SUSTAINABLE INVESTMENT REPORT

SECOND QUARTER 2021

Marketing material

Schroders

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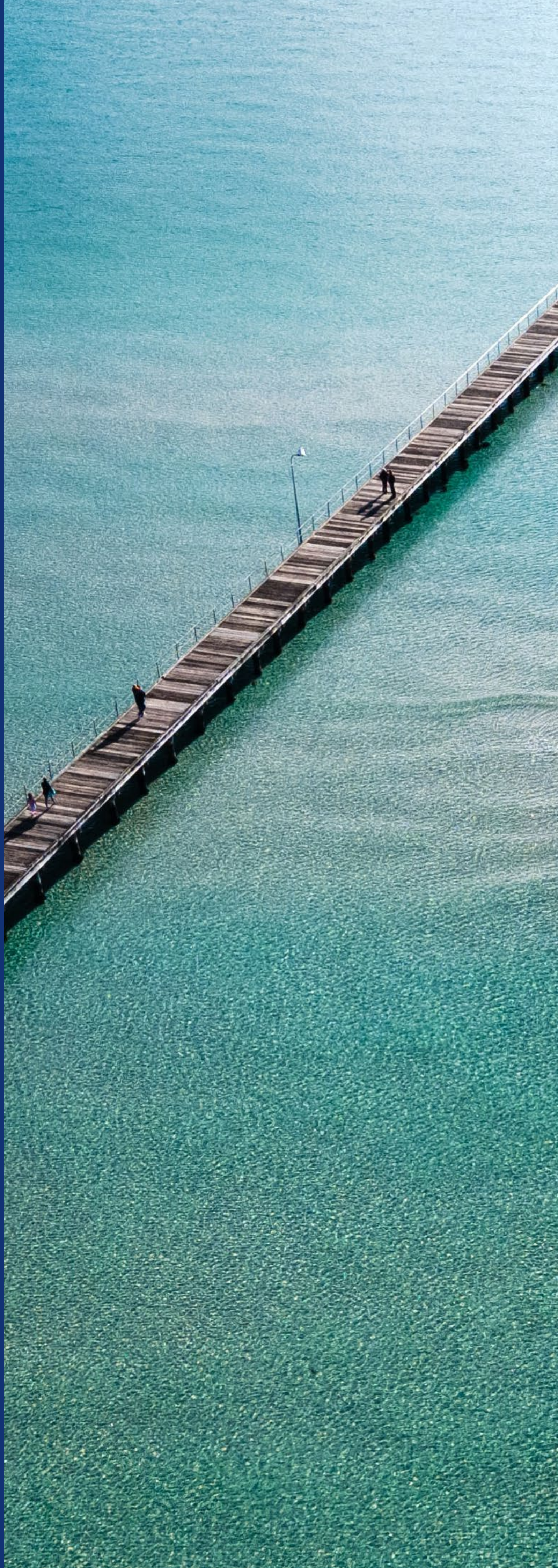
ACTIVE OWNERSHIP

Environmental, Social and Governance is referred to as ESG throughout.



Active ownership and the voting season in another year of virtual AGMs

From the changing face of AGMs to this season's resolutions and how we're keeping you updated on our voting rationales - here's our second quarter update.

Hannah Simons
Head of Sustainability Strategy

Annual general meetings are perhaps the most visible platform where companies and their management are held to account.

While Schroders engages with firms all year round to influence behaviour and encourage them to deliver long term returns by adapting to the changing world, it is voting on resolutions at AGMs that garners most attention.

The second quarter has been, as ever, a busy period for AGMs, and as we publish our second quarter *Sustainable Investment Report*, proxy voting activity does not stop.

The May AGM of the US oil giant ExxonMobil, at which we voted against management, is just one example to have attracted media coverage – in that case due to a shareholder rebellion led by hedge fund Engine No 1.

KEY TRENDS FROM A SECOND YEAR OF VIRTUAL AGMS

In the *Insights* section we share our approach to decision-making and effecting change, and we put the spotlight on the growing interest in shareholder resolutions.

Read more from our Chief Investment Officer Johanna Kyrklund and Global Head of Sustainable Investment Andy Howard on that.

We gave a snapshot of our expectations for 2021's voting season in our first quarter report. Our predictions included a focus on non-financial targets, such as net zero pledges and socially conscious goals, and requests for diversity and inclusion disclosures.

"We're providing greater transparency on our voting rationales than ever before"

We will return with a more detailed summary of the trends and our activity when the voting season is over.

I said last quarter, and it is worth repeating: with the climate summit COP26 scheduled to take place in November, climate action is top of the sustainable investing agenda.

ACTIVE OWNERSHIP IN PRACTICE

As usual, the *Active Ownership* section of this report provides an update on engagements – from in-depth, sustainable investment team-led dialogue to our voting and company meetings for all holdings.

You can see which companies we've engaged with this quarter and the topics discussed, whether they were environmental, social or governance.

We also share details from just a couple of the many instances where Schroders is taking an active stance on ESG issues.

We update on conversations we've been having with UK housing associations to encourage them to report in a consistent way, using a new Sustainability Reporting Standard.

You can also hear from our European investment team on the work they have been doing with the French supermarket group Carrefour.

HOW WE'RE PROVIDING TRANSPARENCY ON OUR UK VOTING DECISIONS

Meanwhile, over on the active ownership section of our website, we're providing greater transparency on our voting rationales than ever before.

Our new sustainability-focused shareholder resolution reports are being published on a weekly basis throughout peak voting season (from April to the end of July). They follow the same format as our monthly voting reports.

How to win over companies and influence a better future

As Dale Carnegie's seminal book of the 1930s suggested, you win friends and influence people through respectful dialogue. It applies as much to companies as to people.

Johanna Kyrklund
Group CIO and
Global Head of
Multi-asset

"...a positive change has been the increase in voting that occurs on resolutions. In that regard, shareholders have found their voice – and the media is sitting up and taking note."

Companies' annual general meetings (AGMs) could be testy affairs back in the 1980s and 1990s, the UK's era of mass share ownership.

One former CEO of that period recently confessed to me: "Our security would ask if the venues had a sloping stage that made it impossible to run up. They were intense meetings."

Such confrontation is less common today. For one thing, AGMs have been run online during the lockdowns. Only in recent weeks in the UK and US have in-person meetings begun to return. Secondly, physical AGM attendance is not what it used to be, typically comprising a handful of individual investors with activists showing up to only the most controversial of company meetings.

This is not just the case in the UK, but in many major markets.

While the attendance numbers have dwindled, a positive change has been the increase in voting that occurs on resolutions. In that regard, shareholders have found their voice – and the media is sitting up and taking note.

But voting on resolutions is only one part of the puzzle of effective company ownership. There is another major component that attracts far fewer headlines. It is not annual, but all-year round. It is the dialogue between companies and us, the asset managers who represent the interests of the majority of shareholders.

While perhaps being less newsworthy, these conversations are accelerating positive change in companies. This is different to pushing for progress through raising resolutions at AGMs but can often be more meaningful.

The chance of successful outcomes from these engagements rises when the dialogue with company management and board members is positive. To work, you need to set the right tone, to have the right culture – one of respect and openness.

In the days before the pandemic, when visits to our offices were possible, clients would comment on the level of quiet on our investment floors.

Contrary to the common Hollywood depiction, we don't spend our time shouting at each other.

What you would see is a respectful exchange of ideas, deep analysis and the value of persistently and patiently seeking to build the returns that our clients require of us day by day, week by week, year by year.

This is needed to create effective investment teams. You need a culture built on accountability, diverse opinions and trust. These principles are not developed overnight; it takes years to build the right relationships that allow us to understand the challenges we face and determine the best way forward.

In many cases, our culture shapes not just how we interact with our colleagues, but with all of our stakeholders – our clients, our suppliers, our counterparties in markets and the companies we invest in.

When it comes to engaging with companies, scoring short-term points against the management at the AGM is not the most effective means of driving change. As long-term investors, our interactions with these companies will play out over many years. So it is important that these companies view us as a thoughtful investor with a thorough understanding of their business, who is truly focused on encouraging them to meet their goals.

This increases our influence.

Shell offers an example of this in action. We first engaged with the oil company on its climate ambitions 19 years ago. Since then, our fund managers and analysts have had 36 exchanges with the company on environmental topics. Now, Shell has set a target to become a net zero emissions energy business by 2050.

We will, of course, measure and monitor progress towards that target.

And make no mistake, if engagement fails to achieve sufficient progress we will vote against management at AGMs. Last month we did just that with the oil giant Exxon, leading to the replacement of three directors, and with Amazon where we voted against the lead independent director in protest at the lack of transparency on labour standards.

Our responsibility is to deliver returns and manage risk for our clients and so we will, where necessary, sell out of companies that are not changing fast enough. Such a conclusion would represent a failure of engagement. Constant and collaborative intervention should make such failures rare.

As Dale Carnegie's seminal book of the 1930s suggested, you win friends and influence people through respectful dialogue. It applies as much to companies as to people. And it has never been more important for asset managers to influence companies the world over.

"...our culture shapes not just how we interact with our colleagues, but with all of our stakeholders – our clients, our suppliers, our counterparties in markets and the companies we invest in."

SUSTAINABILITY INSIGHTS

Shareholder power: our approach to resolutions and voting at AGMs

Many of the resolutions we vote on are nuanced and complex. Our decision to vote against a Barclays resolution that referenced 'fossil fuel phase-out' is one example.

Andy Howard
Global Head of Sustainable Investment

"The principles of a resolution may be admirable and attractive, but their details may undermine that intent."

The votes we cast on behalf of clients are critical to our ability to push for positive changes that create value. How we use our influence over the companies in which we invest is a vital component of our role as active managers.

Although voting occurs only once a year, our analysis and dialogue with companies takes place all year round.

Assessing and engaging with companies on their management of ESG challenges and opportunities is becoming more and more important to investment processes. Investors no longer have a choice over whether to seek exposure to them; all companies and portfolios are impacted.

The opportunities we have to influence the companies we invest in through engagement and voting help us to ensure the portfolios we manage are better prepared for those impacts.

While engagement continues through the year, each annual general meeting season provides opportunities to send clear and public signals of our expectations to businesses. Last year we voted on almost 70,000 resolutions.

As long-term stewards of clients' capital, we have a duty to protect them from the impacts of financial and non-financial risks. As we state in our ESG policy, the overriding principle governing our approach to voting is to act in line with the interests of our clients.

At Schroders, our approach to voting incorporates what we've learnt from more than 20 years of embedding ESG analysis across asset classes and geographies as active owners.

SMALL BUT POWERFUL: THE ROLE OF "SHAREHOLDER RESOLUTIONS"

Scrutiny of asset managers' voting has intensified, and we are rightly held accountable for the decisions we make.

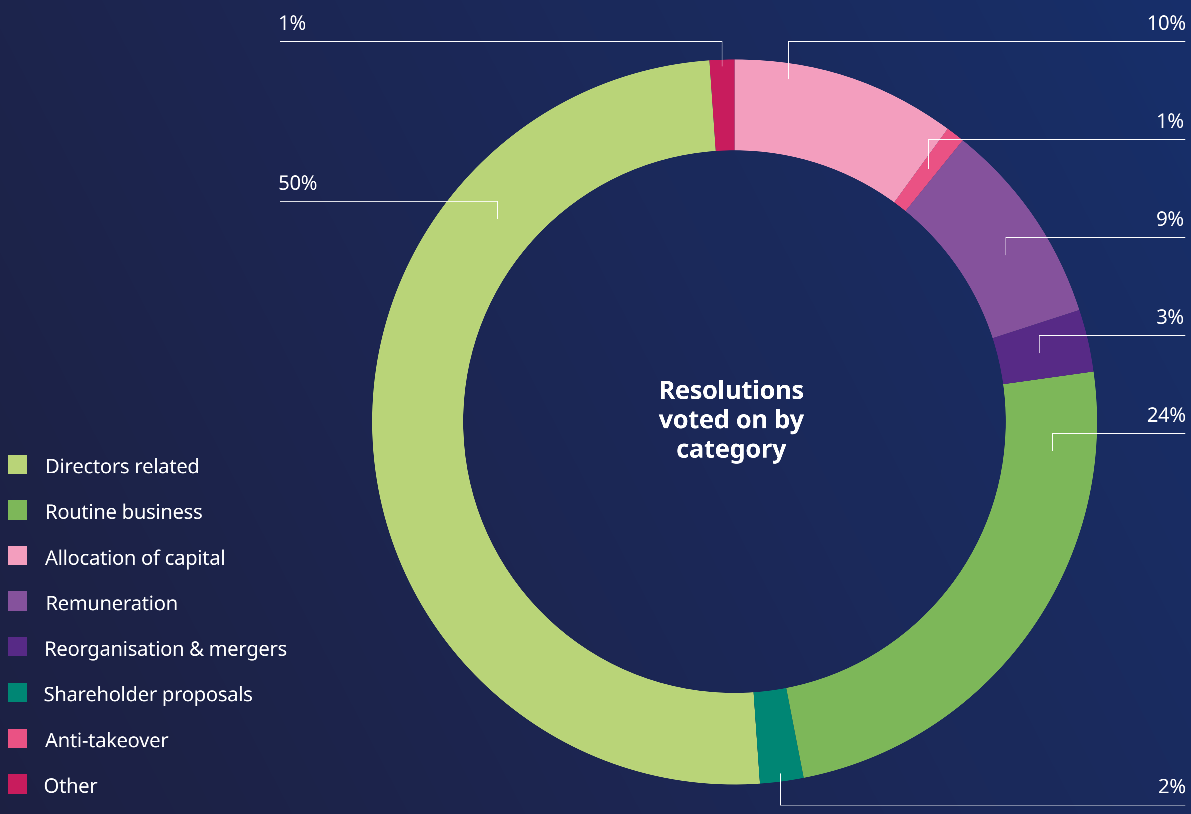
Although shareholder resolutions – proposals submitted by investors for a vote at the company's annual meeting – represent a small share of the votes we cast every year (two per cent in 2020), they have been increasingly attracting attention. This year's AGM season has seen a glut of climate-related shareholder resolutions.

A recent example was ExxonMobil's AGM, where Schroders supported – along with US pension funds and other major investors – proposals led by hedge fund Engine No.1 to replace four directors with candidates well-placed to pursue a climate transition.

Shareholder resolutions can be used to ask management to act on ESG issues – areas not typically captured by standard management resolutions. For example, a very common shareholder resolution theme in the past year has been demands for more transparency around corporate lobbying activities.

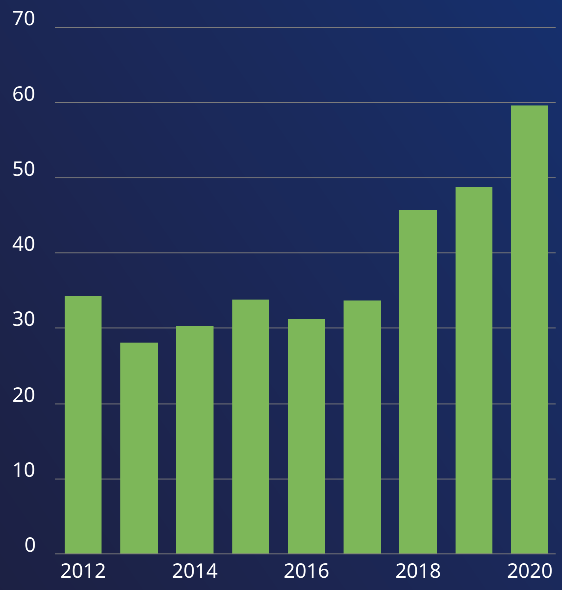
Rules covering the rights of shareholders to propose resolutions, or the degree to which they are binding on management, vary across countries. But all provide a mechanism to push management teams into making changes.

2020 BREAKDOWN OF RESOLUTIONS VOTED ON BY CATEGORY



Source: Schroders as at 31 December 2020.

AVERAGE % OF SUPPORT FOR ESG SHAREHOLDER RESOLUTIONS BETWEEN 2012 AND 2020



Source: Proxy Insight, Schroders

Investors are increasingly voting in support of shareholder resolutions. The average percentage of support for ESG resolutions almost doubled between 2012 and 2020 from just over 30% to just under 60%, according to data provider Proxy Insight.

Sometimes shareholders come under pressure from activist groups or non-governmental organisations to support shareholder resolutions, almost as a matter of principle rather than recognising the individual attention and evaluation they deserve.

Shareholder resolutions come in many shapes and sizes. They can reflect specific campaign goals or political priorities that may contradict fiduciary responsibilities or a company's strategic goals.

The best course of action is often not clear cut. Many of the resolutions that we vote on are nuanced and complex. The principles or intent of a resolution may be admirable and attractive, but the details may undermine that intent. For example, perhaps a resolution is asking for changes on an impractically short deadline. Or for strategic changes that pay little attention to the action companies have already taken. Votes represent specific asks of specific companies, which in many cases require management teams to take concrete steps. The recent Barclays AGM is such an example.

BARCLAYS CASE STUDY:
OUR DECISION TO REJECT A RESOLUTION THAT REFERENCED 'FOSSIL FUEL PHASE-OUT'

On climate change, our priorities are clear. We expect the companies we invest in to prepare for a transition to a net zero carbon economy. We conveyed this in writing to FTSE 350 companies earlier this year, for example, and expect the same progress beyond these shores.

Read more: Peter Harrison: why climate change is creating a 1929 moment

As well as engaging boards around the world, with a focus on those sectors most responsible for carbon emissions, we seek to ensure our voting reflects these priorities. We will vote in favour of resolutions we believe will help push companies to transition and against those we think will undermine progress.

But this is not the same as voting in favour of every resolution that references climate change.

Climate campaign group Market Forces tabled a resolution at the Barclays AGM on 5 May. In it, the group called on the bank to phase out its provision of financial services to fossil fuel projects and companies.

Barclays is one of the world's largest lenders to fossil fuel companies, but during 2020 made significant commitments to align its business to a low-carbon transition.

This followed pressure from shareholders, including Schroders.

It is now one of less than a handful of large banks to have established targets relating to a commitment to become net zero by 2050.

The detail of the Market Forces resolution was critical. We believed that forcing Barclays to take decisions based on "phasing out" the provision of financial services to fossil fuel projects could hinder its climate transition plans. We felt a forced rethink of its climate strategy could potentially hinder its ability to support companies committed to transition and delay its progress toward the target it has set.

Some fossil fuel companies have embarked on these transition programmes and should be supported on that journey. Others have not. We were concerned that this resolution did not distinguish adequately between those groups and would tie Barclays' hands.

For example, some oil companies have set courses of a complete transition of their business, whereas others are hoping pressures to change will abate.

The decision not to support the resolution was difficult. There are no simple answers to these questions, but we believe it was the correct conclusion.

This illustrates the complexity of shareholder resolutions and how conclusions require the investigation of both context and consequences.

There is no easy route, and supporting resolutions based on headline topics rather than the outcomes they promote can be counter-productive.

Our commitment to ESG priorities is reflected in the scrutiny we apply to every decision. We share the conclusions we reach and the reasons for those conclusions with our clients, as well as the principles that underpin our decision-making.

What investors have been reading and watching this quarter

From climate activists and asset managers leading revolts at the AGMs of the US companies ExxonMobil and Chevron to the Anglo-Dutch oil major Shell losing a landmark court case that will force it to cut its carbon emissions, it has been a busy quarter for climate news. Here's a snapshot of what Schroders has published on this, and other sustainability topics including natural capital and the plastics crisis, recently. For the latest, visit Sustainability Insights.

Katherine Davidson on the largest company you've never heard of that's helping you use less plastic

In the latest in our MyStory series of stories beyond profit, fund manager Katherine Davidson shares how Bunzl is tackling plastic waste.

The views and opinion contained within our videos are held at the time of recording and are subject to change.

On the prowl for a new global goal for nature: will the UN pounce on "nature positive by 2030"?

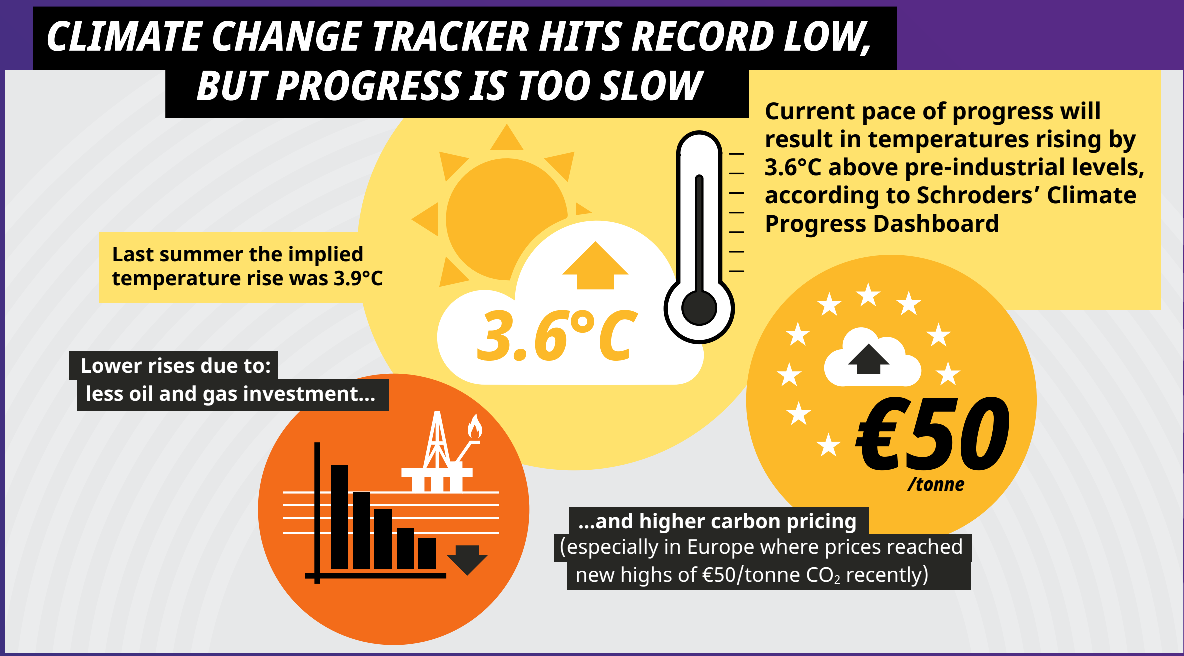
Kate Rogers, Co-Head of Charities at Cazenove Capital, explains how there are growing calls for a pathway for nature conservation in the run up to the United Nations' biodiversity summit in China.

Q&A: the end of big oil?

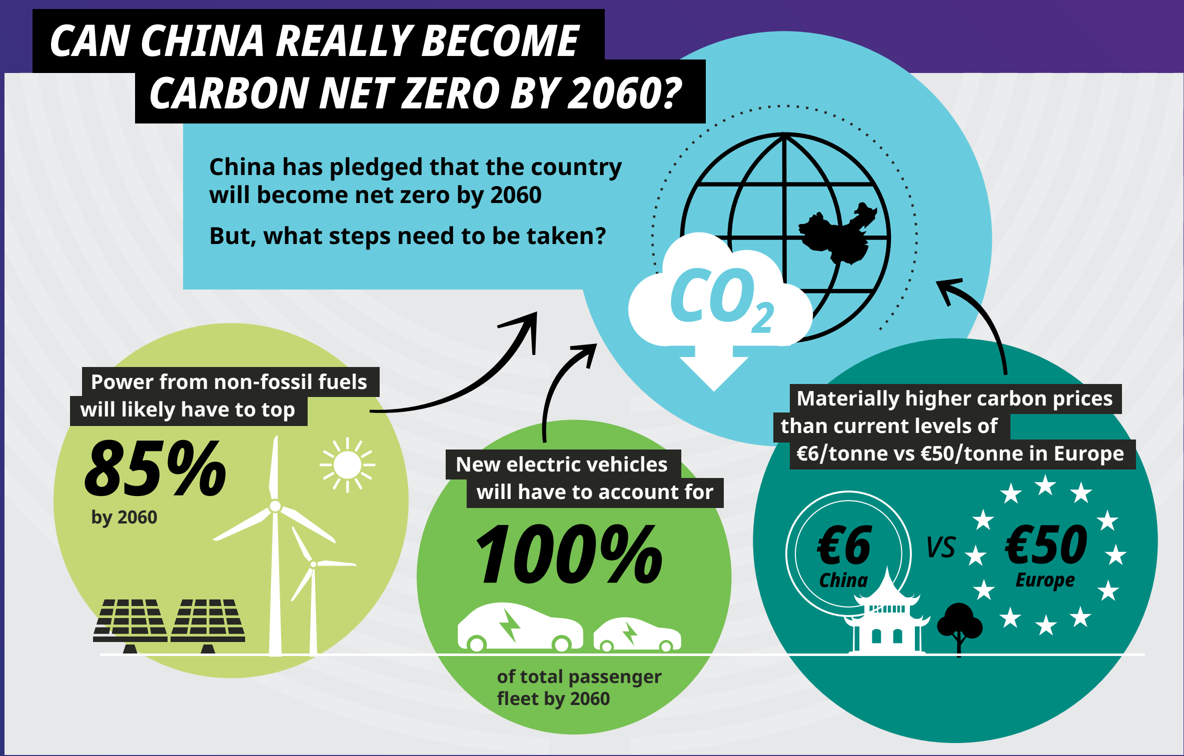
Our "in the news" series focuses on last month's dramatic events in the energy industry as oil majors were held to account over climate change. We explain what's happened and how Schroders acted on behalf of clients.

Why EM is the perfect place for impact investing

Arguably, nowhere offers greater potential for investors to have a positive impact than in emerging markets. Jonathan Fletcher, Emerging Market Fund Manager and Head of EM Sustainability Research, explains.



This article was published on 22 April 2021.
Read more: https://www.schroders.com/en/insights/economics/climate-change-tracker-hits-record-low-as-progress-gathers-pace/

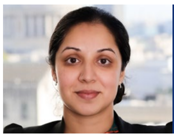


This article was published on 8 March 2021.
Read more: https://www.schroders.com/en/insights/economics/can-china-really-become-carbon-net-zero-by-2060/

Sources: Schroders. Carbon price data via Bloomberg.

Housing associations case study: how we're pushing for more transparency on sustainability

Here's how we've encouraged UK housing associations to adopt a new Sustainability Reporting Standard and how affordable housing cuts across multiple Sustainable Development Goals.



Nazia Haider
Credit Analyst

Carol Storey
Sustainable Investment Analyst

Housing associations have a clear social purpose and impact, yet sustainability reporting is not widespread across the sector. This means they are potentially missing out on opportunities to demonstrate strong environmental and social performance to investors.

We engaged with 17 associations in the UK to better understand their environmental and social credentials and to encourage them to report against the Sustainability Reporting Standards for Social Housing.

WHAT IS A HOUSING ASSOCIATION?

It is a not-for-profit company that provides a range of affordable social housing to low-income earners or others who may need financial support.

Profits are re-invested, rather than paid out to shareholders as would be the case in many for-profit companies. They could be invested in community services or regeneration, as long as the money is being used to achieve a social purpose.

Housing associations support nearly six million people across England, according to the National Housing Federation.

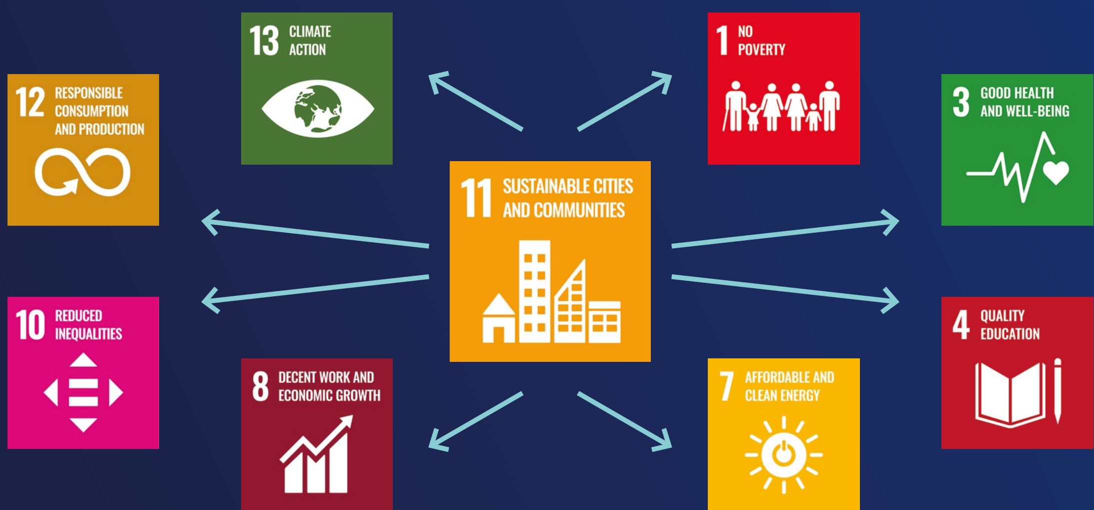
HOW DOES SOCIAL HOUSING RELATE TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS?

Most obviously, social housing plays a role in achieving Sustainable Development Goal (SDG) 11: Sustainable cities and communities. But it also contributes to other perhaps less-obvious goals.

For example, living in an affordable, proper and safe home can help people move out of poverty (SDG 1), contribute to better health and well-being (SDG 3), enhance the performance of children at school (SDG 4) and employees at work (SDG 8), and help reduce inequality (SDG 10). It can also help lower energy consumption (SDG 12) and improve access to affordable and clean energy (SDG 7) – both of which contribute to tackling climate change (SDG 13).

For more on the SDGs and what they mean, see our quick guide here

HOW SOCIAL HOUSING RELATES TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS



Source: Schroders

HOW CAN INVESTORS ASSESS THE ENVIRONMENTAL AND SOCIAL MERITS OF A HOUSING ASSOCIATION?

Prior to 2020, there wasn't a common reporting standard that could be used across the industry to demonstrate how housing providers were performing from an environmental and social perspective. This made it difficult for lenders and investors to properly evaluate a housing association's risks and opportunities around these factors.

Last year, a working group composed of housing associations, investors, and a number of other organisations published the Sustainability Reporting Standard (SRS) for Social Housing, following a public consultation.

WHAT IS THE SRS?

It is a voluntary reporting framework, covering 48 criteria across a wide range of environmental and social considerations. It enables housing providers to report on their environmental and social performance in a standardised way, allowing lenders and investors to meaningfully evaluate them.

Schroders was an early adopter of the initiative and has committed to using the standard in its investment processes.

Today, close to 100 organisations have either adopted or endorsed the SRS, according to the ESG Social Housing Working Group.

HOW HAS SCHRODERS BROACHED THE SRS WITH THE ASSOCIATIONS?

We wrote to all 17 housing associations within our investment universe to ask them to adopt the SRS.

Organisations were unwilling to start using the criteria until the next reporting cycle – something we had anticipated. So we asked housing associations to provide information on a subset of environmental and social metrics that would help us understand how they are currently performing on key issues.

These were aligned with the criteria set out in the SRS.

"Housing associations support nearly six million people across England, according to the National Housing Federation."

WHAT WAS THE OUTCOME?

Fourteen housing associations responded.

Two had already adopted the SRS and were able to promptly provide the information we required from their public reporting.

Twelve organisations provided information via our survey. Of these, eight said they intended to adopt the new SRS, three were still deciding and one was in the process of developing its own ESG framework and so had decided not to adopt the new standard.

HOW HAS THIS HELPED SCHRODERS' INVESTMENT TEAMS?

The information gathered through this engagement has strengthened our understanding of the opportunities and risks associated with investing in these organisations. It has been incorporated into the credit team's investment process and helps us accurately assess the environmental and social merits of the businesses.

In particular, the responses to our questionnaire generated a deeper understanding of their energy efficiency and carbon intensity. Besides providing information that hadn't previously been available, the answers helped spark valuable conversations about the most appropriate metrics to use, particularly in measuring carbon intensity.

As the results have been incorporated into the environmental and social credit ratings of each housing association, the process has helped us differentiate between leaders and laggards.

We will continue to engage with the three organisations that have not yet responded to our request.

SRS 12 CRITERIA THEMES

Environmental	Social	Governance
Climate change	Affordability and security	Structure and governance
Ecology	Building safety and quality	Board and trustees
Resource management	Resident voice	Staff wellbeing
	Resident support	Supply chain management
	Place-making	

Source: The Sustainability Reporting Standard for Social Housing, November 2020.

ACTIVE OWNERSHIP

Carrefour case study: our part in the tricky act of balancing different stakeholders' interests

How we suggested that the French supermarket group could afford to increase shareholder returns without alienating other stakeholders.

Sustainable Investment Team and contributions from our European Investment Team

Considering a company's impact on its stakeholders is crucial to our analysis of any holding or potential investment, and this is true across sectors, themes and asset classes.

Of course, all stakeholders aren't equally important to all companies. Nicholette MacDonald-Brown, fund manager and Head of European Blend, has explained: "Regulators are more important to some industries than others, like banking, for example. And at different times a company may need to prioritise one set of stakeholders over another."

But it is important that all stakeholders are treated fairly, whether they are a priority for the company or not.

French supermarket group Carrefour is an example of a business which is attempting to balance the interests of all stakeholders. This engagement on behalf of shareholders, where we encouraged Carrefour to combine its ongoing operational improvements with cash returns for investors, was undertaken by the European Blend team, supported by the Sustainable Investment team.

THE ISSUE: OPERATIONAL IMPROVEMENTS NOT REFLECTED IN THE SHARE PRICE

A few years ago, Carrefour was experiencing a difficult period for sales amid new pricing laws in France and tough competition from rival chains. As a food retailer, a focus on customers is paramount, clearly, and so the priority task for management was to put that right.

Carrefour improved its price positioning and customer focus, and took other steps to improve its operational performance. The result was that free cash flow (FCF) generation began to improve substantially.

FCF represents the cash that a company is able to generate after accounting for the money required to maintain or expand its asset base. FCF is important because it allows a company to pursue opportunities that enhance shareholder value: invest in new products, make acquisitions, pay dividends, buy back shares or reduce debt.

However, as the below chart shows, the improvements did not translate into significant improvements in Carrefour's share price, with the stock depreciating into the middle of 2018. The stock market wasn't giving Carrefour any credit for the improvements it had made.

CARREFOUR SHARE PRICE OVER FIVE YEARS

Past performance is not a guide to future performance and may not be repeated.
Source: FactSet, as at 13 May 2021.

“As investors who can choose whether or not to invest in a company, we can play a powerful role in engaging with companies on behalf of all stakeholders”

Nicholette MacDonald-Brown

THE ENGAGEMENT: WE SUGGESTED THEY RETURN EXCESS CASH TO SHAREHOLDERS

Our view was that, having prioritised customers and improved pricing and operations, Carrefour should focus on shareholders as its next priority.

We wrote to Carrefour suggesting the company combine its ongoing operational improvements with cash returns to shareholders.

We felt Carrefour could afford to increase shareholder returns without jeopardising its commitments to other stakeholders, especially as supermarkets have been among the “pandemic winners”.

After all, shareholders are an important stakeholder for companies. A business needs to be able to fund its future and shareholders are essential to this.

Nicholette said: “As investors who can choose whether or not to invest in a company, we can play a powerful role in engaging with companies on behalf of all stakeholders.

“It seemed clear to us that the stock market wasn’t giving Carrefour any credit for the improvements it had made. Our view therefore was that Carrefour should combine its ongoing operational improvements with cash returns to shareholders. We wrote to Carrefour to communicate this view.”

THE OUTCOME: CASH DIVIDENDS AND A BUYBACK

Subsequently, in March this year, Carrefour announced that it would start paying its dividend in cash and aim to increase the dividend regularly.

The dividend had been paid in shares (known as a “scrip dividend”) for almost ten years. Then, in April, Carrefour announced it would buy back €500million of its own shares.

Of course, it remains to be seen how this renewed focus on shareholder returns will affect Carrefour’s share price in the longer term. But we firmly believe Carrefour’s management has acted in the best interests of all its stakeholders without prioritising one group to the detriment of another. Companies operating in different industries and geographies have their own complexities. Understanding these nuances are crucial to engaging successfully with companies.

“A nuance of French firms is that a joint chairman-CEO set-up is very typical, which is not the case in countries like the UK", fund manager Scott MacLennan said. "This doesn’t necessarily make it harder for investors to engage with such firms. It simply means engaging more with independent directors on the board to ensure that voices outside the management team are heard.”

Nicholette said: “Every company is different and so every engagement and investment decision is different. But fundamentally we don’t think there has to be a trade-off between investing sustainably and generating above-benchmark returns. Considering a company’s impact of all its stakeholders is crucial to our analysis of any potential investment.”

This case study is based on an article published on 13 May 2021: [Can companies really balance the needs of all stakeholders?]

Engagement in numbers

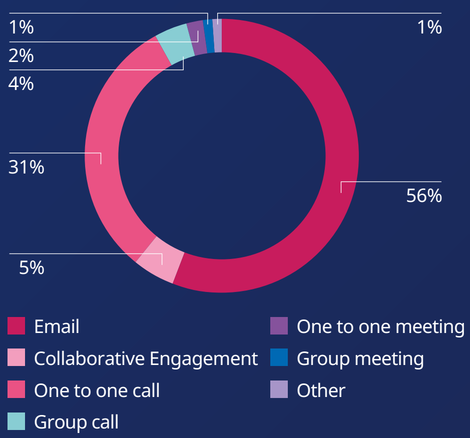
ENGAGEMENT BY TIER

Tier	Scope	Number of engagements
1	In-depth sustainability engagement	36
2	Investor-led engagement	79
3	Collaborative engagement and communicating expectations at scale	53
4	Influence through actively voting all holdings and conducting company meetings	6358
5	Industry involvement and public policy influence	Reported annually

Regional engagement (tiers 1 – 3)

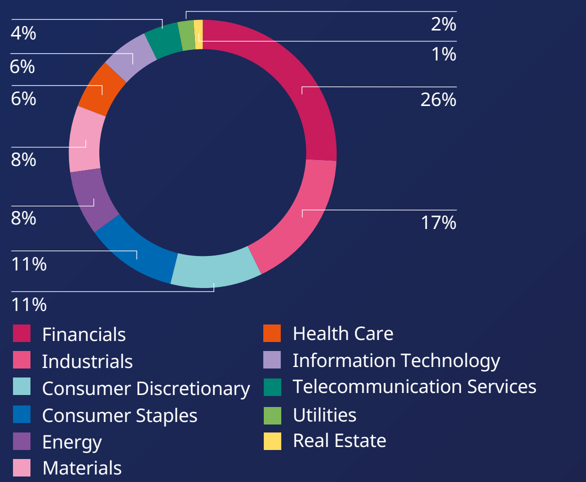
Source: Schroders as at 30 June 2021

Engagement type (tiers 1 – 3)



Source: Schroders, 30 June 2021

Engagement by sector (tiers 1 – 3)



Source: Schroders, 30 June 2021

ACTIVE OWNERSHIP

Voting in numbers

We believe we have a responsibility to exercise our voting rights. We therefore evaluate voting issues on our investments and vote on them in line with our fiduciary responsibilities to clients. We vote on all resolutions unless we are restricted from doing so (e.g. as a result of share blocking).

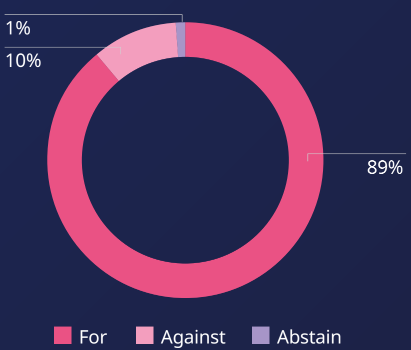
This quarter we voted on **4241 meetings and approximately 99.2% of all resolutions**. We voted on **135 ESG-related shareholder resolutions**, of which we voted with management on **82**.

The charts below provide a breakdown of our voting activity from this quarter. Our UK voting decisions are all available on our website at https://www.schroders.com/en/sustainability/active-ownership/voting/.

Company meetings voted

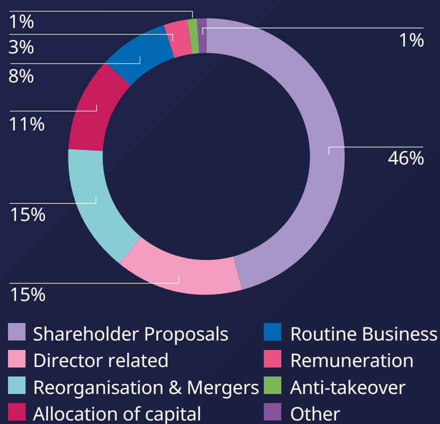
Source: Schroders as at 30 June 2021

Direction of votes this quarter



Source: Schroders, 30 June 2021

Reasons for votes against this quarter

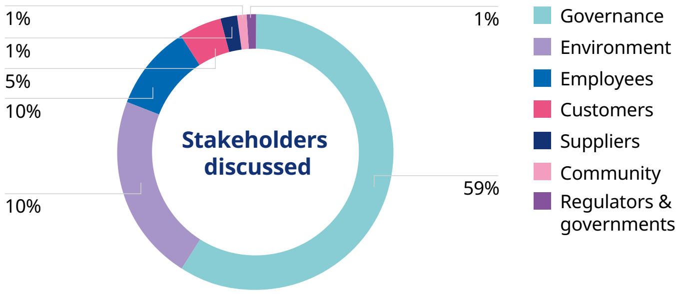


Source: Schroders, 30 June 2021

Which companies we've engaged with

168 tier 1-3 engagements took place this quarter with the **156 companies listed below**. The table summarises whether the broad range of topics discussed with each company fall under "environmental", "social" or "governance" issues. The chart opposite illustrates the topics discussed this quarter categorised by stakeholder. For further details about the issues discussed and company responses, please contact your Client Director.

STAKEHOLDER BREAKDOWN OF TIER 1–3 ENGAGEMENTS



Company	E	S	G
Consumer Discretionary			
Alibaba	✔		
Amazon		✔	✔
Booking			✔
CCC			✔
Dometic			✔
Ferrari			✔
Hong Kong Television Network			✔
Husqvarna			✔
JD	✔		
LVMH Moet Hennessy Louis Vuitton			✔
Mediaset Espana Communicacion			✔
N. Brown			✔
Nissan Motor	✔		
Nordic Entertainment	✔	✔	✔
TAKKT		✔	✔
WPP			✔
Yum China		✔	
Consumer Staples			
Ambev/Brahma	✔	✔	✔

Company	E	S	G
Bakkafrost			✔
Bunge	✔	✔	
Carrefour			✔
Compañía de las Cervecerías Unidas			✔
Elior			✔
Embotella Andina			✔
Emmi			✔
Hilton Food			✔
ICA Gruppen			✔
Kellogg	✔		
Marfrig Global Foods			✔
Natura Cosmeticos	✔		
Qiaqia Food	✔	✔	
Swedish Match			✔
Wm. Morrison	✔		
Energy			
Aker BP			✔
Diversified Gas & Oil	✔		
Gazprom	✔		
LUKOIL	✔		

Source: Schroders, 30 June 2021
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Company	E	S	G
Novatek	✔		
Petrobras			✔
Petrobras	✔	✔	✔
Petrofac			✔
Polski Koncern Naftowy Orlen	✔		✔
Rosneft	✔		
Subsea7			✔
Tambang Batubara Bukit Asam			✔
Financials			
Affiliated Mangers			✔
Ageas			✔
Agile	✔		
AIA			✔
Allianz			✔
American International			✔
Aroundtown			✔
Assicurazioni Generali	✔		
Assura		✔	
Aviva			✔
AXA		✔	✔
Banca Mediolanum			✔
Banco Davivienda	✔	✔	✔
Bank of Montreal			✔
Banque Saudi Fransi	✔	✔	✔
Barclays	✔		
CapitaMall Trust			✔
CIMB			✔

Company	E	S	G
Country Garden			✔
Country Garden Services			✔
Deutsche Wohnen			✔
Egypt Kuwait	✔	✔	✔
Emaar Properties	✔	✔	✔
Exor			✔
Fifth Third Bancorp			✔
FirstRand Bank			✔
Halyk Savings Bank Of Kazakhstan			✔
Hammerson	✔	✔	
Kennedy-Wilson			✔
Land Securities			✔
Medinet Nasr Housi			✔
Mitsubishi Estate		✔	✔
Mitsui Fudosan	✔	✔	✔
National Bank of Kuwait			✔
OTP			✔
Raiffeisen Bank International	✔		
Scentre			✔
Swire Properties			✔
Swiss Reinsurance			✔
Talaat Moustafa	✔	✔	✔
Zug Estates			✔
Health Care			
Alcon			✔
Attendo			✔
Bayer	✔		

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Company	E	S	G
Chemed		✔	
Cleopatra Hospital			✔
Eurofins Scientific	✔	✔	✔
Merck			✔
Smith & Nephew			✔
Straumann			✔
Thermo-Fisher			✔
Industrials			
Aeroporti di Roma	✔		
Biffa			✔
Bilfinger			✔
BOC Aviation	✔	✔	
Bunzl	✔		
Canadian Pacific Railway	✔	✔	
CCR			✔
CNH Industrial			✔
Corporacion Moctezuma			✔
Cubic			✔
Human Soft			✔
Interglobe Aviation			✔
International Container Terminal Services			✔
Intrum Justitia		✔	
IWG	✔	✔	
Knorr Bremse			✔
Koc			✔
Maxar Technologies			✔

Company	E	S	G
S.F.	✔	✔	
Saab			✔
Schweiter Technologies			✔
Toshiba			✔
United Tractors			✔
Vertiv			✔
Weichai Power			✔
Wincanton			✔
Information Technology			
Activision Blizzard			✔
ASM International	✔	✔	✔
Citizen Watch		✔	✔
GDS	✔		
Infosys			✔
Nokia			✔
Pagseguro Digital			✔
Sea		✔	
Switch	✔		✔
Ubisoft Entertain			✔
Materials			
Acerinox			✔
Ambuja Cements			✔
Associated Cement			✔
CAP			✔
Clariant			✔
Gerdau	✔		✔
GMK Norilsk Nickel	✔		

Source: Schroders, 30 June 2021
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Company	E	S	G
Grupo Mexico	✔		✔
Lenzing			✔
Polymetal	✔		
Recticel			✔
South32			✔
Southern Copper			✔
Real Estate			
Ascendas India Trust			✔
Telecommunication Services			
Cellnex Telecom		✔	
Deutsche Telekom			✔
Elisa			✔
Infrastrutture Wireless Italiane	✔	✔	✔
Northwest Fiber	✔	✔	✔
TeliaSonera			✔
Urban One		✔	✔
Utilities			
EDP	✔	✔	
ENN Energy	✔		
Orsted	✔		✔

Key

E – Environment
S – Social
G – Governance

Source: Schroders, 30 June 2021
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Engagement progress

This section reviews progress on historical engagements. We record our engagement activity in our proprietary research database to facilitate the monitoring of companies in which we are invested. To ensure this is effective, we define expected timeframes for milestones and goals; track progress against the defined milestones and goals; and revise the goals, if necessary, depending on progress.

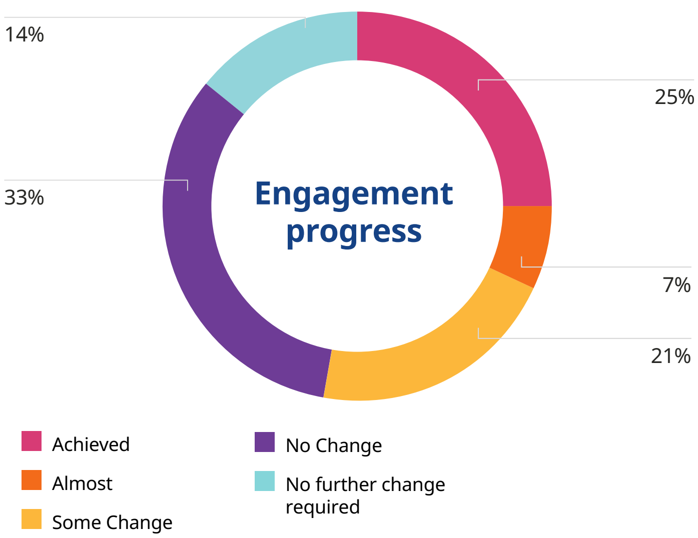
There are five possible results: 'Achieved', 'Almost', 'Some Change', No Change' and 'No Further Change Required' (typically because we have sold out of the position).

We recognise that any changes we have requested will take time to be implemented into a company's business process. We therefore typically review requests for change 12 months after they have been made. We continue to review progress on an ongoing basis thereafter and will escalate where necessary.

In Q2 2020, Schroders undertook 72 requests for change classified as tier 1 engagements. Upon reviewing these engagements in Q2 2021, the pie chart below shows a breakdown of the progress we have made.

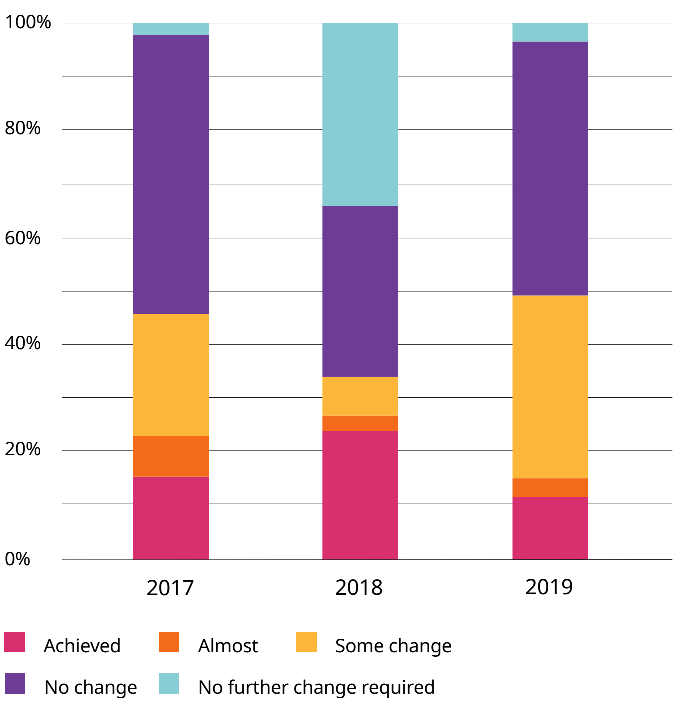
The bar chart below shows the effectiveness of our requests for change over a three-year period. Our experience shows that at least two years of dialogue is typically required before our requests begin to materialise into measurable change within a company. It is for this reason that the two most recent years are omitted from the chart.

ENGAGEMENT PROGRESS FROM Q1 2020



Source:Schroders as at 30 June 2021

EFFECTIVENESS OF REQUESTS FOR CHANGE – 3 YEAR PERIOD



Source: Schroders as at 31 December 2020

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