

## Schroder International Selection Fund – Global Sustainable Food and Water

### Summary

The Fund's sustainable investment objective is to invest its assets in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

The Fund invests at least 90% of its assets in sustainable investments, in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 10% of its assets in sustainable investments with a social objective. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria. Not sustainable includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently. Please refer to the chart under the "Proportion of investments" section.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under the "Monitoring of sustainable investment objective" section.

The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager's rating criteria.

The Investment Manager's approach to investing in issuers that do not cause significant harm to any environmental or social sustainable investment objective includes the following:

Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics. Third party research may be used, however our analysts form a proprietary view on each of the companies we analyse. The Investment

Manager subscribes to external ESG research providers including; MSCI ESG research, Bloomberg, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing".

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points.

Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values where appropriate and reasonably robust.

Where data for a metric is not sufficiently available to form robust conclusions, that metric is not included in the proprietary tools.

The Investment Manager ensures that at least 90% of companies in the Fund's portfolio are rated against the sustainability criteria.

The Fund's investment and asset selection process has been reviewed and approved by the investment manager's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with this is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

The data in the portfolio compliance framework forms the basis for monitoring of risk limits and indicators, and the latest information on portfolio structure (such as asset allocation, sector and country positions) and risk metrics is easily available to our investment risk, portfolio compliance and investment teams.

We consider active ownership to be the influence we can apply to management teams to ensure sustainable practices in the assets in which we invest. We aim to drive change that will protect and enhance the value of our investments and we are committed to leveraging the weight of our firm to change how a company is operating for the better. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

Further details on our approach to active ownership policy is publicly available:

<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>.

## **No significant harm to the sustainable investment objective**

The Investment Manager's approach to not causing significant harm to any environmental or social sustainable investment objective includes the following:

The Investment Manager's approach to investing in issuers that do not cause significant harm to any environmental or social sustainable investment objective includes the following:

- Firm-wide investment exclusions apply to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons and a list of those companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group->

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

exclusions/. Firm-wide exclusions also apply to companies generating more than 20% of their revenue from thermal coal mining.

- The Fund excludes companies that derive revenues above certain thresholds from activities related to tobacco and thermal coal.
- The Fund excludes companies that are assessed by Schroders to have breached one or more ‘global norms’ thereby causing significant environmental or social harm; these companies comprise Schroders’ ‘global norms’ breach list. Schroders’ determination of whether a company has been involved in such a breach considers relevant principles such as those contained in the UN Global Compact (UNGC) principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The ‘global norms’ breach list may be informed by assessments performed by third party providers and by proprietary research, where relevant to a particular situation.
- The Fund may also apply certain other exclusions in addition to those summarised above.

Further information on all of the Fund’s investment exclusions is to be found further below in the “Monitoring of the sustainable investment objective” section.

## Sustainable investment objective of the financial product

The Fund’s sustainable investment objective is to invest its assets in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. The Fund may also invest in investments that the Investment Manager deems to be neutral under its sustainability criteria, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

## Investment strategy

The sustainable investment strategy used by the Investment Manager is as follows:

The Fund is actively managed and invests its assets in (i) sustainable investments, which are investments that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling, and (ii) investments that the Investment Manager deems to be neutral under its sustainability criteria.

The Fund may also apply certain other exclusions. Further information on all of the Fund’s exclusions is to be found further below in the “Monitoring of the sustainable investment objective” section.

The Fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the Investment Manager’s rating criteria.

In order to assess good governance practices, a central Good Governance Test is applied. This test is based on a data-driven quantitative framework, which uses a scorecard to assess companies across the categories of sound management structures, employee relations, remuneration of staff, and tax compliance. Schroders has defined a number of criteria across these pillars. Compliance with the test is monitored centrally and companies which do not pass this test cannot be held by the Fund, unless the Investment Manager has agreed that the issuer demonstrates good governance based on additional insights beyond that quantitative analysis.

The Investment Manager may also engage with companies held by the Fund to challenge identified areas of weakness on sustainability issues. More details on the Investment Manager’s approach to sustainability and its engagement with companies are available on the webpage:

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

<https://www.schroders.com/en-lu/lu/individual/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/disclosures-and-statements/>.

The Fund invests at least two-thirds of its assets in equity and equity related securities of companies worldwide.

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

The Fund may use derivatives with the aim of reducing risk or managing the Fund more efficiently.

The Investment Manager applies sustainability criteria when selecting investments for the Fund. Each company in the universe of potential investments is assessed by the Investment Manager against eight categories: (1) management quality; (2) balance sheet sustainability; (3) corporate governance; (4) regulatory risk management; (5) supply chain management; (6) customer management; (7) employee management; and (8) environmental management. The company will receive an overall score out of ten based on the Investment Manager's assessment. Each company is then placed within one of the following categories based on this score:

- 'Lagging' (score of 1 – 3): Companies that show poor corporate governance, poor management quality, weak balance sheet sustainability, poor stakeholder relations, and fail to demonstrate an awareness of ESG issues they face.
- 'Neutral' (score of 4 – 6): Companies that show adequate corporate governance, reasonable management quality, reasonably strong balance sheet sustainability, have reasonable relationships with stakeholders and some awareness of ESG issues. These companies do not exhibit a high level of sustainability risk based on the Investment Manager's assessments, but at the same time are not best in class companies with the potential to maintain market leading growth.
- 'Best-in-class' (score of 7 – 10): Companies that have strong corporate governance, quality management, strong balance sheet sustainability, good relationships with stakeholders and a good awareness and management of sustainability issues. These companies should be able to attract talent, lead the industry in terms of productivity, have strong supply chain links, acting as the 'supplier of choice' for customers, and be mindful of their environmental impact.

The Fund will generally only invest in companies that are rated as 'neutral' or better.

The Investment Manager performs its own analysis of information provided by the companies, including information provided in company sustainability reports and other relevant company material. Third party research is used by the Investment Manager as a secondary consideration, and generally provides a source of challenge or endorsement for its view.

The Investment Manager ensures that at least 90% of the portion of the Fund's Net Asset Value composed of investments in companies is rated against the sustainability criteria. As a result of the application of sustainability criteria, at least 20% of the Fund's potential investment universe is excluded from the selection of investments.

For the purposes of this test, the potential investment universe is the core universe of issuers that the Investment Manager may select for the Fund prior to the application of sustainability criteria, in accordance with the other limitations of the Investment Objective and Policy. This universe is comprised of equity and equity related securities of companies worldwide.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

## Proportion of investments

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

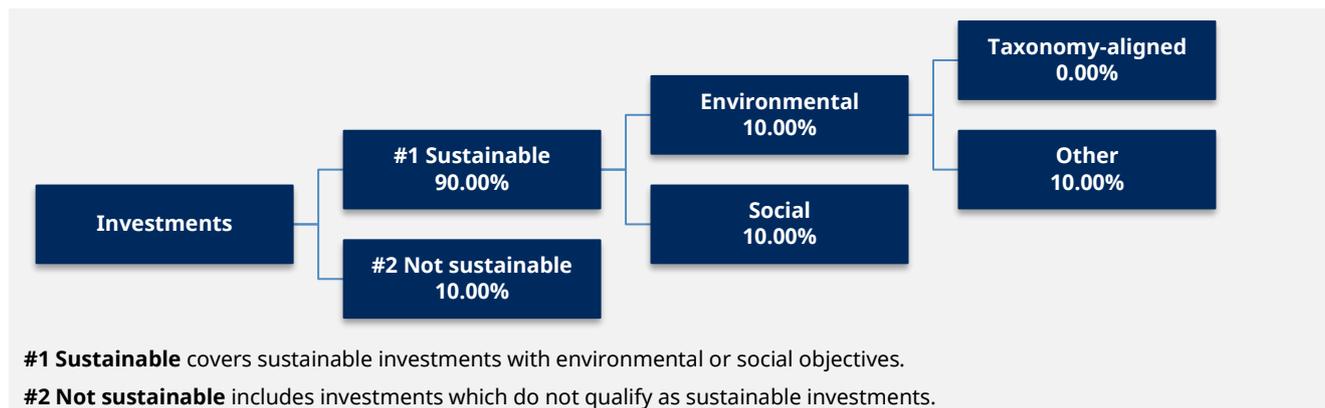
Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The planned composition of the Fund's investments that are used to meet its sustainable investment objective are summarised below.

The Fund invests at least 90% of its assets in sustainable investments, which means included in **#1 Sustainable** are investments in companies worldwide that the Investment Manager expects to contribute towards the provision of sustainable food and water including water management, agricultural equipment, agricultural inputs, food production, processing, packaging and distribution, food and water retail and recycling. Within this overall commitment of 90%, there is a minimum commitment to invest at least 10% of its assets in sustainable investments with an environmental objective and at least 10% of its assets in sustainable investments with a social objective. The minimum proportions stated apply in normal market conditions.

**#2 Not sustainable** includes investments that are treated as neutral for sustainability purposes, such as cash and Money Market Investments and derivatives used with the aim of reducing risk (hedging) or managing the Fund more efficiently.



Minimum safeguards are applied where relevant to Money Market Investments and derivatives used with the aim of reducing risk (hedging) by restricting (as appropriate) investments in counterparties where there are ownership links or exposure to higher risk countries (for the purpose of money laundering, terrorist financing, bribery, corruption, tax evasion and sanctions risks). A firm-wide risk assessment considers the risk rating of each jurisdiction; which includes reference to a number of public statements, indices and world governance indicators issued by the UN, the European Union, the UK Government, the Financial Action Task Force and several Non-Government Organisations (NGOs), such as Transparency International and the Basel Committee.

In addition, new counterparties are reviewed by Schroders' credit risk team and approval of a new counterparty is based on a holistic review of the various sources of information available, including, but not limited to, quality of management, ownership structure, location, regulatory and social environment to which each counterparty is subject, and the degree of development of the local banking system and its regulatory framework. Ongoing monitoring is performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges. Any significant deterioration in the profile of the counterparty in Schroders' proprietary tool would lead to further analysis and potential exclusion by Schroders' credit risk team.

## Monitoring of the sustainable investment objective

The exclusion of certain activities, industries or groups of issuers listed below, as well as the investment limits applicable to the Fund, will be measured within the Investment Manager's portfolio compliance framework. Exclusions and limits are coded into this framework to seek to ensure that pre-trade compliance correctly flags the securities that should not enter the portfolio. Securities excluded based on revenue thresholds are evaluated quarterly by the Sustainable Investment team using MSCI's revenue data.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

The coding and monitoring of investment risk restrictions for individual fund and client mandates is the responsibility of the Investment Manager's Portfolio Compliance team within the independent Investment Risk function.

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

## Exclusion Criteria

### Environmental exclusions

Excluded Activity	Criteria
Thermal Coal Mining Maximum Percentage of Revenue	0%
Thermal Coal Power Generation Maximum Percentage of Revenue	0%
Oil and Gas Power Generation Maximum Percentage of Revenue	10%
Fossil Fuel Power Generation Maximum Percentage of Revenue	10%
Oil and Gas Extraction and Production Maximum Percentage of Revenue	0%
Oil Sands Extraction Maximum Percentage of Revenue	0%
Nuclear Power Generation Maximum Percentage of Revenue	0%
Nuclear Power Utility Maximum Percentage of Revenue	0%
Nuclear Power Uranium Mining Maximum Percentage of Revenue	0%
Evidence of Thermal Coal Reserves	Any tie
Evidence of Total Coal Reserves	Any tie
Evidence of Natural Gas Reserves	Any tie
Evidence of Oil Reserves	Any tie
Evidence of Oil and Gas Reserves	Any tie

### Social exclusions

Excluded Activity	Criteria
Alcohol Production Maximum Percentage of Revenue	5%
Tobacco Production Maximum Percentage of Revenue	0%
Tobacco Value Chain Maximum Percentage of Revenue	25%
Weapons Maximum Percentage of Revenue	0%
Nuclear Weapons Maximum Percentage of Revenue	0%
Biological/Chemical Weapons Maximum Percentage of Revenue	0%
Companies Manufacturing Non-Detectable Fragments	Any tie
Any Tie to Cluster Munitions	Any tie
Any Tie to Depleted Uranium Manufacturing	Any tie
Any Tie to Landmine Manufacturing	Any tie

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

## Bespoke Schroders exclusions

Excluded Activity	Criteria
Schroders Controversial Weapons Curated List <sup>1</sup>	All
Schroders' 'Global Norms' Breach List	All

## Methodologies

The Investment Manager is responsible for determining whether an investment meets the criteria of a sustainable investment. The Investment Manager uses a revenue based approach in this assessment by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributes to an environmental or social objective (as applicable). The output of the Investment Strategy outlined below is the production of the list of investments that meet the selection criteria, this represents the investment universe. Compliance with the minimum percentage in sustainable investments is monitored daily via our automated compliance controls. The Fund also applies certain exclusions, with which the Investment Manager monitors compliance on an ongoing basis via its portfolio compliance framework.

The Investment Manager uses different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager use a quantitative screening tool to identify companies that derive a minimum of 50% of their revenues from whose main activity is associated and are directly contributing to the provision of food and water. The Fund invests in companies involved in making the global food and water system more sustainable, as defined by companies driving positive change across at least one of the five key sustainability areas (GHG emissions, water usage, biodiversity, physical pollution and waste, and health and nutrition). The Investment Manager can manually add companies with revenue exposure below 50% to the Fund's investment universe provided the companies meet certain criteria. Examples of indicators used to assess sustainability include GHG emissions reduction targets, water usage assessments, records of environmental damage or water usage and product exposure to sustainable food and water solutions.

Subsequently, the Investment Manager uses a number of indicators to derive a sustainability score out of ten for each company. Based on this score, each company is placed within one of the following categories: (1) Best-in-class, (2) Neutral and (3) Laggard. The indicators used to determine the score include but are not limited to metrics such as carbon intensity, board gender diversity and management remuneration. The information is drawn from company management meetings, publicly available corporate information as well as the Investment Manager's internal proprietary tools.

## Data sources and processing

In order to assess and understand the potential impact of sustainability risks and opportunities, Schroders has developed a range of proprietary tools. These tools rely on data that is available at the level of the underlying investment holdings.

The Investment Manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics.

Third party research may be used, however our analysts form a proprietary view on each of the companies we analyse. Financial analysts may also use third-party research to support their assessment of ESG issues when analysing companies, in addition to consulting with our in-house ESG specialists. Through this process, we aim

---

<sup>1</sup>Schroders controversial weapons screening covers cluster munitions, anti-personnel mines, and chemical and biological weapons. Full details of the criteria and company names are available via the following link: <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified. Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity. Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers. Any tie includes companies with an industry tie to the excluded activity.

to evaluate the relevance and materiality of a range of ESG factors on the sustainability of future earnings growth and as potential risk factors for a company.

The Investment Manager subscribes to external ESG research providers including; MSCI ESG research, Bloomberg, Refinitiv, Sustainalytics and Morningstar, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data errors may occur. To address this, a dedicated ESG Data Governance team pro-actively monitors for errors and resolves data queries. This involves close collaboration with the third-party data providers, and managing and tracking data corrections.

Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points. Our proprietary tools provide flexibility allowing analysts to input data that is not publicly disclosed however has been disclosed during engagement into a common framework. This additional information will be used alongside data from conventional and unconventional data sources.

Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values where appropriate and reasonably robust. For example, in one tool, where reported values are missing for companies, we fill using metric-specific rules such as filling with the industry peer group 60<sup>th</sup> percentile where higher values are considered negative and the peer group 40<sup>th</sup> percentile where higher values are considered beneficial (which is a conservative approach).

Where data for a metric is not sufficiently available to form robust conclusions, we do not include that metric in our tools.

Whilst there may be some data estimation, it tends to be a marginal amount at the portfolio level with regard to our assessment of the sustainability characteristics of each company. The proportion of estimated data may vary over time.

## Limitations to methodologies and data

The limitations mainly arise from data errors, data availability and data estimation as detailed in the section titled "Data sources and processing". In order to assess alignment with sustainable investment objectives, we draw upon a variety of data sources, meeting companies, studying research and analysing assets. Due to the range of data sources and due to combining both qualitative and quantitative elements involving a degree of subjectivity and judgement from the investment manager, we believe that these data limitations do not in aggregate materially impact our attainment of the sustainable investment objective of the Fund.

## Due diligence

The Fund's investment and asset selection process has been reviewed and approved by the Investment Manager's Product Development Committee that includes representatives from the Legal, Compliance, Product and Sustainable Investment functions. Ongoing compliance with the agreed sustainability characteristics is monitored by the Portfolio Compliance Team. There are no external controls on that due diligence.

## Engagement policies

We consider active ownership to be the influence we can apply to management teams to ensure sustainable practices in the assets in which we invest. We aim to drive change that will protect and enhance the value of our investments and we are committed to leveraging the weight of our firm to change how a company is operating for the better. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals in line with our fiduciary responsibilities.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team. As a result, we are able to take a common approach across investment desks.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

We focus on sustainability issues which we determine to be material to the long-term value of our investee holdings. When material and relevant, we believe that companies that address these factors, where lacking, will drive improved financial performance for our clients. These issues reflect expectations and trends across a range of stakeholders including employees, customers, and communities, to the environment, suppliers and regulators. By strengthening relationships with that range of stakeholders, business models become more sustainable. The governance structure and management quality that oversee these stakeholder relationships are also a focus for our engagement discussions. In addition, we seek to reflect the priorities of our clients. Based on this process, we identify six broad themes for our engagement: climate, natural capital & biodiversity, human rights, human capital management, diversity & inclusion and governance.

Our themes are underpinned by additional cross-cutting thematic priorities. We also increasingly recognise the interconnectedness of ESG themes, such as the “just transition”, which recognises the social dimension of the transition to a resilient and low-carbon economy. We seek to reflect this interconnectedness in our engagements with companies.

### **How we engage**

We identify three key methods for practicing active ownership:

1. Dialogue: We speak with companies to understand if and how they are preparing for the long-term sustainability challenges they face.
2. Engagement: We work with companies to help them to recognise the potential impact of these challenges and to help them take action in the areas where change may be required.
3. Voting (where applicable): We use our voice and rights as shareholders to make sure these changes are effected.

These forms of active ownership can take place directly with companies, led by our fund managers, investment analysts and Sustainable Investment team; they can also take place in collaboration with other groups. Engagement is therefore a component of the portfolio’s investment strategy, both from an environmental and social perspectives.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. We identify a number of methods to escalate our engagements, such as meeting or otherwise communicating with non-executive directors or the chair of the Board, publicly stating our concerns, withholding support or voting against management and directors (where applicable) up to divesting partially or fully.

Our approach to active ownership focusses on achieving real-world outcomes and achieving change. When determining when to engage and setting an objective for the engagement, we consider:

1. Materiality: We seek to focus our engagement on the most material sustainability threats and opportunities to the company.
2. Regional context: The materiality of issues and the expectations we have of companies vary by country and region; for example, differing socio-cultural factors, regulatory maturity and resource constraints. Where possible we reference country or regional initiatives, regulations and leading practice from peers in our dialogue with companies.
3. Realistic outcomes: We consider both leading practice and what could realistically be achieved by the company in the next few years, including considering the size of the company.
4. Ability to monitor progress: We use objective, measurable metrics or indicators that can be used to assess company performance on an issue.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

5. Length of engagement: We aim to set short- to mid-term objectives – that can often be achieved over a 12- to 24-month period depending on the intensity of the engagement – but with a longer-term vision in mind.

We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives. We regularly monitor progress against the engagement objectives, at least annually, and at a frequency that is appropriate for the priority of the engagement and materiality of the issue or holding. That said, we recognise that the length of time to achieve an objective will vary depending upon its nature, and that key strategic changes will take time to implement into a company's business processes. A measurable outcome from our engagement upon completion of an objective could take a range of forms, including additional disclosure by a company, influencing the company strategy on a particular issue, or a change to the governance of an issue.

Further details on our approach to active ownership policy is publicly available:

<https://mybrand.schroders.com/m/3222ea4ed44a1f2c/original/schroders-engagement-blueprint.pdf>

Engagement is a core part of the investment process of the fund. The fund holdings are continually monitored for environmental related issues and/ or controversies. Where there are issues that are deemed to be material or there are specific controversies, the investment team will work to quickly assess the nature of the issue/controversy and, if appropriate, engage with the company. The team engages with companies throughout the year via one or more regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. The team have conducted a number of dedicated sustainability engagements across the investible universe on a number of different topics, including but not limited to climate change, biodiversity and corporate governance and other areas that are particularly pertinent to the food and water theme. For example, the investment team in collaboration with the Sustainable Investment team engaged with salmon farmers about managing their local biodiversity impact and decarbonising their supply chains.

In terms of concrete objectives, the Global Resource Equities team are committed to undertaking two key strategic engagement projects on an annual basis across a group or sub-sector of companies most exposed to specific issues or sustainability challenges in order to encourage change and drive better outcomes. We aim to set pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives.

The two specific key areas of focus are i) deforestation and ii) climate change, more specifically in terms of encouraging a cohort of companies within the investible universe to set measurable SBTi targets.

With regard to our deforestation engagement, we are taking a multi-tiered approach to engagement. To meet our commitment to tackling deforestation risks, Schroders has developed a scorecard to build an initial view of the level of companies' exposure to and management of deforestation risks. We are using this scorecard to identify priority engagement companies that have the greatest exposure to commodity-driven deforestation within the sustainable food and water universe. As a first step we are engaging with these Tier 1 companies. Through this, we hope we are raising corporate awareness, encouraging knowledge sharing on best practice and increasing transparency across industries that are exposed to deforestation. In addition, as an investment desk and in line with the firm wide policies we are committed to using best efforts to eliminate commodity-driven deforestation activities from the fund's portfolio by 2025.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.

	Identify	Engage	Monitor	Escalate	Assess Investment Rationale
Tier 1	Companies with revenues from production and trade of forest risk commodities (palm, soy, cattle, timber)	Investor led engagement supported by SI team	Progress on engagement monitored annually.	Escalate in 2024 if insufficient progress including, voting against Directors, filing resolutions and collaborative engagements	Potential investment decision in 2025 if insufficient progress
Tier 2	Material value chain exposure to commodity Driven deforestation	Centrally and investment led engagement – incorporated into climate engagements where relevant	Scorecard refreshed annually, progress on key engagement asks monitored.	Potential escalation in 2024	On an exceptional basis
Tier 3	All companies in exposed sectors (predominantly material & consumer)	Communication of expectations for all companies with exposure	Scorecard refreshed annually	N/A unless material deterioration	N/A unless material deterioration

Our second key focus is to engage with companies across a number of industries and sub-sectors where the carbon intensity is very high and/or the business model is threatened by climate change. Through our engagement efforts we aim to encourage companies to set clear and measurable emissions reduction targets for all three scopes of emissions that are aligned to SBTi and where targets are already set, to ensure these targets are properly integrated into company remuneration policies.

In our view, across the two specific key areas of focus mentioned above – deforestation and climate change, the investment team have set what we believe to be achievable, realistic and time bound objectives. We believe these are achievable in the short to medium term but recognise that some objectives might take longer for a company to achieve.

We recognise that success factors may be subjective, and that our influence is rarely the sole driving force for change. Regardless, we believe it is critical to track companies' progress and measure the outcomes of our engagement, no matter how large or small our influence may be. Effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. In some instances where the issue is material and there has been no meaningful progress the investment team may choose to divest from the company.

## Attainment of the sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

Source: Schroders, as at March 2024. Screening data is provided by a third party unless otherwise specified.

Maximum percentage of revenue refers to highest acceptable revenue figure for that business activity.

Value chain refers to the related business activities that are considered these include suppliers, distributors, retailers and producers.

Any tie includes companies with an industry tie to the excluded activity.