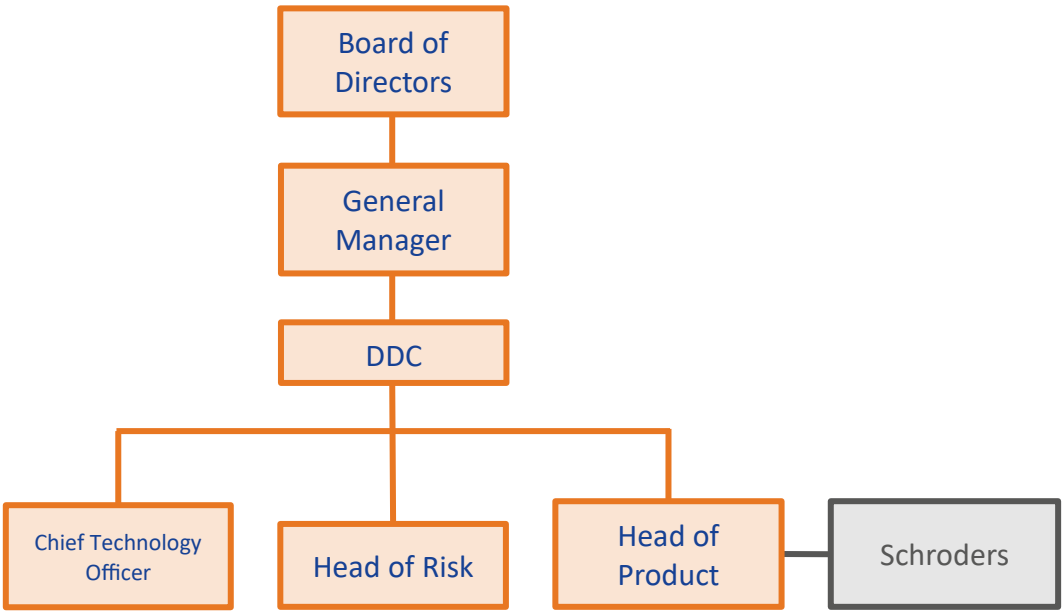
The Board takes CRR&O into account when developing and overseeing the implementation of FundRock's strategy – particularly transition compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand's investment industry. CRR&O that are specific to a Scheme or Fund (such as those associated with the assets held by a fund) are addressed at the management level.

2.1.1. CRR&O Governance Structure

The Board engages quarterly with FundRock's General Manager, who reports on the most material CRR&O. These reports are reviewed by the Due Diligence Committee (the "**DDC**") prior to being made available to the General Manager. The DDC also reviews key deliverables of the Climate Related Disclosure ("**CRD**") regime (including these Statements) and either approves them or attests their orderliness for submission to the Board.

For CRD purposes, interactions with Schroders are managed by the Product team (lead by the Head of Product). As part of its role, the Product team continuously monitor Schroders' compliance with their climate-related objectives.

The chart below illustrates the structure described above:



- **Board**: performs the role of governance body, as described in this Statement.
- **General Manager**: ensures project is adequately resourced, defines success, and acts as liaison between the Board and FundRock.
- **DDC**: manages CRD-related activities, as described in this Statement.
- **Head of Product**: leads the execution of CRD-related activities.

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- **Head of Risk**: leads the management of CRD-related compliance risks and provision of risk management expertise.
- **Chief Technology Officer**: leads the provision of IT support and data expertise.

2.1.2. Skills & Competencies

The Board continues to develop the skills and competencies of its members in respect to CRD and CRR&O. The Board has committed to receiving training on CRD and CRR&O at its quarterly meetings, prefacing the presentations on CRD and CRR&O by the General Manager (see p 7 above) who reports on the most material CRR&O.

2.1.3. Metrics & Targets

Reports from the General Manager to the Board (see p 7 above) are planned to include a review of the Funds' performance against their metrics and targets (if any) on a semi-annual basis.

The Board has not set CRD or CRR&O-related targets or key performance indicators for any of FundRock's staff, the Scheme, or the Funds at this stage. Nonetheless, the investment manager may choose to set such targets or indicators for the Schemes or Funds; for more about this, see Section 5.8 below.

2.2. Management

The DDC reviews key deliverables of the CRD regime as they are prepared, and CRR&O for the Scheme and Funds quarterly (see p 7 above). It also engages with the Product team regarding the work on CRD in the relevant reporting period and CRR&O on a regular basis. The Product team, in turn, is in close contact with Schroders throughout the reporting period and receives regular updates on their CRD-related processes and their status – including those directly related to CRR&O.

Schroders embeds climate-related risks and opportunities into its groupwide strategy and governance framework. The Schroders plc Board retains ultimate accountability for the oversight of climate-related risks and is regularly briefed on sustainability matters including climate and nature-related issues by the Group Chief Executive.

Schroders' Group Sustainability and Impact (GSI) Committee advises and assists the Group Chief Executive, who chairs the Committee, in discharging his responsibilities regarding sustainability and impact. Schroders' climate- and nature-related targets are monitored by the GSI Committee, with progress reported to Schroders' Board. Within Schroders' general governance framework, the Audit and Risk Committee and Group Management Committee provide further oversight by reviewing key risks impacting the business quarterly, one of which is climate change.

Climate- and nature-related risks and opportunities are embedded within Schroders' business strategy. Schroders' Board delegates specific responsibilities to Board Committees and to the Group Chief Executive, who has the authority to delegate further. Schroders' governance structure for climate- and nature-related issues is shown below. Its governance structure will continue to adapt where needed, in accordance with its business strategy. Schroders believes that clear policies are key to tackling climate- and nature-related issues.

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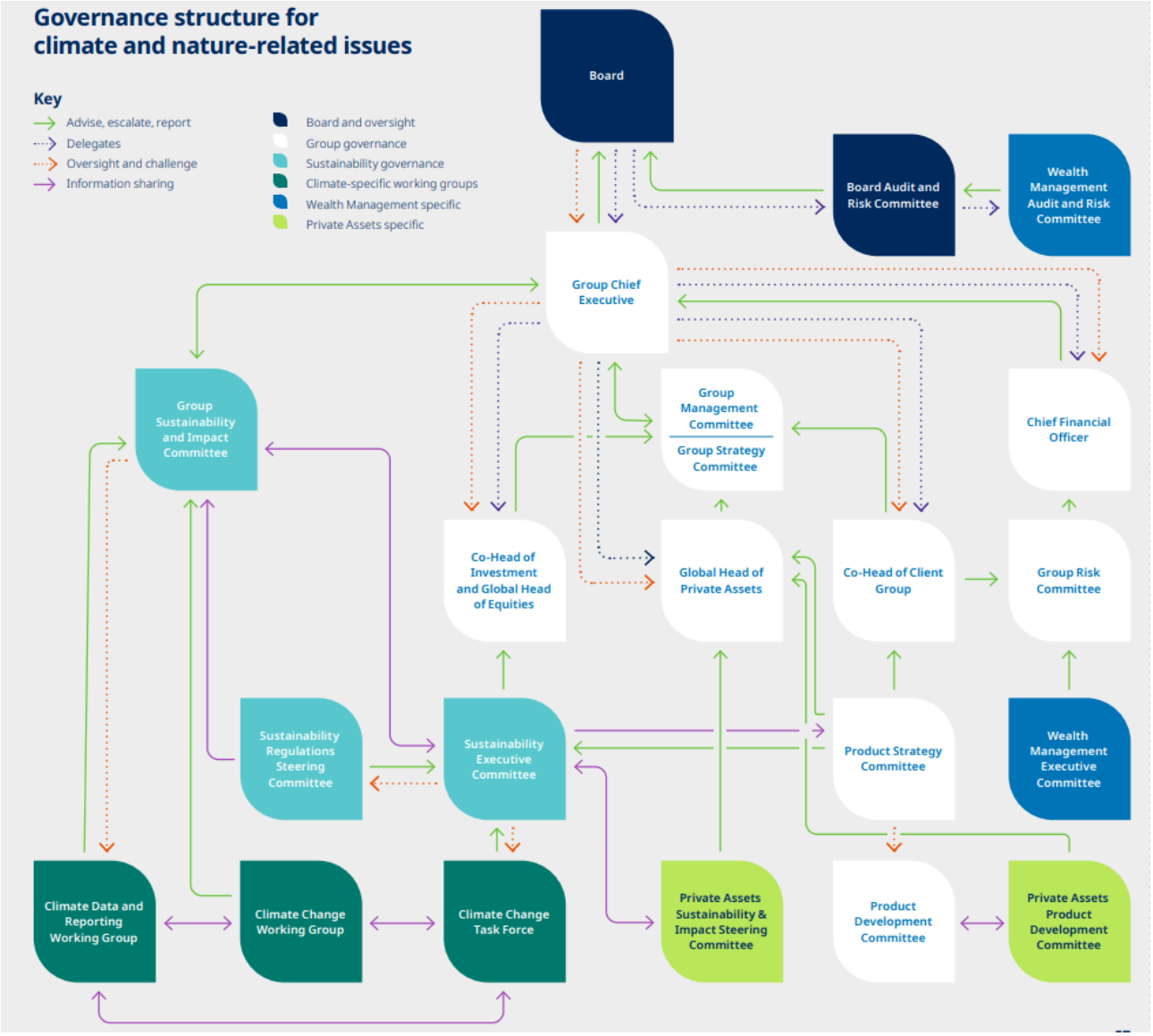

Source: Schroders Climate (TCFD) Report 2023

At the portfolio level, Schroders' fund managers are responsible for identifying and managing risks to their portfolios, including those relating to climate change, supported by the specialist research, proprietary tools, and insights from Schroders' Sustainable Investment team.

More details on Schroders' governance structure are found in Schedule A below; and more details on risk management processes, in Section 4 below.

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3. STRATEGY

3.1. Current Impacts

At the entity level, the costs of compliance with CRD regulations were the most significant impact of CRR&O. FundRock and Schroders have dedicated material resources to ensure compliance with it, and the cost of data for the metrics in Section 5 below was not insignificant. While these costs may not be passed on to the investors directly, mounting regulation may lead to fee increases.

Schroders believes 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.

Schroders doesn't believe an issue as complex as climate change, the effects of which are likely to spread across industries and markets, can be distilled into a single figure but rather that a rounded view is vital. Using the proprietary research, tools and information provided by the Schroders Sustainability Investment team, Schroders' fund managers are able to complement their own research to identify and manage risks to their portfolios, including those relating to climate change.

At Schroders, the investments they manage are exposed to climate risks and opportunities and the net zero transition. This exposure is not consistent across asset class, region, or sector, so being globally diversified puts Schroders in a strong position to identify opportunities. Please refer to the Schroders Group Climate report 2023 at this link for further details.

This disparity in exposures across asset classes is why Schroders cannot take a single approach to the integration of climate-related risks and opportunities by its investment teams. Different factors will be more relevant to certain asset classes.

Specifically for the Schroder Sustainable Global Core PIE and Schroder Sustainable Global Core PIE Hedged funds, Schroders notes that current and anticipated climate related risks include those stemming from changes in the economy that will be required to limit long-run temperature rises, including changes in demand for goods and services, costs to companies, sectors or asset classes. These may result from new or enhanced corporate climate change laws and regulations, changes in demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

The investment approach looks to captures climate change related risks alongside broader environmental impact and opportunities such as environmental policy and strategy, water and waste management. The expectation is that these measures will contribute to the fund exhibiting a reduced carbon emissions profile vs its benchmark as measured by the funds' Carbon Intensity Reduction Goal.

3.2. Scenario Analysis

Schroders considers climate scenario analysis to be a valuable tool for better understanding a range of possible future states. It can inform investment decision-making and strategy for enhancing risk-adjusted returns, in light of expected climate-driven changes to the economy. The scenarios used are not intended to be predictions of the future, but rather highlight the risks and opportunities from different possible outcomes. The scenarios assume no change or adaptation from companies over time. Furthermore, this analysis is based on a snapshot of current holdings and does not consider action to mitigate risk, such as engagement or asset reallocation. The analysis is based on the exposure to investments in publicly listed equity (common and preferred stock) and corporate bonds, only.

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Scenario analysis is just one measure Schroders uses to examine its investments' exposures to climate-related risks and opportunities across its portfolios. Provided below is the output of the analysis for the Schroder Sustainable Global Core PIE Fund and its hedged version, which outlines the impacts to the fund under three different climate change scenarios using the Network for Greening the Financial System (NGFS) scenarios as defined also below.

#	Scenario	Definition
1	Orderly Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 1.5°C by 2100
2	Disorderly Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 2.0°C by 2100
3	Hot House World Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 3.0°C by 2100

3.2.1. Methods & Assumptions

The Network for Greening the Financial System (NGFS) provides six climate transition pathways, of which Schroders uses three in its scenario analysis.

Schroders assesses the transition risk of its holdings against the following scenarios:

- Orderly (Net zero 2050) scenario.
- Disorderly (Delayed transition) scenario.
- Hot House World (Nationally Determined Contributions (NDCs)) scenario.

The NGFS Net zero 2050 is used in the 'Orderly' scenario, an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. Next, the NGFS Delayed transition scenario is used in the 'Disorderly' scenario which assumes global annual emissions do not decrease until 2030, strong policies are then needed to limit warming to below 2°C, and negative emissions are limited. Finally, Schroders uses NGFS NDCs which includes all pledged policies even if not yet implemented in the 'Hot House World' scenario.

Schroders uses the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) 8.5 for physical climate scenario analysis. The Aggressive scenario relates to the 95th percentile of the cost distribution and can be considered a 'worst-case' scenario. It assumes the most extreme physical impacts from climate change, manifesting in the associated costs from extreme weather events, and other climate-related hazards, to company valuations. This is used as the physical risk input across all three climate scenarios.

3.2.1.1. Data Gaps and Assumptions for climate information

Schroders has used Morgan Stanley Capital International's ("**MSCI**") aggregated Climate Value at Risk ("**VaR**") analysis that combines physical and transition impacts under three representative temperature pathways: Net zero 1.5°C (Orderly scenario), Below 2.0°C (Disorderly scenario) , Above 3.0°C (Hot House World scenario). The scenarios used are not intended to be predictions of the future, but rather highlight the risks and opportunities from different possible outcomes. The models assume no change or adaptation from companies over time. Furthermore, this analysis is based on a snapshot of current holdings and does not consider action to mitigate risk, such as engagement or portfolio changes. The analysis is based on the exposure to investments in publicly listed equity and corporate bonds. Schroders use MSCI as its primary provider of emissions and climate data. The choice to use a single data provider has been made to facilitate consistency and reduce ambiguity across Schroders' emissions metric calculations. Schroders is therefore dependent on MSCI for its emissions data across its public investments, and it will continue to work with them to encourage increased coverage. In some instances where data is missing, MSCI use an estimation methodology

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where a company has not reported its emissions metrics. If no reported or estimated emissions data is available from MSCI for listed corporate (listed credit and listed equity) exposure, Schroders does not use an internal estimation methodology.

This report for the Schroder funds applies to listed corporate exposure only. The coverage figures provided in each of the scenarios below are based on the 'Total public investments (credit and listed equity) versus total NAV' of the fund, which is normalised to 100%.

3.2.1.2. Time Horizons

The modelled output of the transition risk assumptions underpinning the three different climate scenarios are to 2050, and 2100 for the physical risk assumptions. These are based on the industry scenarios that underpin them, Network for Greening the Financial System (NGFS) and Representative Concentration Pathway (RCP), respectively.

3.2.1.3. Scenario 1: Orderly Transition

Schroder Sustainable Global Core PIE Fund and Schroder Sustainable Global Core Fund (Hedged)

#	Scenario	Definition	Climate Value at Risk (VaR)				Impact to the Fund
			2024		2023		
			Value (%)	Coverage (%)	Value (%)	Coverage (%)	
1	Orderly Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 1.5°C by 2100	-5.23	99.24	-5.55	99.21	Under this scenario, the fund is expected to experience a negative headwind to its value creation. This negative Climate VaR metric is driven mainly by the fund's Energy exposure. This is most pronounced in Schroders' holdings in integrated oil & gas majors in the US & Europe. Where the fund has energy holdings Schroders prioritises exposures to energy companies with more comprehensive decarbonisation commitments whilst maintaining the fund's enhanced index approach. The fund has a Climate VaR better than benchmark, with an active score of +1.26 as at March 2024

Source: Schroders as at 29 March 2024

3.2.1.3.A. Emissions Pathways

As referenced in the Methods and Assumptions section above (3.2.1), the Orderly scenario uses the NGFS Net Zero 2050 scenario. It is a forward-looking pathway that outlines how the global economy could transition to achieve net-zero greenhouse gas emissions by 2050. This scenario is designed to help financial institutions assess the impacts of a rapid and comprehensive transition to a low-carbon economy. Below is a summary across the relevant areas:

(A) **Scope of Operations Covered**: The NGFS Net Zero 2050 scenario covers a wide range of operations across all major sectors of the global economy, including energy, transportation, industry, agriculture, and buildings. It aims to provide insights into how each sector can contribute to achieving net-zero emissions through decarbonization efforts, efficiency improvements, and shifts in consumer behaviour.

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(B) **Policy and Socioeconomic Assumptions**:

(i) **Policy Assumptions**: This scenario assumes the implementation of ambitious and coordinated global climate policies starting immediately. These policies include carbon pricing, subsidies for renewable energy, strict emissions standards, and regulations to phase out fossil fuels.

(ii) **Socioeconomic Assumptions**: It is based on assumptions of sustained economic growth, technological innovation, and global cooperation. The scenario also considers demographic changes and shifts in consumption patterns towards more sustainable practices.

(C) **Macroeconomic Trends**: The NGFS Net Zero 2050 scenario projects positive macroeconomic trends over the long term, driven by investments in green technologies and infrastructure. While there may be short-term costs associated with the transition, the scenario anticipates that the shift to a low-carbon economy will lead to job creation, reduced energy costs, and enhanced economic resilience against climate risks.

(D) **Energy Pathways**: The energy pathways in this scenario involve a rapid shift away from fossil fuels towards renewable energy sources, such as wind, solar, and hydroelectric power. It also assumes significant improvements in energy efficiency and the electrification of transportation and heating. The scenario expects a decline in global energy demand due to efficiency gains, despite economic and population growth.

(E) **Carbon Sequestration from Afforestation and Nature-based Solutions**: This scenario emphasizes the role of afforestation, reforestation, and other nature-based solutions in sequestering carbon dioxide from the atmosphere. It assumes large-scale investments in these solutions, alongside efforts to preserve and restore natural ecosystems, as critical components of achieving net-zero emissions.

(F) **Technology Assumptions Including Negative Emissions Technology**

(i) **Clean Energy Technologies**: The scenario assumes widespread adoption of renewable energy technologies, battery storage, and electrification of transport and heating.

(ii) **Negative Emissions Technologies (NETs)**: It relies on the development and scaling of NETs, such as carbon capture and storage (CCS) and direct air capture (DAC), to remove residual emissions from the atmosphere. The scenario suggests that these technologies will be necessary to offset emissions from hard-to-abate sectors.

The NGFS Net Zero 2050 scenario is a comprehensive and ambitious pathway that outlines the drastic measures and cooperative efforts required to limit global warming and achieve a sustainable, net-zero emissions economy by 2050.

Please refer to Section 3.2.1.2 above for the modelled impacts to the Schroder Sustainable Global Core PIE Fund under this scenario.

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3.2.1.4. Scenario 2: Too Little, Too Late

Schroder Sustainable Global Core PIE Fund and Schroder Sustainable Global Core Fund (Hedged)

#	Scenario	Definition	Climate Value at Risk (VaR)				Impact to the Fund
			2024		2023		
			Value (%)	Coverage (%)	Value (%)	Coverage (%)	
2	Disorderly Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 2.0°C by 2100	-3.95	99.24	-3.95	99.24	Under this scenario, the fund is expected to experience a negative headwind to its value creation. This negative Climate VaR metric is driven mainly by the fund's Energy exposure. This is most pronounced in Schroders' holdings in integrated oil & gas majors in the US & Europe. Where the fund has energy holdings Schroders prioritises exposures to energy companies with more comprehensive decarbonisation commitments whilst maintaining the fund's enhanced index approach. The fund has a Climate VaR better than benchmark, with an active score of 0.84 as at March 2024

Source: Schroders as at 29 March 2024

3.2.1.4.A. Emissions Pathways

As referenced the Methods and Assumptions section above (3.2.1), the Disorderly scenario uses the NGFS Delayed Transition scenario which outlines the potential consequences and challenges of delaying ambitious climate action. It explores the implications of a slower-than-necessary transition to a low-carbon economy, including higher eventual costs, increased physical risks from climate change, and missed opportunities for early movers in green technologies. Below is a summary across the relevant areas:

(A) **Scope of Operations Covered**: This scenario spans all sectors of the global economy but with a particular focus on those most impacted by delayed climate action, such as energy, transportation, industry, and agriculture. It highlights the risks and costs associated with a late and abrupt transition, including stranded assets and increased vulnerability to climate change impacts.

(B) **Policy and Socioeconomic Assumptions**

(i) **Policy Assumptions**: It assumes a postponement of comprehensive global climate policies, leading to a fragmented and reactive approach. Initial actions are limited and not sufficiently coordinated, leading to a scramble to implement more drastic measures as climate impacts intensify.

(ii) **Socioeconomic Assumptions**: Economic and demographic trends follow current trajectories without significant shifts towards sustainability. The delayed transition results in increased costs related to climate change adaptation and mitigation, impacting economic growth and stability.

(C) **Macroeconomic Trends**: The macroeconomic trends in this scenario are characterized by increased volatility and risk. Costs associated with climate change impacts, such as extreme weather events and loss of biodiversity, rise sharply. The economy faces disruptions from abrupt policy changes and technology shifts, leading to potential job losses in certain sectors and regions before new green jobs are fully established.

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(D) **Energy Pathways**: Energy pathways in the Delayed Transition scenario involve a continued reliance on fossil fuels for longer than recommended by climate science. This results in higher greenhouse gas emissions and a more difficult and costly transition later on. The eventual shift to renewables is more abrupt, leading to potential supply and infrastructure challenges.

(E) **Carbon Sequestration from Afforestation and Nature-based Solutions**: In this scenario, the potential of afforestation and nature-based solutions is underutilized in the early years, limiting their effectiveness in carbon sequestration. There is a later push to scale these solutions, but the delayed start reduces their overall impact on mitigating climate change.

(F) **Technology Assumptions Including Negative Emissions Technology**

(i) **Clean Energy Technologies**: The adoption of clean energy technologies is slower, creating a reliance on more expensive and less efficient transition technologies when the shift finally occurs.

(ii) **Negative Emissions Technologies (NETs)**: There is a heavier reliance on NETs in the latter half of the century to compensate for the delayed reduction in emissions. However, the feasibility and scalability of these technologies remain uncertain, posing significant risks to achieving climate goals.

The NGFS Delayed Transition scenario serves as a cautionary tale, highlighting the risks and costs associated with postponing decisive climate action. It underscores the importance of immediate and coordinated global efforts to mitigate climate change and transition to a sustainable, low-carbon economy. For the most accurate and recent information, consulting the latest NGFS publications is advisable.

Please refer to Section 3.2.1.4 above for the modelled impacts to the Schroder Sustainable Global Core PIE Fund under this scenario.

3.2.1.5. Scenario 3: Hothouse

Schroder Sustainable Global Core PIE Fund and Schroder Sustainable Global Core Fund (Hedged)

#	Scenario	Definition	Climate Value at Risk (VaR)				Impact to the Fund
			2024		2023		
			Value (%)	Coverage (%)	Value (%)	Coverage (%)	
3	Hot House World Scenario	Aggregated physical and transition risk under a scenario where global warming is limited to 3.0°C by 2100	-0.78	99.24	-0.90	99.21	Under this scenario, the fund is expected to experience a negative headwind to its value creation. This negative Climate VaR metric is driven mainly by the fund's Energy exposure. This is most pronounced in Schroders' holdings in integrated oil & gas majors in the US & Europe. Where the fund has energy holdings Schroders prioritises exposures to energy companies with more comprehensive decarbonisation commitments whilst maintaining the fund's enhanced index approach. The fund has a Climate VaR better than the benchmark, with an active score of +0.53 as at March 2024.

Source: Schroders as at 29 March 2024

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3.2.1.5.A. Emissions Pathways

As referenced the Methods and Assumptions section above (3.2.1), the 'Hot House World' scenario uses the NGFS Nationally Determined Contributions (NDCs) scenario examines the impacts and outcomes of countries adhering to their current commitments under the Paris Agreement without further strengthening their climate action plans. This scenario provides insights into the potential trajectory of global warming and its implications for the economy and financial systems if only existing NDCs are implemented. Below is a summary across the relevant areas:

(A) **Scope of Operations Covered**: This scenario includes all sectors of the global economy, with a focus on how current national commitments (NDCs) influence sectors such as energy, transportation, industry, and agriculture. It assesses the adequacy of these commitments in achieving the Paris Agreement's goal of limiting global warming to well below 2°C above pre-industrial levels, preferably to 1.5°C.

(B) **Policy and Socioeconomic Assumptions**

- **(i)** **Policy Assumptions**: Assumes that countries will meet their current NDCs but do not plan for any additional or more ambitious climate policies. This leads to a fragmented approach to climate action, with varying levels of ambition and implementation efficiency across countries.
- **(ii)** **Socioeconomic Assumptions**: Economic and demographic trends continue along current trajectories, with growth and development patterns not necessarily aligned with sustainability objectives. The scenario considers how these trends interact with the implementation of NDCs and their sufficiency in addressing climate change.

(C) **Macroeconomic Trends**: The NDCs scenario suggests moderate macroeconomic impacts in the short to medium term, as economies adjust to meet their NDC targets. However, in the long term, the scenario indicates potential economic risks from insufficient action to prevent more severe impacts of climate change, including increased costs from adaptation needs and more frequent and severe weather events.

(D) **Energy Pathways**: Energy pathways in the NDCs scenario reflect a gradual transition towards cleaner energy sources, albeit at a pace that falls short of what is needed to significantly reduce global emissions. While there is some progress in reducing the carbon intensity of the energy sector, continued reliance on fossil fuels in many regions hampers efforts to achieve deeper decarbonization.

(E) **Carbon Sequestration from Afforestation and Nature-based Solutions**: The scenario acknowledges the role of afforestation and nature-based solutions in sequestering carbon but suggests that the scale of these efforts under current NDCs may not be sufficient to significantly alter the trajectory of global emissions. There is an implied need for greater emphasis on these solutions to enhance their contribution to meeting climate goals.

(F) **Technology Assumptions Including Negative Emissions Technology**

- **(i)** **Clean Energy Technologies**: Assumes gradual improvements and deployment of clean energy technologies, driven by current commitments. However, the pace may not be fast enough to achieve a deep decarbonization of the economy.
- **(ii)** **Negative Emissions Technologies (NETs)**: Relies on the future development and deployment of NETs to offset emissions, but with current NDCs, there might be an overreliance on these unproven technologies to achieve climate targets in the latter half of the century.

The NGFS NDCs scenario highlights the gap between current national commitments and the level of action needed to meet global climate goals. It underscores the urgency of enhancing NDCs and implementing more ambitious climate policies to avoid the more severe impacts of climate change. For the latest insights and detailed analysis, referring to the most recent NGFS reports is recommended.

Please refer to Section 3.2.1.5 above for the modelled impacts to the Schroder Sustainable Global Core PIE Fund under this scenario.

3.2.1.6. Sources of Data

Please refer to Sections 3.2.1 and 3.2.1.1 above.

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3.2.2. Scenario Analysis Process

As discussed previously, Schroders uses MSCI as its provider of scenario analysis data, specifically from its Climate Value at Risk package. This uses the transition risk and physical risk assumptions modelled in the scenarios outlined in Sections 3.2.1.3, 3.2.1.4, and 3.2.1.5 above. The data is provided to Schroders' investment teams such as its Quantitative Equity Product ("**QEP**") Investment team, who manages the Schroder Sustainable Global Core strategy, through its Climate Insights Dashboard, which combines with holdings data so Schroders can understand the drivers of its portfolio Climate VaR. For instance, this includes the ability to breakdown contribution by sector-region, and insights into company Climate VaR scores.

Transition and physical climate scenarios

The Network for Greening the Financial System (NGFS) provides six climate transition pathways, to which we use three in our scenario analysis. We use the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) 8.5 for physical climate scenario analysis.

			Scenario used in Schroders analysis
NGFS **Net zero 2050**	An ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point.	Transition risk	Yes – used in the aggregated 1.5°C scenario
NGFS **Divergent net zero**	Divergent Net Zero reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels.	Transition risk	No
NGFS **Below 2°C**	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.	Transition risk	No
NGFS **Delayed transition**	Assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.	Transition risk	Yes – used in the aggregated 2.0°C scenario
NGFS **Nationally Determined Contributions (NDCs)**	NDCs includes all pledged policies even if not yet implemented.	Transition risk	Yes – used in the aggregated 3.0°C scenario
NGFS **Current policies**	Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.	Transition risk	No
IPCC RCP 8.5 **Aggressive scenario**	The Aggressive scenario relates to the 95th percentile of the cost distribution and can be considered a 'worst-case' scenario. It assumes the most extreme physical impacts from climate change, manifesting in the associated costs from extreme weather events, and other climate-related hazards, to company valuations.	Physical risk	Yes – used across all three aggregated scenarios
IPCC RCP 4.5 **Average scenario**	The Average scenario relates to the 50th percentile of the cost distribution, and can be considered as the 'most likely' scenario. Based on the models underlying assumptions, it is the most probable outcome over the modelled 15 year period.	Physical risk	No

For more detail on the scenarios, see https://www.ngfs.net/ngfs-scenarios-portal/explore/ and https://www.ipcc.ch/site/assets/uploads/sites/3/2019/11/03_SROCC_SPM_FINAL.pdf

Aggregated Climate Value at Risk

Schroders uses MSCI's Climate VaR package to assess its holdings against the following scenarios:

- Net zero 1.5°C
- Below 2.0°C
- Above 3.0°C ('hot house world')

To reach these aggregated Climate VaR scenarios, MSCI aggregates the transition and physical risk assumptions outlined on this page to provide holdings level impacts that can be aggregated across portfolios.

Source: Schroders Climate (TCFD) Report 2023

3.2.2.1. Integration & Governance

The Board sets the governance for scenario analysis, ensuring appropriate processes were in place; and FundRock's management has reviewed and approved the scenario analysis framework and its results (as reflected in this statement).

The investments Schroders manages are exposed to climate risks and opportunities and the net zero transition. This exposure is not consistent across asset class, region, or sector, so being globally diversified puts us in a strong position to identify opportunities. In Schroders Capital, Schroders' private assets business, opportunities were sought to invest in solutions that aim to tackle climate change. This is evidenced by the acquisition of a leading renewables infrastructure investment manager, Greencoat Capital (now Schroders Greencoat) in 2022. This disparity in exposures across asset classes is why Schroders cannot take a single approach to the integration of climate-related risks and opportunities by its investment teams. Different factors will be more relevant to certain asset classes. An Implied Temperature Rise metric that assesses a company's net zero ambition will be less relevant for an infrastructure strategy that aims to assess the emissions saved over the lifetime of the asset: a wind turbine replacing a coal power plant, for instance.

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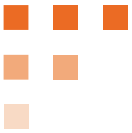

To tackle this challenge, in 2023 Schroders upgraded its ESG Integration Accreditation Framework, requiring each of the more than 65 investment desks to outline how they:

(A) systematically consider climate-related risks and opportunities in their investment process; and
(B) evidence with case studies how they have engaged on the topic of climate.

This framework is global, covering Schroders' public markets, private markets and wealth businesses. It is principles based, requiring each of the business areas to consider climate-related risks and opportunities in a way that is relevant to them.

Climate scenario analysis, as with other types of risk modelling, is one method of assessing the exposure of a company, or portfolio, to climate-related risks in order to interpret their potential financial impact. Schroders employs scenario analysis to help understand the potential impacts of its investments, to support risk and opportunity identification, and to inform its associated strategic response. The power of scenario analysis lies less in its specific outputs (for example, valuation changes) but more in relative performance (for example, how investments fare differently in different scenarios). It allows Schroders to understand the most at risk areas and prioritise these for its active ownership efforts. This data is made available to investment teams through the Climate Insights Dashboard, and can be used as one lens for integrating the assessment of climate-related risks and opportunities as required by the ESG Integration Accreditation Framework.

3.2.2.2. Modelling

The models used in Schroders' reporting assume no change or adaptation from companies over time. Further information on its governance process is provided above. Refer to Section 3.2.1 above for more detail on Schroders' approach to scenario analysis.

3.2.2.3. External Stakeholders

FundRock and Schroders have collaborated to complete scenario analysis for the Scheme and Funds. FundRock provided Schroders with requirements, and Schroders has conducted the analysis. By doing this, FundRock benefited from Schroders's thorough knowledge of the Funds' portfolios while ensuring that results met the regulatory requirements.

3.3. Climate-Related Risks and Opportunities (CRR&O)

3.3.1. Definitions of Short-, Medium-, & Long-Term

At FundRock, the time horizons set in the Financial Services Council's *Sector Scenario Analysis* were used for the purpose of analysing the timeframe of entity-level climate-related risks.

Schroders considers climate risks and opportunities over the following time horizons:

- **Short term**: 0–5 years.
- **Medium term**: 6–10 years.
- **Long term over**: 10 years.

This informs how Schroders considers climate risks both physical and transition, and climate opportunities for its investment portfolios.

3.3.2. All Funds

The risk of policy and regulatory impacts is material for all schemes and funds managed by FundRock, including those in these Statements scope:

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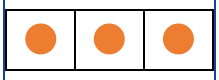
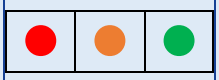
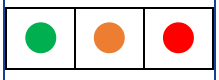
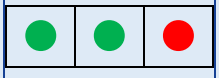
Name	Type	Term	Sector/Geography	Description
Policy & Regulatory Impacts	Transition	Short/Medium	Aotearoa New Zealand	Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs.

The publication of mandatory climate-related statements is an early manifestation of this risk (as mentioned in Section 3.1 above).

3.3.2.1. Portfolio Climate Risks

Investment portfolio risks	Description	Timeframe	Impact (in 1.5, 2, and 3°C Scenarios)	Assessment	Business impact	Actions to mitigate risk
Transition: Current regulation	Potential risk of regulatory breaches from existing climate-related regulation	Short		Qualitative	Regulatory fine	Schroders has invested significantly in data and technology infrastructure, data security, and infrastructure to support portfolio analysis and monitoring. Schroders has a sustainability regulatory programme that assesses systematically the impact of new climate regulation and supports with the implementation of live regulation across the business
Transition: Future policy and legal	Changes to climate-related regulation that impact Schroders' investee companies' products and services	Medium		Quantitative	Reduced revenues	Schroders includes the consideration of climate risks and opportunities in its annual ESG integration accreditation process.
Physical: Acute	The impact on investee company operations from extreme weather events	Medium		Quantitative	Reduced revenues	Where data is available, Schroders undertakes scenario analysis to determine the exposure of its investments to the physical risks of climate change.
Physical: Chronic	The impact on investee company operations from long-run changes in the climate	Long		Quantitative	Reduced revenues	To the extent data allows, Schroders undertakes scenario analysis to determine the exposure of its investments to the physical risks of climate change.

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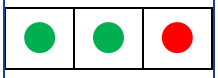
3.3.2.2. Climate Opportunities

Investment portfolio opportunities	Description	Timeframe	Impact (in 1.5, 2, and 3°C Scenarios)	Assessment	Business impact	Actions to take advantage of the opportunity
Technology	New revenue opportunities for Schroders' investee companies from patents in technologies tackling climate change	Short–Medium		Qualitative	Increased revenue	Schroders has developed new tools that enable investment teams to assess whether companies stand to benefit from the net zero transition.

Please also refer to the Schroders Climate TCFD Report 2023 at this link.

3.3.3. CRR&O & Decision Making

Management of entity-level CRR&O has been integrated into FundRock's overall risk management framework. They are discussed in a monthly risk controls meeting attended by the General Manager, where resourcing is addressed. If the relevant CRR&O cannot be properly addressed at this level, they may be highlighted in the quarterly Board reports (see Section 2.1.1 above) and addressed with the Board.

At FundRock, entity-level CRR&O receive the same treatment as all other risks and opportunities in all risk-related process and procedures and at all levels of the organization. As a rule, risks are prioritized based on their likelihood and expected impact.

Climate change risk has been embedded into Schroders' existing processes and controls across the Group, alongside specific sustainability and climate-related governance and decision-making bodies. Specifically with regards to the Schroder Sustainable Global Core PIE and its hedged version, the Schroders' Investment Risk Framework is a good example of the lines of defence in operation at the fund level in respect of climate change. Investment desks use a variety of tools and metrics to determine appropriate investment decisions. The second-line Investment Risk teams perform independent review and, where appropriate, challenge climate risks within portfolios on a regular basis. Any conclusions or action points from this independent oversight and review are discussed with the relevant investment teams as well as the appropriate Asset Class Risk and Performance Committees, where climate risk is a key part of the agenda. The independent Investment Risk function also reviews investment portfolio compliance, with any binding commitments related to climate risk described in investment process documents and policies disclosed to investors. Quantitative risk analysts within Investment Risk independently review the climate models and tools used by investment teams.

Please refer to the Schroders Climate (TCFD) Report 2023 at this link for more information.

3.4. Anticipated Impacts

FundRock anticipates that the cost of compliance with climate-related policies and regulations will continue to increase. Starting from the 2024/2025 reporting period, the data on greenhouse gas emissions ("**GHG Emissions**") (see Section 5.1 below) will be subject to assurance, increasing compliance costs. The Financial Markets Authority (FMA) has also indicated that it expects reporting entities to continually develop their climate-related processes and

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procedures, which means that FundRock will continue to dedicate substantial resources to compliance with CRD regulations (at least in the short-term). As mentioned in Section 3.1 above, mounting regulation may lead to fee increases.

At the firm level, in 2021 Schroders published its Climate Transition Acton Plan, outlining how it intends to transition their investments to become in-line with a net zero world. In this document they outline how carbon emissions and climate risks are factored into decision-making, including:

(A) The Net Zero Dashboard: measures the commitments companies have made to emission reduction through public targets . It calculates both the implied temperature score and financed emissions for the majority of Schroders' investment portfolios so investment teams can track the pace of level of ambition shown by companies and the aggregate view of portfolios.

(B) The Climate Action Tracker tool uses data on a range of company-specific factors covering their level of ambition, their organisational readiness to transition, the actions they take and the progress they demonstrate in decarbonising their businesses. This includes datapoints such as the targets companies have set, the degree to which management is incentivised to deliver climate goals, the investment companies make in developing "green" products and their track record in reducing emissions. This feeds into Schroders' annual climate engagement prioritisation process, providing a data driven approach to engagement which is then refined through desk-level conversations.

For multi-manager strategies investing in third-party funds, Schroders asks managers how they consider carbon footprint of their portfolios, how they engage on potential stranded asset risk, and how they exercise voting rights as a form of escalation. Schroders Capital integrates climate-related information within both its client and investee due diligence processes. The level of metrics and significance within decision making depends on each individual asset class – the relative risk or opportunity of climate-related factors is reflected within pre-investment scorecards.

Specifically for the Schroder Sustainable Global Core PIE and Schroder Sustainable Global Core PIE Hedged funds, Schroders notes that current and anticipated climate related risks include those stemming from changes in the economy that will be required to limit long-run temperature rises, including changes in demand for goods and services, costs to companies, sectors or asset classes. These may result from new or enhanced corporate climate change laws and regulations, changes in demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

The investment approach looks to captures climate change related risks alongside broader environmental impact and opportunities such as environmental policy and strategy, water and waste management. The expectation is that these measures will contribute to the fund exhibiting a reduced carbon emissions profile vs its benchmark as measured by the funds' Carbon Intensity Reduction Goal.

3.5. Transition Plan

FundRock is a fund hosting business. We provide services to domestic and international investment managers who want to operate in Aotearoa New Zealand but would prefer to outsource fund management to us, normally because they believe this to be the most cost-effective way of offering their services in the country.

Our business model is very resilient to investment risks (climate-related or otherwise) thanks to the broad variety of schemes and funds we can accommodate. As long as there is continued demand for managed investment schemes in Aotearoa New Zealand, we can evolve and adapt to political, economic, and societal changes: we can work with existing investment managers to make strategic adjustment to their products, and whenever this proves impractical, new products (more aligned with prevailing market winds) may be developed in collaboration with current or new investment managers, replacing those retired.

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FundRock's knowledge of and experience in Aotearoa New Zealand's investment funds market will be invaluable in the process of identifying the adaptations required and assessing the viability of both existing and prospective products. Understanding the CRR&O specifically associated with this market must be part of this. Per adoption provision 3 in NZ CS2, which requires developing the transition plan aspects of its strategy, the work developed in the 2023/2024 reporting period – particular the setup of a framework for management of CRR&O – was the first step in this journey. FundRock's short-term goal is to further develop the structures that were put in place in this period and fully integrate them into its processes and procedures, particularly strategic decision-making. The knowledge and experience that has been and will be acquired as part of this will inform future strategic directions.

Schroders is a leading provider of active asset management, advisory and wealth management services. Recognised widely as a leader in sustainability, few investment managers can match the combination of capabilities and global reach that Schroders offers. This breadth of services across public and private markets allows it to design distinctive solutions for the diverse needs of clients. They look to Schroders to provide excellent long-term investment outcomes, and its duty is to always act in their best interests. That is a responsibility Schroders takes seriously – and it believes that when it succeeds for clients, society and the wider world benefit too.

As a global investment manager, it is Schroders' responsibility to deliver excellent investment performance for its clients. Its understanding of how the impacts of climate change and biodiversity loss will affect assets and investments helps it to do this. Schroders believes that every economy, industry and company will need to plot a net zero path to remain competitive. Research from the United Nations (UN) suggests that unpriced climate and nature risk could wipe billions off the value of the world's food and agriculture companies alone.[3] The huge structural shifts needed to address these threats are already affecting the value of companies across the globe.

Schroders believes that to deliver robust long-term returns for its clients, it must encourage companies to mitigate the climate and nature risks embedded in their operating models, before they crystallise as financial costs. Schroders can be a catalyst for change, using its expertise and influence to encourage businesses in their transition towards a net zero, nature positive operating model. Schroders' own analysis indicates that those companies that reduce their GHG Emissions more quickly than their peers have tended to outperform.[4]

Sustainable leadership is key to Schroders' business and flows from the long-term outlook at the heart of how it thinks about its business. Sustainability is integral to the ways Schroders advises many of its clients, solves their problems, and manages their investments for the long term - it is not a standalone concept. Schroders integrates the consideration of sustainability into the way it manages investments and engages with its clients and other stakeholders. Equally, Schroders integrates investment expertise and client relationships into its approach to sustainability and impact within its own business.

Schroders' role as an active investment manager gives it the ability to engage with its investee companies and helps drive sustained change. Schroders' focus is on encouraging and supporting the companies it invests in to establish net zero targets and robust plans for delivery, in order to improve their durability and profitability. Schroders seeks value in the opportunities that can be created when companies transition their business models. Schroders aims to develop investment strategies that help its clients to meet their own investment and sustainability goals. Through this process Schroders aims to deliver value for its clients, develop investment strategies that will help contribute to the significant capital reallocation that will be needed and contribute to the transition to a net zero, nature positive future as a result.

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[3] https://climatechampions.unfccc.int/unpriced-nature-and-climate-risk-could-wipe-off-billions/#:~:text=About%20the%20research%3A,worth%20over%20USD%242%20trillion.

[4] Based on Schroders analysis of listed companies in the MSCI ACWI IMI index. Schroders examined changes in companies' emissions over the last five years, relative to sector peers, and compared the total shareholder returns delivered by companies in each quintile of emissions reductions.

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While the emissions of the companies that Schroders finances through its investments are more than 5,000 times greater[5] than those from its own operations, Schroders' believes in leading by example, by managing and reducing the climate impact it has as a business. Schroders has embarked on an ambitious plan to improve its own environmental performance and, in the process, engage its people and suppliers to support its climate goals.

3.5.1. Current Business Model & Strategy

The Schroder Sustainable Global Core PIE and Schroder Sustainable Global Core PIE Hedged funds aim to achieve a lower Weighted Average Carbon Intensity profile relative to the MSCI World ex Tobacco Index by way of their ESG integration.

This integration involves companies in the investment universe being assessed on their governance, environmental and social profile. The characteristics of a company will impact the eligibility of the company for inclusion in the portfolio and sizing of its position in each Fund. Within governance, criteria assessed include risk to shareholders, business oversight, accounting risk and dividend policy. Environmental considerations include climate change related risks alongside broader environmental impact and opportunities such as environmental policy and strategy, water and waste management; social criteria reflects areas such as business involvement, safety, employee welfare, supply chain management and data privacy. Companies will be given a rating based on whether the relevant criteria is positive (for example, implementing good governance policies) or negative (poor supply chain management), and the rating will determine eligibility for inclusion and position sizing in the Funds.

Schroders uses its own proprietary tools to identify and assess a company's ESG characteristics. The sources of information used by Schroders to assess a company's ESG characteristics using its proprietary tools include quantitative information such as fundamental accounting data and third-party ESG data as well as qualitative information gained from Schroders' Active Ownership activities.

The expectation is that these measures will contribute to the fund exhibiting a reduced carbon emissions profile vs its benchmark as measured by the funds Carbon Intensity Reduction Goal. This, alongside the fund's ESG integration, assists in managing against the current and anticipated risks observed in Sections 3.1 and 3.5 above.

Please see the Statement of Investment Policy and Objectives document for more information.

3.5.2. Transition Plan Progress

Schroders' net zero commitment spans across both the investments it manages on behalf of its clients and across its operations. At the fund level, adherence to Schroders firm-wide net zero target is measured through an implied temperature score, which is calculated both in respect of Schroders' total holdings, and at the individual strategy or mandate level to allow investment teams to assess their portfolios' alignment with Schroders' overall commitments.

Schroders recognises that funds must be assessed over time rather than from quarter to quarter. Schroders intends to assess portfolio progress over rolling three-year periods, consistent with the two to three year period over which engagements typically bear fruit, to ensure investment teams are able to manage the transition thoughtfully, as valuations of better placed companies rise and fall.

Further details on Schroders' climate commitments and progress is available in Schroders' Climate (TCFD) report available at this link.

[5] Based on 2022 Scope 1 and 2 emissions of investee companies (mandatory in-scope asset classes for Science Based Targets initiative) compared to Schroders' own Scope 1 and 2 emissions.

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4. RISK

FundRock manages entity-level CRR&O directly. We have identified them by referencing applicable regulations, and assessed them by appraising their expected impact, the processes and controls we have in place, and the resources of which we dispose. The processes for monitoring and managing said CRR&O are summarised in Section 3.3.3 above.

4.1. Schroders | Identifying Risks and Opportunities

Climate change risk has been embedded into Schroders' existing processes and controls across the Schroders Group, alongside specific sustainability and climate-related governance and decision-making bodies.

By setting and meeting its targets, Schroders expects the assets it invests in to be exposed less to the risks of the transition. To embed this across Schroders' investment business, its consistent, principles-based framework for the integration of ESG factors now requires each investment desk to consider climate-related risks and opportunities explicitly. Schroders complements this process with an annual accreditation requiring each investment desk to articulate how these factors are incorporated into their investment process.

The annual accreditation process is managed independently from the Investment teams by the central Sustainable Investment team so that there is consistency across all asset classes and sectors. Schroders' Sustainable Investment team reviews and approves the accreditation using a "four eyes" control. For integrated investment team audits, Internal Audit works with investment teams and second line control functions to review the process and controls over the allocation, management and oversight of investments, taking into account any material ESG and climate change risks that could impact the effective stewardship by the team. Formal reporting takes place at the start and end of each audit, with matters arising being recorded and actively tracked to completion. The results and status of these matters are reported to Schroders' Board Audit and Risk Committee.

4.1.1. Investment Research and Decision-Making

Schroders' fund managers across its public markets-focused investment desks, including Equities, Fixed-Income and Multi-Asset, will make investment decisions based on detailed analysis (for example, of investee companies and macroeconomic views). In order to review climate-related risks within that investment analysis, Schroders has developed a number of proprietary tools and metrics to support the assessment of each investment and each portfolio's aggregate exposure to climate-related risks and opportunities. Fund managers and oversight functions use dashboards to provide users with access to the metrics, along with measures from external third-party ESG rating providers, to enable effective oversight and reporting. The reporting and oversight includes consideration of portfolio coverage. Coverage is defined as the proportion of assets (by value) within each portfolio that has been assigned a score by the tools. The analysis performed to date using proprietary tools and metrics in Schroders' Climate Analytics Framework has focused on listed equity and credit markets. Qualitative assessments complement the proprietary quantitative tools; the results are recorded in Schroders' internal systems, and are generated from proprietary insights, meetings, and interviews. Schroders also make use of external measures, such as MSCI Carbon Emissions and MSCI ESG analyses.

For further information on the management of investment risks across Schroders, please refer to the Schroders Climate (TCFD) Report 2023 at this link.

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4.2. Prioritisation Process

FundRock prioritizes entity-level risks based on their likelihood and expected impact. Risks are classified across both axis and assigned a risk rating. Both inherent and residual ratings are considered.

These ratings, as well as **(i)** risk trend & velocity and **(ii)** management response, are regularly reassessed according to the processes summarised in Section 3.3.3 above.

Schroders has developed some key processes to integrate climate change risk across its business as well as a framework to manage these risks.

Schroders follows a risk management life cycle which is relevant for its own business operations, and for the investment management business it performs, regardless of product types or investment strategy.

Identification

- "Top-down" and "bottom-up" approach to identifying key risks across the Schroders Group.
- Line management are responsible for identifying detailed risks, including climate-related risks that impact their business areas.
- Includes risks within Schroders' investment activities and own operations.

Assessment

- Schroders' key risks are assessed by its Group Risk function and discussion with Group Management Committee (GMC) members and other subject matter experts across the Group.
- Each key risk is assessed against the risk appetite statement to determine whether it is within tolerance.
- Line management are responsible for assessing the risks within their business areas (for example, via research and analytics for investment activities).
- The assessments are presented to relevant governance bodies (for example, the Group Risk Committee (GRC)).

Management

- Risks are managed, and resources assigned, in line with prioritisation by business areas.
- Progress is monitored by key committees, including the Group Sustainability and Impact (GSI) Committee, the Sustainability Executive Committee (ExCo), the Product Strategy Committee (PSC) and the Wealth Management Executive Committee (WMEC).

For further information on the management of investment risks across Schroders, please refer to the Schroders Climate (TCFD) Report 2023 at this link.

4.3. Short-, Medium-, and Long-Terms

FundRock uses the time horizons from the Sector Scenario Analysis (see Section 3.2.1.2 above) for risk assessment whenever necessary.

Climate change risk assessment timeframes

In line with industry best practice and regulatory expectations, Schroders considers climate risks through the lens of physical risks and transition risks.

Schroders considers these risks in the context of the following timeframes:

- **Short term: 0–5 years**: 0–5 years is consistent with the Group's strategic and business planning and forecasting period and the period for which Schroders assesses the viability of its business model. It is in line with its Risk and Control Assessment (RCA) methodology, which states that business areas identify and assess risks that may crystallise in the next five years. For example, Schroders' physical climate risk assessments for its offices are aligned with its RCA methodology. It is also the approximate timeframe for holding clients' investments.

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- **Medium term: 6–10 years**: 6–10 years is the time horizon defined as ''near term'' by the Science Based Targets initiative (SBTi) so these two terms can be used interchangeably. This is the timeframe over which Schroders would expect to see the effects of its engagement with management teams result in material changes in the climate exposures of investee companies, and failure to do so should lead it to conclude that those engagements are not delivering the targeted outcomes.
- **Long term: 10+ years**: In periods longer than 10 years, the physical impacts of climate change will become particularly pronounced and the strength of political action to tackle climate change will have become clearer. Currently, different climate scenarios can have varying implications for Schroders' business.

4.4. Parts of Value Chain Not Included

The risk assessment process considered fund management, investment management, and the Funds' investments. Distribution risks were not considered.

Please refer to Schroders' response in Section 4.1.1 above regarding the definition of coverage in portfolios.

4.5. Assessment Frequency

FundRock assesses entity-level risks regularly, following the processes summarised in Section 3.3.3 above.

To oversee the management of climate risks within Schroders' investment activities, it has embedded climate change into its second-line (control and oversight functions) oversight processes. Day-to-day dialogue, review, and challenge of climate risk with the investment teams are complemented by more formal discussions, as part of the quarterly Asset Class Risk and Performance Committee meetings. These committees are attended by asset class heads within the investment division, senior members of their direct management team and independent Risk, Compliance and Product Governance teams' representatives. For further information on the management of investment risks across Schroders, please refer to the Schroders Climate (TCFD) Report 2023 at this link.

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5. METRICS & TARGETS

Schroders uses a number of metrics to track the progress against its climate change strategy to make sure that it is responding appropriately to the climate related risks and opportunities facing its business. The metrics Schroders reports on and methodologies used are all in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Science Based Target initiative (SBTi) approved methodologies.

5.1. GHG Emissions

Schroder Sustainable Global Core Fund and Schroder Sustainable Global Core Fund (Hedged)

#	Metric	Definition	Investees' Scope	2024		2023	
				Value	Coverage (%)	Value	Coverage (%)
1	Total Carbon Emissions	The absolute greenhouse gas emissions of a portfolio, expressed in tonnes CO2e	1 & 2	3,109.8	99.7	1,951.2	99.7
			3	31,432.2	99.7	18,048.4	99.7
			Total	34,542.0	99.7	19,999.5	99.7
2	Carbon Footprint	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO2e/£M invested	1 & 2	26.9	99.7	28.8	99.7
			3	283.3	99.7	266.3	99.7
			Total	310.1	99.6	295.1	99.6
3	Weighted Average Carbon Intensity (WACI)	Portfolios exposure to carbon-intensive companies, expressed in tonnes CO2e/£M revenue	1 & 2	51.5	99.7	52.9	99.7
			3	522.3	99.7	503.5	99.7
			Total	573.8	99.7	556.4	99.7

Source: Schroders based on the Schroder Sustainable Global Core PIE Fund as of 29 March 2024

5.1.1. Methodology

5.1.1.1. GHG Emissions Measurement Standards

Schroders uses the methodology as prescribed by the Partnership for Carbon Accounting Financials (PCAF) in the calculation of:

- **(A)** Total carbon emissions (financed emissions)
- **(B)** Carbon footprint (investment intensity)
- **(C)** Weighted Average Carbon Intensity (WACI)

5.1.1.2. GHG Emissions Consolidation Approach

Schroders' GHG Emissions consolidation approach considers equity share.

5.1.1.3. Source of Emissions Factors

Schroders uses the Greenhouse Gas Protocol (GHG Protocol)[6] in the calculation of CO_2 equivalent.

5.1.1.4. Summary of Exclusions

Not applicable given the high degree of data coverage across the portfolios.

[6] See the GHG Protocol website.

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5.1.1.5. Methods & Assumptions

For all carbon emissions figures, Schroders uses the values received from its data provider, MSCI. Where available, reported Scope 1 and 2 emissions data is taken from companies and used in Schroders' reporting. This is predominantly obtained via CDP, but also from company reports. In instances where reported data is lacking, MSCI may use estimates based on financial data. For Scope 3 data, Schroders only used the estimates provided by MSCI. Reporting of Scope 3 data by companies is still relatively nascent, and Schroders finds the estimates provided by MSCI to be more comprehensive. Schroders does not use an internal estimation methodology in its fund-level reporting, except for the calculation of WACI where the emissions are re-weighted based on the portfolio coverage. Schroders is in the process of moving all emissions measures to this method of reporting.

5.1.1.6. Quantification Uncertainties & Their Effects

The objective of estimation is to provide as complete and representative a picture of portfolio emissions as Schroders believes is possible, but alongside methodology updates and data revisions, this complicates comparisons and can require historical estimates to be restated. All figures should be interpreted against this backdrop of changing assumptions and heavy reliance on estimates. Please also refer to the methods and assumptions in Section 5.1.1.5 above.

5.2. Transition Risks

As previously described in Section 3.2 above, Schroders aligns its choice of scenarios to the externally defined set of reference scenarios provided by the Network for Greening the Financial System (NGFS). Some scenarios assume stringent carbon policies and rapid decarbonisation, while others assume slow and uncoordinated policy action. These scenarios cover multiple transition risk stressors such as carbon price, fossil fuel prices and demand, energy mix evolution and emissions pathways.

The negative implications of physical climate impacts are outweighed by the transition risk impacts under the stringent policy scenario that will be needed to deliver global climate goals. The schematic in the following page summarises the sector exposures in a high-risk scenario for both physical and transition risks. The size of the bubbles represents the share of Schroders' in-scope assets under management invested in that sector.

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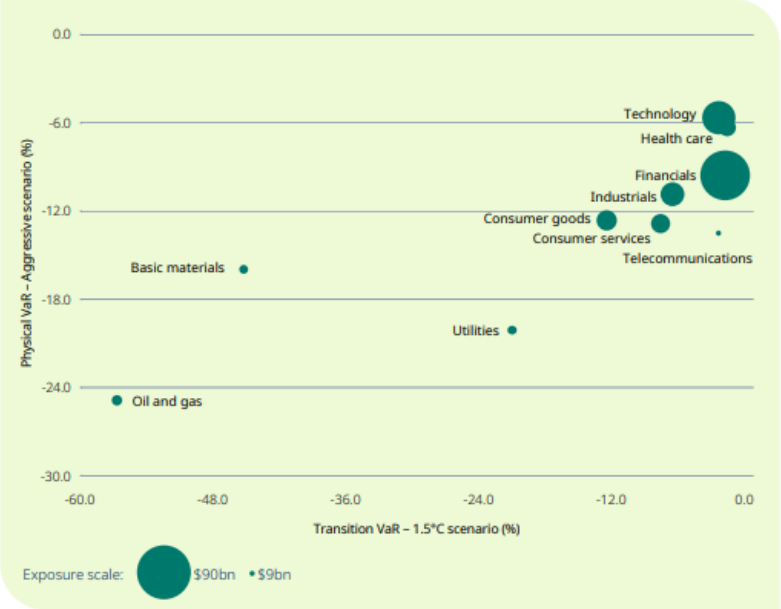
Figure 14 **Covered investments physical and transition risk exposure, broken down by sector²**



Source: Schroders Climate (TCFD) Report 2023

5.3. Physical Risks

Schroders assesses exposure to approximately ten different climate-related hazards. These are grouped under "average" and "aggressive" scenarios and aggregated to an overall "extreme weather climate VaR".

Physical risk methodology defines possible climatic consequences resulting from increased levels of GHG Emissions and the ensuing financial burden borne by businesses and their investors. While extreme weather events occur with large associated costs and are therefore sometimes already considered 'priced in', there is significant uncertainty on the future climate change impacts on the frequency and intensity of extreme weather events. The goal of the physical risk calculation is to compute the isolated change in extreme weather costs due to climate change – the 'cost delta' of climate change. While most outcomes of the physical risk analysis are likely to result in downside risks, there can be positive opportunity outcomes, for example where a reduction in snowfall/ice has a positive effect on transport companies.

The approach to calculating physical risk follows an assessment of vulnerability, hazard and exposure.

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Vulnerability (sensitivity) looks at the propensity or an asset to be affected – including susceptibility to financial harm and capacity to cope/adapt. E.g. temperature reduces labour productivity in the construction sector; e.g. heavy snowfall has a negative impact on transport companies. MSCI developed a set of sector specific vulnerabilities which are applied in the physical risk calculation.

Hazard (risk/impact) looks at the present and future climatology including the probability of occurrence and intensity of extreme weather events. E.g. an increase in the number of very hot days; e.g. a measure of water stress in a certain region.

Exposure (assets/inventory) looks at the presence of people, livelihoods, resources, and other assets in places that could be adversely affected. E.g. geographical location, size, type, value of asset. The methodology uses a database of over 437,000 company locations and almost 26,000 publicly traded companies. This Asset Location Database has on average 17 asset locations per company. MSCI calculates two types of exposure – asset value exposure to direct loss (asset damage costs), and economic output exposure (business interruption).

	Fund Coverage	Benchmark Coverage	Value at Risk (VaR)		
			Benchmark Score	Investees' Score	Active Score
Physical Risk Extreme	99.48%	99.51%	-5.99%	-5.99%	0.00
Weather Aggressive	99.48%	99.51%	-4.80%	-4.81%	-0.01

Source: Schroders based on the Schroder Sustainable Global Core PIE Fund and the MSCI World ex Tobacco Index (NZD) as of 29 March 2024

5.4. Opportunities

Technology opportunities refer to advancements in technology that can create new markets, reduce costs, or improve efficiency, and can have positive impact on a company's operations and financial performance. For example, the development of new low-carbon technologies, such as renewable energy or energy storage, can create new business opportunities for companies in those sectors. MSCI calculates low carbon technology opportunities by reviewing the current green revenues as well as patents for low carbon technologies as a proxy for low-carbon innovative capacity. Patents are a good way to understand if companies are pushing their R&D departments to develop new technologies

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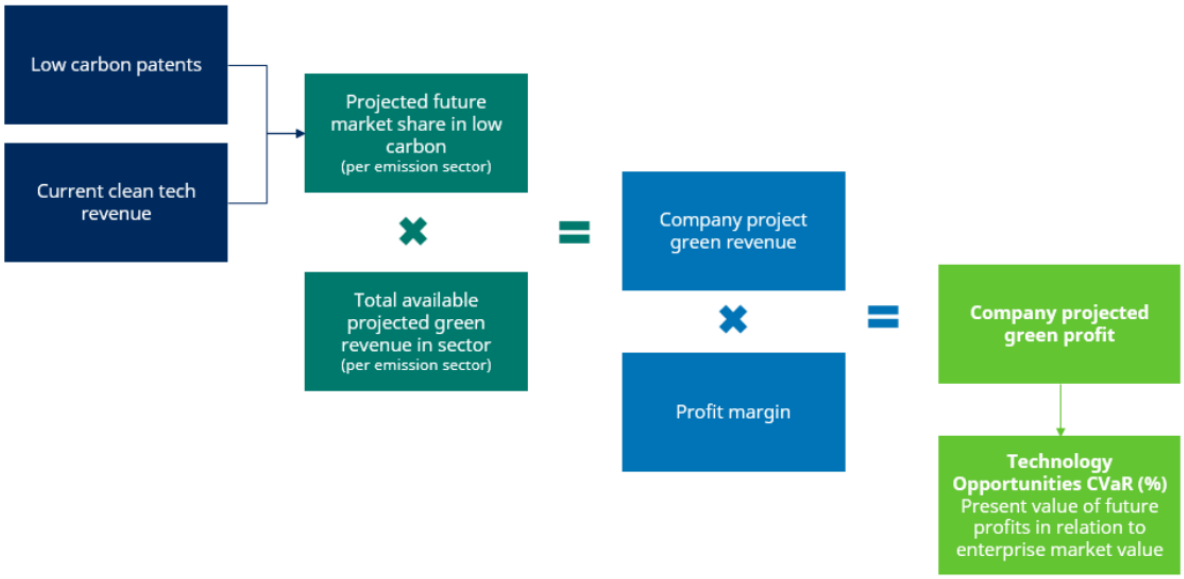
and solutions and become more competitive. Companies with more patents will have the capacity to innovate more. MSCI covers over 100 million patents from over 70 patent authorities worldwide.

The output below details the technology opportunities calculated for the Schroder Sustainable Global Core PIE fund:

	Benchmark Coverage	Fund Coverage	Technology opportunities Climate Value at Risk (%)		
			Benchmark Score	Investees' Score	Active Score
Technology Opportunity | 1.5°C Disorderly	98.79%	98.66%	2.01	2.50	0.49
Technology Opportunity | 1.5°C Orderly	98.79%	98.66%	1.41	1.76	0.36
Technology Opportunity | 2°C Disorderly	98.79%	98.66%	0.45	0.50	0.05
Technology Opportunity | 2°C Orderly	98.79%	98.66%	0.30	0.37	0.07
Technology Opportunity | 3°C	98.79%	98.66%	0.22	0.28	0.06

Source: Schroders based on the Schroder Sustainable Global Core PIE Fund and the MSCI World ex Tobacco Index (NZD) as of 29 March 2024

The calculation method for technology opportunities is set out in the diagram below:



Source: Schroders

5.5. Price per CO_2 Tonne

Schroders does not use an internal carbon price in its strategic decision-making, but has developed a proprietary assessment of transition risk, Carbon VaR. It measures the impact of a carbon price of $100/tonne on companies' earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently

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lower demand in each sector. Carbon VaR is available for use by Schroders' fund managers to assess transition risk in their portfolios.

5.6. Management Remuneration

FundRock has not elected to link any part of management remuneration to CRR&O.

5.6.1. Schroders

The strategic importance of climate-related issues is reflected in Schroders' remuneration structures. Schroders' executive Directors have climate metrics included within their annual bonus scorecard and Long-Term Incentive Plan.

Remuneration structures are also used across the wider organisation to align employee interests to sustainability-related issues relevant to their areas of responsibility. Performance against sustainability goals, including the assessment of CRR&O, forms part of the annual performance review and, in turn, compensation outcomes for those with roles able to influence Schroders' investment and business operations, including members of the GMC, all fund managers, and corporate staff such as Workplace Services and Procurement.

5.7. Other Metrics

The Implied Temperature Rise metric is provided by MSCI. It is not aligned with the Carbon Disclosure Project-World Wildlife Fund (CDP-WWF) methodology Schroders uses for Group reporting to determine the alignment of in-scope holdings (listed equities, corporate bonds, REITs and ETFs) with its SBTi commitments. The Climate Value at Risk metrics align with those used in the Schroders Climate (TCFD) report at this link.

Fund	Investees' Temperature Alignment	Coverage (%)
Schroder Sustainable Global Core PIE Fund and Schroder Sustainable Global Core PIE Fund (Hedged)	2.2°C	99.7

Source: Schroders

5.8. Targets

Schroders was a founding member of the Net Zero Asset Managers initiative, committing to achieve net zero emissions by 2050 or sooner. Schroders' net zero commitment spans across both the investments it manages on behalf of its clients and its operations. Adherence to Schroders' firm-wide net zero target is measured through an implied temperature score, which is calculated both in respect of its total holdings, and at the individual strategy or mandate level to allow its investment teams to assess their portfolios' alignment with Schroders' overall SBTi commitments.

Schroders recognises that funds must be assessed over time rather than from quarter to quarter. Schroders intends to assess portfolio progress over rolling three-year periods, consistent with the two to three year period over which it has found engagements typically bear fruit, to ensure investment teams are able to manage the transition thoughtfully, as valuations of better placed companies rise and fall.

Given the above, and that the QEP strategies are tied to and need to align with the firm's commitments, Schroders has provided Group level targets below.

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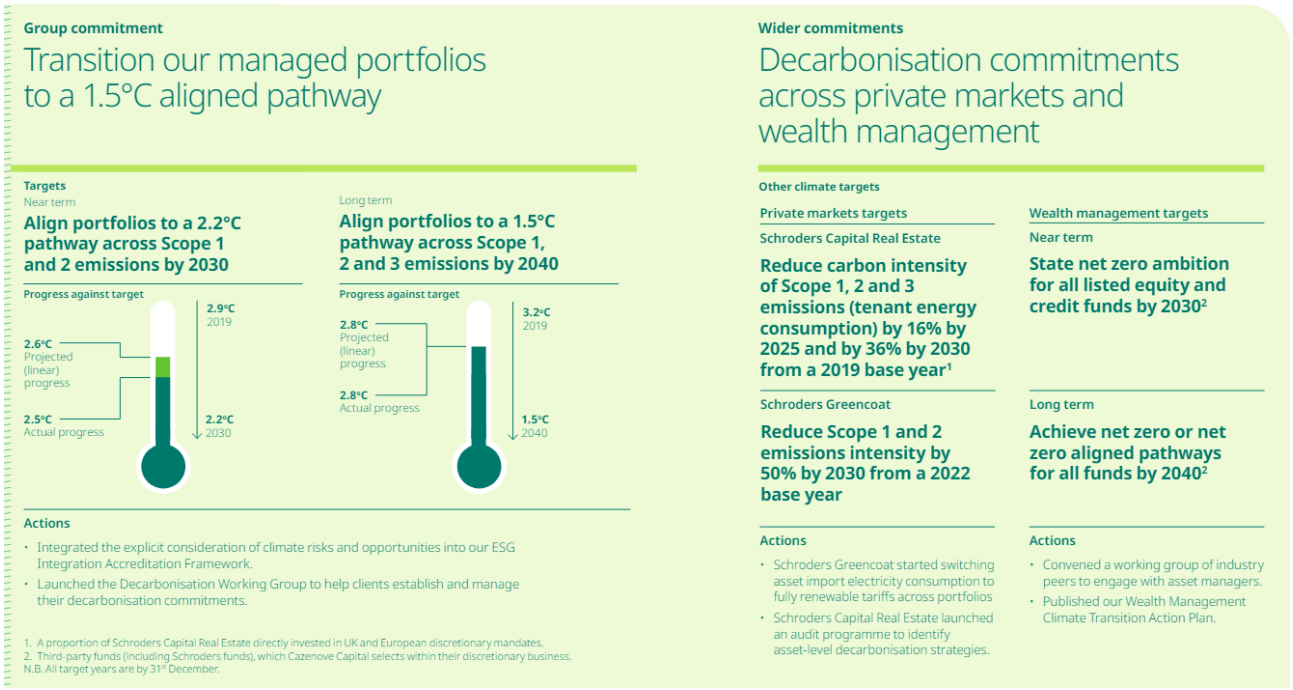
The investments we manage



Please also refer to the Schroders Group Climate report 2023 at this link.

5.8.1. Specificities of GHG Emissions Targets

5.8.1.1. Nature

Schroders does not use an absolute or intensity-based emissions reduction target, but uses the aforementioned temperature score methodology developed by the Carbon Disclosure Project (CDP) and World Wildlife Fund (WWF) and adopted by the SBTi[7].

This methodology applies to companies (equity and credit securities) only, which represent close to two-thirds of the assets Schroders manages, therefore reporting is focused on those investments initially. Schroders will extend its analysis to other asset classes as the methodology is defined. Schroders surfaces this information through its proprietary Net Zero Dashboard which enables its investment teams and central risk function to monitor the temperature alignment of portfolios.

5.8.1.2. Contribution to Limiting Global Warming to 1.5°C

Schroders' climate strategy reflects a long-held conviction that climate change will be an unavoidable and disruptive influence on economies, industries and investments in the coming years. Schroders' focus across its decarbonisation targets and approach is outlined below:

- **Contribution to Limiting Global Warming to 1.5°C**

[7] CDP-WWF temperature rating methodology is an open-source methodology which translates targets into a single, intuitive metric. This allows the global temperature rise associated with corporate ambition to be compared. https://www.cdp.net/en/investor/temperature-ratings/cdp-wwf-temperature-ratings-methodology.

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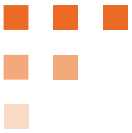

- **Setting Science-Based Targets**: aligning GHG Emissions reduction targets with the Science-Based Targets initiative (SBTi) helps us to align with the latest climate science deems to limit global warming to 1.5°C above pre-industrial levels. The use of a temperature score approach allows us to assess the ambition of company commitments so Schroders can drive change in hard to abate sectors.
- **Promoting Transition Finance**: By setting and pursuing net zero targets, Schroders can contribute to limiting global warming by financing the transition of high-emitting industries towards more sustainable practices. This includes investing in renewable energy, energy efficiency, and other low-carbon technologies.
- **Engagement and Voting**: Schroders can use its influence through engagement and voting to encourage companies within its portfolios to adopt more ambitious climate targets and strategies, driving broader systemic change towards the 1.5°C goal.

- **Basis for the View Expressed**
  - **Reliance on Climate Science and Models**: The basis for setting GHG Emissions is the latest Intergovernmental Panel on Climate Change (IPCC) reports and climate models that outline pathways for limiting global warming. These models inform the required pace and scale of emissions reductions. Schroders believes that climate risk is a material financial risk and that to ignore the reality of climate change would be to the detriment of client portfolios.
  - **Adoption of Industry Standards**: Schroders relies on frameworks and standards provided by third-party organizations, such as the SBTi, to set and validate its targets. These organizations provide methodologies that are aligned with the 1.5°C ambition.
  - **Use of Climate Scenarios and Tools**: Schroders uses climate scenarios, like those developed by the Network for Greening the Financial System (NGFS), and tools such as carbon footprinting to assess how its portfolios align with a 1.5°C pathway. This helps in setting realistic and impactful targets.

5.8.1.3. Reliance on Offsets

Schroders continues to operate its business on a climate neutral basis, buying carbon credits equivalent to its greenhouse gas emissions (except supplier and financed emissions where it has engagement targets). It does not rely on carbon offsets for the targets across its investments, though the SBTi does permit the use of them to mitigate residual emissions across portfolios.

Please refer to the Schroders Climate (TCFD) report at this link for further information.

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SCHEDULE A. SCHRODERS' GROUP SUSTAINABILITY GOVERNANCE

The Schroders Group's Board ("**Schroders' Board**") is responsible for approving the Group's strategy, which includes its sustainability strategy. The **Schroders' Board** has delegated overall responsibility for the delivery of the Schroders Group's strategy to the Group Chief Executive, who has the authority to delegate further while retaining overall responsibility for the delivery of Schroders' strategy.

In discharging its responsibilities, the **Schroders' Board** takes appropriate account of the interests of Schroders' stakeholders, including clients and wider society. Its governance framework enables the **Schroders' Board** to have oversight of the climate- and nature-related risks and opportunities impacting Schroders' business. The Schroders Group has a well-developed risk management framework to identify risks and opportunities. At the Board level, this oversight is through the Board Audit and Risk Committee, which receives quarterly reports on key risks impacting the business, one of which is "Sustainability risk including climate change".

Schroders has an experienced and well-resourced central Sustainable Investment team, which has been embedded as part of its investment division since its creation over two decades ago. That team's work is complemented by a 'whole firm' approach to sustainability through which specific activities are shared with teams across the business best placed to deliver them. Notably, the QEP Investment team has a longstanding relationship of close collaboration with the central Schroders Sustainable Investment team. By combining Schroders' specialist expertise in the central Sustainable Investment team with the breadth and depth of relationships and insights of its investment teams across global industries, Schroders has a strong platform to build on.

The Sustainable Investment team serves as a central resource for expertise on sustainability issues. Schroders does not consider sustainable investment decisions to be binary or "black and white" and investing sustainably is not a compliance exercise; it is an exercise in considering a wider range of social and environmental factors when making investment decisions. Therefore, the team does not decide whether a company is "good" or "bad" in ESG terms, but provides the necessary resources, information, strategy and guidance for fund managers and analysts to draw conclusions on the sustainability profile of a company and act on such information as they consider appropriate.

To deliver against Schroders' ambitions in sustainability, including its net zero targets, during 2023 Schroders continued to invest substantially in the Sustainable Investment team resource. As at end of December 2023, Schroders had over 50 people in the team globally. With Climate Change knowledge and responsibilities spread out across the organisation, Schroders created dedicated roles to help the delivery of its collective vision. Schroders therefore recruited a Climate Change Strategist, so that Schroders could continue to strengthen its Climate Change strategy. Schroders also expanded its central Active Ownership resources by adding a total of six additional headcount, including a Head of Engagement. Schroders has also created a new role of Active Ownership Operations and Insights manager dedicated to supporting the evidencing of its engagement activity, as well as its impact.

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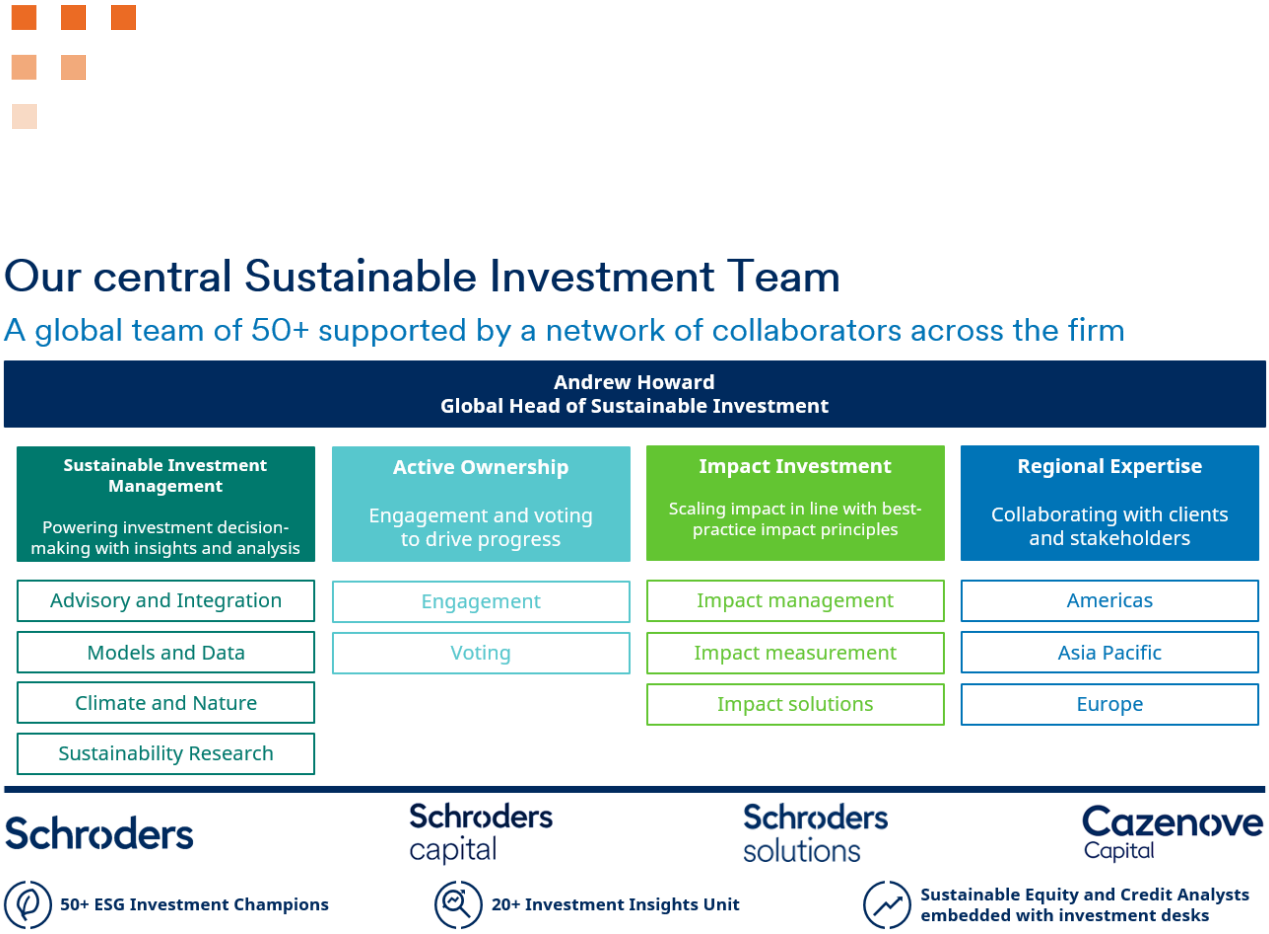

The Sustainable Investment team is organised into four pillars:

(A) Sustainable investment management

(i) Schroders' **Advisory and Integration** team acts as a central contact point and consultant for a range of stakeholders across the business. This includes advising investment teams on ESG integration best practice; compliance, risk, and legal teams on ESG regulation; and working with its regional experts; across Asia Pacific, Europe and North America, as outlined under pillar three.

(ii) Schroders' **Models and Data** team is responsible for the maintenance and evolution of Schroders' suite of proprietary tools. They are also responsible for ESG data, ensuring Schroders harnesses sustainability data effectively from both conventional and unconventional sources.

(iii) Schroders' **Strategy and Research** team is responsible for undertaking sustainability research to: inform firmwide strategy and commitments; provide insights for investment teams to analyse sustainability-related risks and opportunities; and provide research-related and technical support for other stakeholders across the firm.

(B) Active ownership

(i) Schroders' **Engagement** team partners with investors to have dialogue with the companies in which Schroders invests, seeking to understand how prepared they are for a changing world and pushing them towards more sustainable practices. The team track the progress of these engagements and hold companies to account.

(ii) Schroders' **Corporate Governance** team is responsible for voting in line with Schroders' Voting Policy and Principles.

(C) Impact

(i) Schroders' **Impact** team is responsible for scaling Schroders' impact product offering in line with best-practice impact principles. The team works closely with investment desks and is responsible for developing and implementing Schroders' impact management and measurement framework, including impact assessment and monitoring at transaction and portfolio level, product development, impact strategy and impact reporting.

(D) Regional Expertise

(i) Schroders' **Regional Experts** based in Asia Pacific, Europe and North America have a deep understanding of local market characteristics and nuances, and are responsible for staying abreast of sustainability-related developments. Schroders' experts work with clients and internal teams to navigate and support clients' ESG aspirations and challenges, utilising Schroders' proprietary tools and research to develop investment solutions that meet their

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needs. They also engage with regulators and industry bodies to shape and support the global sustainable finance agenda. Schroders' regional experts are a critical extension of the central team in London as the firm continues to evolve its global ESG strategy.

For Schroders, sustainability is a core part of their firm-wide strategy and is fundamental to its ultimate objective which is to achieve better outcomes for Schroders' clients. The central Sustainable Investment team works in partnership with many teams around Schroders including its investment teams, Investment Insights Unit, Product Governance and client teams. Across the firm, Schroders has further resources to draw on. It has a number of dedicated sustainable equity and credit analysts who are embedded within Schroders' investment desks, along with 50+ Sustainability champions across investment globally.

Within the Sustainable Investment team, Schroders employs individuals with expertise across a broad range of disciplines. This includes individuals with backgrounds in investment research, portfolio management, distribution, technology, as well as sectoral and product specialists and people with corporate governance backgrounds. Schroders believes that this can help give a more rounded view to its stewardship activities; one that recognises the idiosyncrasies of each region, sector, and company and ensures high stewardship standards.

The majority of the Sustainable Investment team members are based in London. Schroders has also regional presence with Heads of Sustainability in North America, Europe and Asia. Schroders is also expanding its resource through regional integration and product specialists. The team is majority female and encompasses multiple ethnicities.

Schroders' **sustainability 'champions'** provide a bridge between their immediate teams and the Sustainable Investment team and act as sustainability subject matter experts supporting Investment and Client Group colleagues. The aim is to ensure investment desks use all the resource available to them and apply appropriate rigour in how sustainability is integrated into their investment process.

Schroders believes that the process for integrating ESG into its investment strategies should be owned by its investment teams. In Schroders' view, ESG risks and opportunities sit alongside the more traditional financial and market analysis that are necessary to form a complete and accurate valuation of a company.

As discussed above, the Sustainable Investment team provides Schroders' analysts/fund managers with the necessary tools and information to allow them to analyse sustainability factors with respect to their holdings and to identify issues for engagement as part of its stewardship activities. In 2022 Schroders published its inaugural Engagement Blueprint which provides investors with a common framework for its expectations of companies across six thematic areas. The central Active Ownership team support investment desks to implement this framework through the development of engagement guides and dedicated research on each of the thematic areas. Individual desks establish their respective priorities both in terms of topics and companies with which to engage.

Once these priorities are agreed, Schroders' analysts and fund managers determine the objectives, timeframes and the appropriate process of engagement and execute that plan, often with support from the Sustainable Investment team. Schroders regards this approach as "bottom-up", starting with research with respect to individual companies. The engagements that are led directly from Schroders' Sustainable Investment team are often more "top-down", whereby the team determine key trends and risks, often supported by thematic research, and then engage with companies and sectors most exposed to those risks.

Having said that, these activities do not operate in silos. There is ongoing communication between Schroders' Sustainable Investment team and its analysts/fund managers to ensure a consistent information flow and a shared ownership of its stewardship activities. This communication happens on an ad hoc basis as issues arise and through regular monthly meetings between the Sustainable Investment team and key investment desks.

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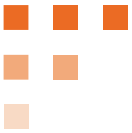

Depending on the investment focus of each desk, the ensuing engagement may have a different regional footprint. For example, European Equity will concentrate on European companies. Generally, Schroders does not think of its stewardship activities differentiated by regions but rather by investment desks, albeit many of which have a specific regional focus. Schroders' analysts provide the regional context for each firm. Whilst the starting point of Schroders' stewardship (across both equities and credit) are the companies themselves, this regional context is important in order to understand the different pressures companies face. This, in turn, shapes its stewardship priorities.

A.a. QEP Investment Team

The QEP Investment team is responsible for integrating ESG considerations across the QEP investment strategies. The responsibility includes leading the ongoing research and development of the team’s proprietary ESG framework and leading collaboration efforts with the central sustainability team. All analysts within the QEP team are responsible for researching new investment strategies and enhancing Schroders’ existing frameworks, including ESG research.

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