

Appendix V – Sustainable Finance Disclosure (Unaudited)

Periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product : Schroder ISF Global Cities
Legal Entity Identifier : 1D8UMR1OQ0TSCJYQ0716

Sustainable investment objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> Yes	<input type="radio"/> No
<input checked="" type="checkbox"/> It made sustainable investments with an environmental objective: 16%	<input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
<input type="checkbox"/> In economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/> In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/> It made sustainable investments with a social objective: 82%	<input type="checkbox"/> With a social objective
	<input type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

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To what extent was the sustainable investment objective of this financial product met?

The Fund's sustainable investment objective was met.

The Fund invested at least 75% of its assets in real estate companies worldwide that contributed towards more environmentally resilient and innovative cities and infrastructure. The Fund also invested in investments that the Investment Manager deemed to be neutral under its sustainability criteria, which was cash.

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

The reference period for this Fund is 1 January to 31 December 2022.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

• *How did the sustainability indicators perform?*

The Fund invested 98% of its assets in sustainable investments. This percentage represents the average of the reference period, based on quarter-end data.

The Investment Manager was responsible for determining whether an investment met the criteria of a sustainable investment. The Investment Manager used a combination of a revenue based approach in this assessment, by considering whether a certain percentage of the relevant issuer's revenues, capital expenditure or operating expenditure contributed to an environmental and/or social objective, and specific sustainability key performance indicators to assess the investment's contribution to an environmental and/or social objective. Compliance with the minimum percentage in sustainable investments was monitored daily via our automated compliance controls.

The Investment Manager used different sustainability indicators to measure the impact contribution at an investee company level. In particular, the Investment Manager used a proprietary sustainability tool which rates companies based on their treatment of key stakeholders, including communities and the environment. Examples of the indicators include, but are not limited to, employee fatality rates, board independence and carbon intensity.

For example, the Fund invested in a company which develops and manages affordable housing in a market which is known to have a large supply constraint. Rents are regulated and the company's average rent per square meter sits 15% below market rents. This company is aligned with SDG 11 Sustainable Cities and Communities, ensuring the urban population is not pushed towards inadequate housing or informal settlements. The Fund also invested in a prime office operator and developer which acquires buildings with poor ESG credentials and refurbishes these assets into efficient and EPC (Energy Performance Certificate) compliant buildings. Therefore these assets operating emissions are reduced, minimising water waste and energy intensity.

The Investment Manager encouraged companies to join GRESB, a benchmark which has been set up specifically for the real estate sector. GRESB gives access to vital information about submitting member companies, such as, greenhouse gas emissions, energy or water use. This information can be carefully monitored and used to hold companies accountable for their actions. GRESB is used within the second stage of the investment process, 52% of the company's scorecard is derived from GRESB metrics which

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allows the Investment Manager to gauge the performance credentials of each company's assets allowing it to append a risk score.

The Fund also applied certain exclusions, with which the Investment Manager monitored compliance on an ongoing basis via its portfolio compliance framework. The Fund did not invest in any issuers within this exclusionary criteria.

• *...and compared to previous periods?*

As this is our first reporting period, this question is not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

• *How did the sustainable investments not cause significant harm to any sustainable investment objective?*

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

- Firm-wide exclusions applied to Schroders funds. These relate to international conventions on cluster munitions, anti-personnel mines, and chemical and biological weapons. A detailed list of all companies that are excluded is available at <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>.
- Schroders became a signatory to the UN Global Compact (UNGC) principles on 6 January 2020. The Fund excluded companies in violation of the UNGC principles from the portfolio, as Schroders considers violators cause significant harm to one or more environmental or social sustainable investment objectives. The areas determining whether an issuer is an UNGC violator include issues that are covered by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such as human rights, bribery and corruption, labour rights, child labour, discrimination, health and safety, and collective bargaining. The list of UNGC violators is provided by a third party and compliance with the list was monitored via our automated compliance controls. Schroders applied certain exceptions to the list during the reference period.
- Firm-wide exclusions also applied to companies that derived revenues above certain thresholds from activities related to tobacco and thermal coal, especially tobacco production, tobacco value chain (suppliers, distributors, retailers, licensors), thermal coal mining and coal fired power generation.
- The Fund also applied certain other exclusions.
- Further information on all of the Fund's exclusions is to be found under "Sustainability Related Disclosures" on the Fund's webpage, accessed via <https://www.schroders.com/en/lu/private-investor/gfc>.

• *How were the indicators for adverse impacts on sustainability factors taken into account?*

Where the Investment Manager set levels in relation to the indicators for adverse impacts on sustainability factors, compliance with these thresholds was monitored on an ongoing basis via its portfolio compliance framework. Investee companies in breach of these levels were not eligible to be considered as a sustainable investment.

For example, the Fund excluded companies in violation of the UNGC principles (principal adverse impact (PAI) 10) from the portfolio. The list of UNGC violators is provided by a third party and

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compliance with the list was monitored via our automated compliance controls. Schroders applied certain exceptions to the list during the reference period.

In addition the Fund excluded companies that were deemed to contribute significantly to climate change (related to PAIs 1, 2 and 3 covering GHG emissions). The thresholds that were applied were companies deriving >10% revenue from thermal coal mining and >30% revenue from coal power generation. The Fund may have applied stricter thresholds, as disclosed on the website. Compliance with these exclusions was monitored via our automated compliance controls.

In other areas Schroders set principles of engagement. We have aligned each of the PAIs to one of Schroders six core engagement themes. We summarise below the thresholds that apply and the engagement actions we have for each:

Climate Change

PAIs 1, 2, 3, 4, 5, 6 and 19 relate to the Engagement Blueprint theme of Climate Change. Details of our Engagement Blueprint can be found here: (Link <https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf>). We engage to understand how companies are responding to the challenges climate change may pose to their long-term financial position. Through our engagement activity we seek to understand different areas, such as the speed and scale of emission reduction targets and steps being taken to meet climate goals.

Biodiversity and Natural Capital

PAIs 7, 8 and 9 align to the Engagement Blueprint theme of Biodiversity and Natural Capital. We recognise the importance of all companies assessing and reporting on their exposure to natural capital and biodiversity risk. We focus our engagement on improving disclosure around a number of themes such as deforestation and sustainable food and water.

Human Rights

PAIs 10 and 14 relate to the Engagement Blueprint theme of Human Rights. There is increasing pressure on the role that businesses can and should play to respect human rights. We understand the higher operational and financial risks, and the reputational risk that human rights controversies cause. Our engagement focuses on three core stakeholders: workers, communities and customers.

Human Capital Management

PAIs 11, 12 and 13 align to the Engagement Blueprint theme of Human Capital Management. We identify human capital management as a priority issue for engagement, noting that people in an organisation are a significant source of competitive advantage and that effective human capital management is essential to drive innovation and long-term value creation. We also recognise a number of links between high standards of human capital management and the achievement of the Sustainable Development Goals (SDGs). Our engagement activities address themes such as health and safety, corporate culture and investment into the workforce.

Diversity and Inclusion

PAIs 12 and 13 relate to the Engagement Blueprint theme of Diversity and Inclusion. Improving disclosure on board diversity and the gender pay gap are two of the priority objectives outlined in our Engagement Blueprint. We request that companies implement a policy that requires each board

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vacancy to consider at least one or more diverse candidates. Our engagement approach also addresses diversity of the executive management, the workforce and in the value chain.

Corporate Governance

PAIs 20, 12 and 13 align to the Engagement Blueprint theme of Corporate Governance. We engage with companies to seek to ensure businesses act in the best interest of shareholders and other key stakeholders. We also recognise that, in most cases, in order to see progress and performance on other material Environmental, Social and Governance (ESG) issues, strong governance structures need to first be in place. We therefore engage on a number of corporate governance aspects such as executive remuneration, boards and management, and strategy.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The sustainable investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

We used a list of UNGC violators as provided by a third party. Issuers on that list were not categorised as sustainable investments. The areas considered when determining whether an issuer is an UNGC violator included those covered by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such as human rights, bribery and corruption, labour rights, child labour, discrimination, health and safety, and collective bargaining.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The Investment Manager’s approach to considering principal adverse impacts on sustainability factors involved classifying the indicators into three categories:

1. Set thresholds

For certain PAIs (e.g. PAI 10 on violations of UNGC principles), we set thresholds for considering an investment to be a sustainable investment. Investments in breach of these thresholds were not eligible to be held as sustainable investments. Compliance with these thresholds was monitored on an ongoing basis via the Investment Manager’s portfolio compliance framework.

2. Active ownership

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The team undertook 50 engagements covering 74 topics which were related to the principal adverse impacts. These were in addition to sustainability discussions that occurred during the normal course of company management meetings throughout the year. Environmental engagements focused on climate goals and biodiversity, and governance engagements focused on remuneration and board independence.

During the reference period, the Investment Manager engaged in line with the approach and expectations set out in our Engagement Blueprint (Link <https://prod.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022.pdf>) and as further described above. A summary of Schroders firm-wide engagement activity, during the reference period, including the relevant engagement theme, is shown below:

Engagement Theme	# Issuers
Climate Change	738
Diversity and Inclusion	72
Governance and Oversight	3,096
Human Capital Management	130
Human Rights	121
Natural Capital and Biodiversity	95

3. Improve coverage

Some of the engagements identified in the table above involved discussions where the primary focus was to increase reporting on sustainability data. The purpose is to improve coverage of the PAIs, for example PAI 9 on hazardous waste ratio.

Our approach is subject to ongoing review, particularly as the availability, and quality, of PAI data evolves.



What were the top investments of this financial product?

During the reference period the top 15 investments were:

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The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: **1 Jan 2022 to 31 Dec 2022**

Largest Investments	Sector	% Assets	Country
EQUINIX INCORPORATED REIT USD0.001	Real Estate	4.93	United States
PUBLIC STORAGE REIT USD0.10	Real Estate	4.45	United States
REXFORD INDUSTRIAL REALTY IN REIT USD0.01	Real Estate	4.10	United States
PROLOGIS INCORPORATED REIT USD0.01	Real Estate	4.04	United States
UDR INCORPORATED REIT USD0.01	Real Estate	4.04	United States
WELLTOWER INCORPORATED REIT USD1	Real Estate	3.77	United States
EXTRA SPACE STORAGE INCORPORATED REIT USD0.01	Real Estate	3.42	United States
EQUITY RESIDENTIAL SBI REIT USD0.01	Real Estate	3.10	United States
KIMCO REALTY CORPORATION REIT USD0.01	Real Estate	2.79	United States
SUN COMMUNITIES INC REIT USD0.01	Real Estate	2.75	United States
ALEXANDRIA REAL ESTATE EQUITIES INCORPORATED REIT USD0.01	Real Estate	2.69	United States
HEALTHPEAK PROPERTIES INCORPORATED USD1	Real Estate	2.62	United States
FEDERAL REALTY INVESTMENT TRUST REIT USD0.01	Real Estate	2.59	United States
INVITATION HOMES INCORPORATED REIT USD0.01	Real Estate	2.44	United States
MITSUI FUDOSAN COMPANY LIMITED NPV	Real Estate	2.22	Japan

The list above represents the average of the Fund's holdings at each quarter end during the reference period.

The largest investments and % of assets referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The largest investments and % of assets detailed elsewhere in the Audited Annual Report are derived from the Accounting Book of Record (ABoR) maintained by the administrator. As a result of these differing data sources, there may be differences in the largest investments and % of assets due to the differing calculation methodologies of these alternative data sources.



What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

• What was the asset allocation?

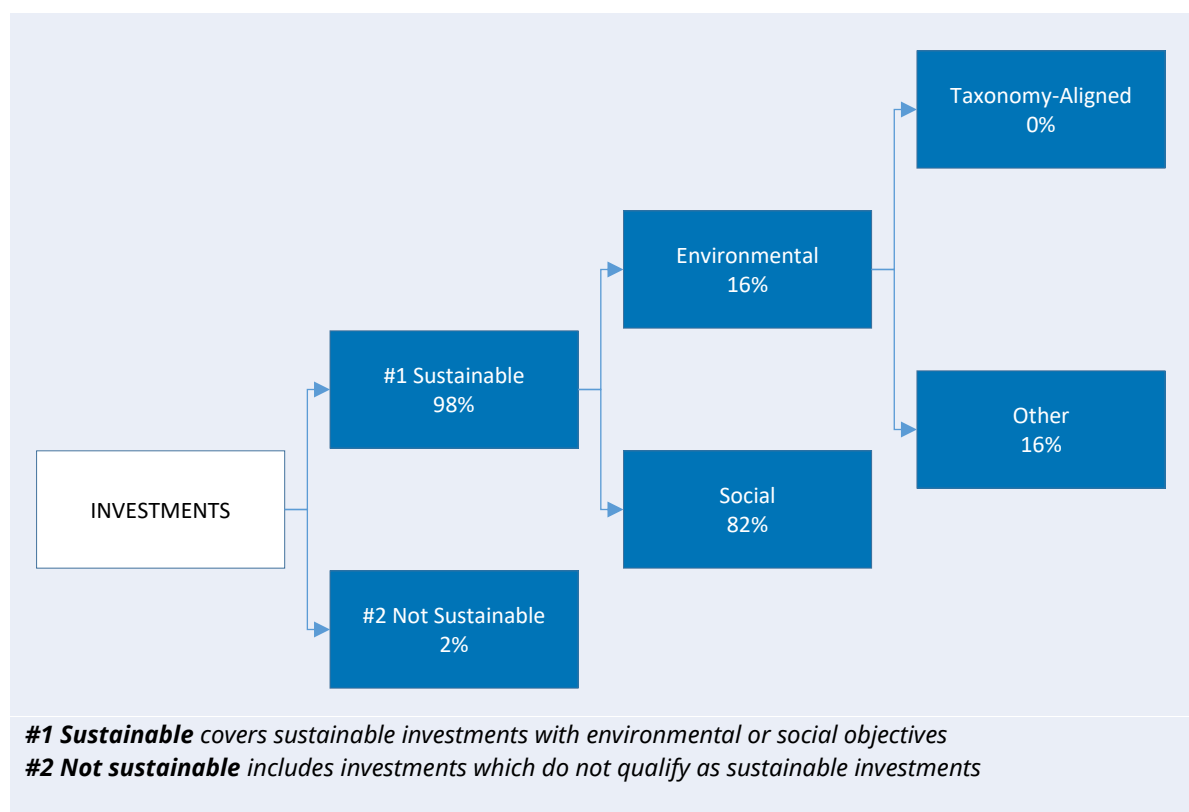
The Fund's investments that were used to meet its sustainable investment objective are summarised below.

#1 Sustainable are investments in real estate companies worldwide that contributed towards more environmentally resilient and innovative cities and infrastructure.

The Fund invested 98% of its assets in sustainable investments. This percentage represents the average of the reference period, based on quarter-end data. Within this, 16% was invested in sustainable investments with an environmental objective and 82% was invested in sustainable investments with a social objective.

#2 Not sustainable includes investments that were treated as neutral for sustainability purposes, which was cash.

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• In which economic sectors were the investments made?

During the reference period investments were made in the following economic sectors:

Sector	Sub-Sector	% Assets
Real Estate	Real Estate	93.44
Cash	Cash	2.22
Information Technology	Software & Services	2.14
Communication Services	Telecommunication Services	1.11
Industrials	Transportation	0.95
Industrials	Commercial & Professional Services	0.15

The list above represents the average of the Fund's holdings at each quarter end during the reference period.

The % of assets and sector classifications aligned to economic sectors referred to above are derived from the Schroders Investment Book of Record (IBoR) data source. The % of assets and sector classifications aligned to economic sectors detailed elsewhere in the Audited Annual Report are derived from the Accounting Book of Record (ABoR) maintained by the administrator. As a result of these differing data sources, there may be differences in the % of assets and sector classifications aligned to economic sectors, due to the differing calculation methodologies and data availability of these alternative data sources.

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Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

There was no extent to which the Fund's investments (including transitional and enabling activities) with an environmental objective were aligned with the Taxonomy. Taxonomy alignment of this Fund's investments has therefore not been calculated and has as a result been deemed to constitute 0% of the Fund's portfolio.

• Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

- Yes:
- In fossil gas In nuclear energy
- No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

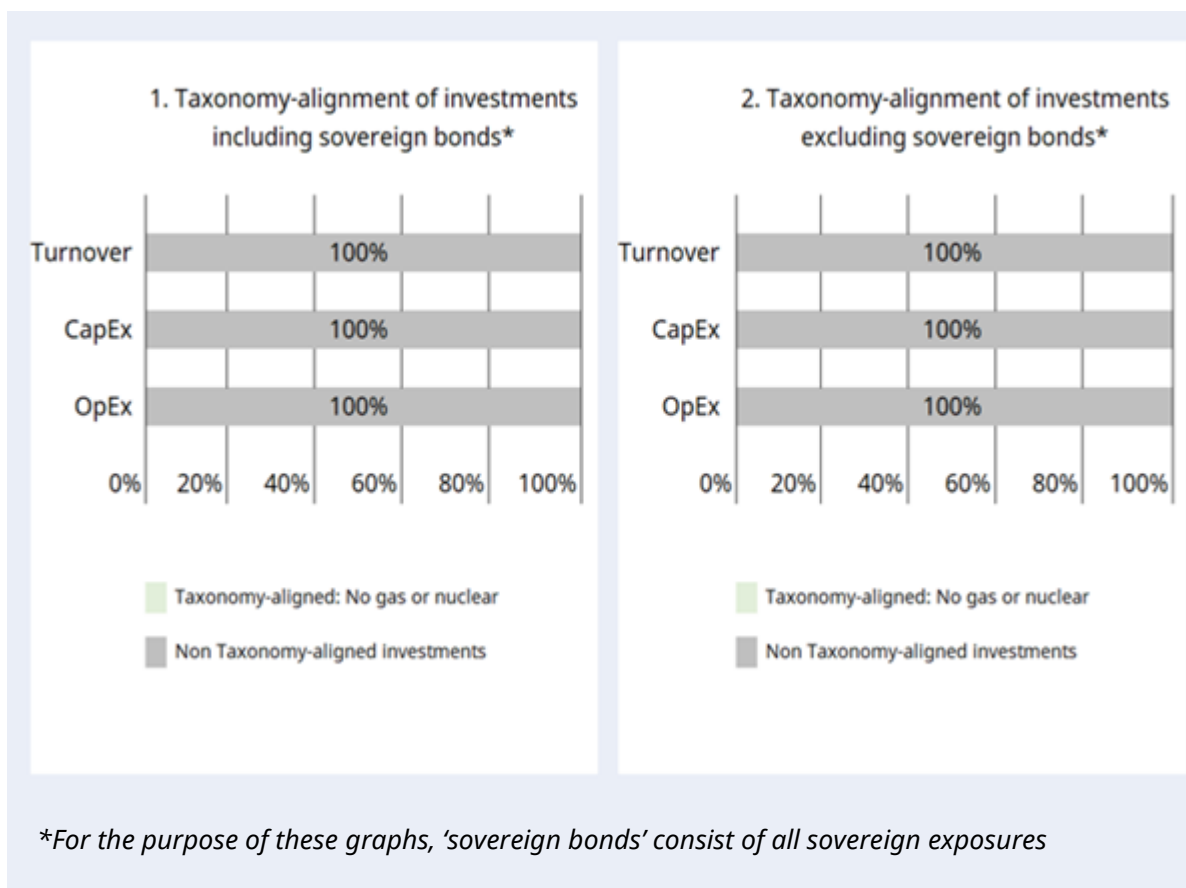
- **turnover** reflecting the share of revenue from green activities of investee companies

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.*

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- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



• **What was the share of investments made in transitional and enabling activities?**

As per the above, the share of investments by the Fund in transitional and enabling activities has been deemed to constitute 0% of the Fund's portfolio.

• **How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?**

As this is our first reporting period, this question is not applicable.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

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are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 16%.



What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 82%.



What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?

#2 Not sustainable includes investments that were treated as neutral for sustainability purposes, which was cash.

Minimum safeguards were applied where relevant to investments by restricting (as appropriate) investments in counterparties where there were 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 were reviewed by Schroders' credit risk team and approval of a new counterparty was 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 was performed through a Schroders' proprietary tool, which supports the analysis of a counterparty's management of environmental, social and governance trends and challenges.

Schroders' credit risk team monitored the counterparties and during the reference period a number of counterparties were removed from the approved list for all funds in line with our policy and compliance requirements. This meant that such counterparties were ineligible for use by the Fund in respect of any relevant investments from the date they were removed.



What actions have been taken to attain the sustainable investment objective during the reference period?

The actions taken during the reference period to meet the sustainable investment objective by the Fund were the following:

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- The Fund invested at least 75% of its assets in real estate companies worldwide that contributed towards more environmentally resilient and innovative cities and infrastructure.
- The Fund invested in companies that did not cause significant environmental or social harm.
- The Investment Manager utilised a Schroders' proprietary tool to help assess good governance practices of investee companies.
- The Investment Manager engaged with issuers held in the portfolio and on average aimed to meet or speak with company management once a year. During these meetings sustainability topics were regularly discussed alongside business trends and financial performance.
- During 2022, the Investment Manager conducted 22 dedicated sustainability engagements across the investible universe on a number of different topics, including but not limited to climate change which includes building efficiency and emissions, human rights including salary compared to local living wages and corporate governance including remuneration and independence.



How did this financial product perform compared to the reference sustainable benchmark?

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

No index was designated as a reference benchmark for the purpose of attaining the sustainable investment objective of the Fund.

• *How did the reference benchmark differ from a broad market index?*

This question is not applicable for this Fund.

• *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?*

This question is not applicable for this Fund.

• *How did this financial product perform compared with the reference benchmark?*

This question is not applicable for this Fund.

• *How did this financial product perform compared with the broad market index?*

This question is not applicable for this Fund.