

Schroder ISF¹ Social Impact Credit

Annual Impact Report 2023

June 2024



¹Schroder International Selection Fund is referred to as Schroder ISF throughout this document.
Marketing material for Professional Clients Only



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Schroder ISF Social Impact Credit

This innovative global corporate solution is diversified across 30 nations and 16 sub-sectors, aiming for impactful engagements that lead to positive outcomes. The Fund, part of Schroders' Impact framework, places top-tier impact management and measurement at its core.

With an average investment grade portfolio rating, we meticulously search the global credit universe for diverse impact opportunities. This portfolio, which has been classified as an SFDR Article 9 portfolio since its inception, not only aims to generate financial return for our investors, but also to strives to make a positive impact.

Our intentions

Our Annual Impact Report is crafted to demonstrate how Schroder ISF Social Impact Credit effectively achieves a positive impact alongside a compelling financial return. The Fund's objective is to generate income and long-term returns through investing in bonds issued by global corporations. These include social, sustainable, and green bonds that aid in advancing the United Nations Sustainable Development Goals (UN SDGs). The Investment Manager deems these as sustainable investments.



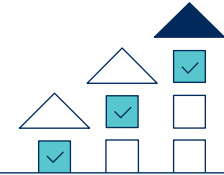
Social return

Is the issuer contributing to communities in a meaningful way?



Financial return

Are the issuer's future cash-flows sustainable?



Sustainability

Are these social contributions sustainable over the long term, or just a blip?

Schroder ISF Social Impact Credit

The Fund is designed to invest in both public and select private companies. These companies, through their intentions, products, and services, significantly contribute towards having a positive societal impact, aligning with the United Nations Sustainable Development Goals (UN SDGs). The primary areas of focus encompass health and wellness, decent work and quality education, socioeconomic inclusion, sustainable infrastructure, and environment.

The scale of global social challenges is apparent in both developing and developed contexts. While social and SDG bonds address these issues across emerging markets (EM) and developed markets (DM), we also contribute

by engaging with companies to shape impact and provide solutions across various countries and sectors.

In building our portfolio, our aim is to generate attractive risk-adjusted returns and income over the long term, and to uncover new impact opportunities from a broad range of possibilities, benefiting from our well-established global credit and EM platform.

Lastly, focused engagement with investees allows us to gain insights that affect both financial and impact prospects, aiding us in forming convictions.



Global challenges	Global context	Global bond market	Global opportunities	Global team and ideas
<p>Global challenges require collective action on a global scale.</p> <p>Schroders Impact scorecards and investment process adjusts for local contextualization.</p>	<p>The world is increasingly interconnected and universal societal themes often have interrelated causes and consequences.</p> <p>UN SDGs target people and planet within a global context.</p>	<p>High yield companies in developed markets are specialized.</p> <p>Impact bonds from developed and emerging markets can address localized social inequality, maximizing the potential for global impact.</p>	<p>Water scarcity, affordable education, healthcare innovation, among other themes, present opportunities for impact, even in the US.</p> <p>In Europe, we engage with smaller companies to create second order impact contributions.</p>	<p>Schroders Investment teams are situated globally.</p> <p>Robust impact and financial analysis are performed by credit and sustainability analysts based local to the companies they are assessing.</p> <p>Engagements are conducted globally.</p>



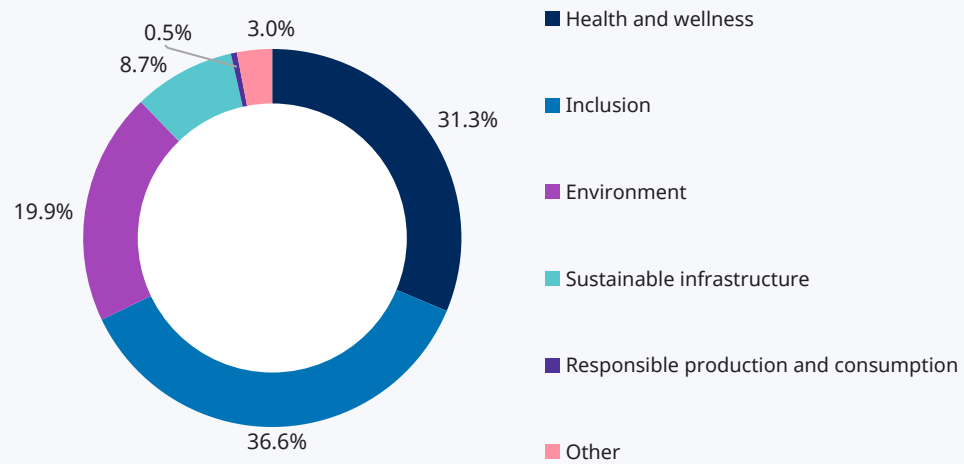
Impact metrics

The portfolio-level impact metrics of Schroder ISF Social Impact Credit are a result of its strategic impact objective and are consistent with the theory of change targeted by the Fund. A careful selection of impact bonds and issuers has resulted in a well-diversified, multi-theme global portfolio. The Key Performance Indicators (KPIs) have been aggregated from individual holdings and have been scaled by the investment size of the fund.

Portfolio impact and UN SDG Allocation

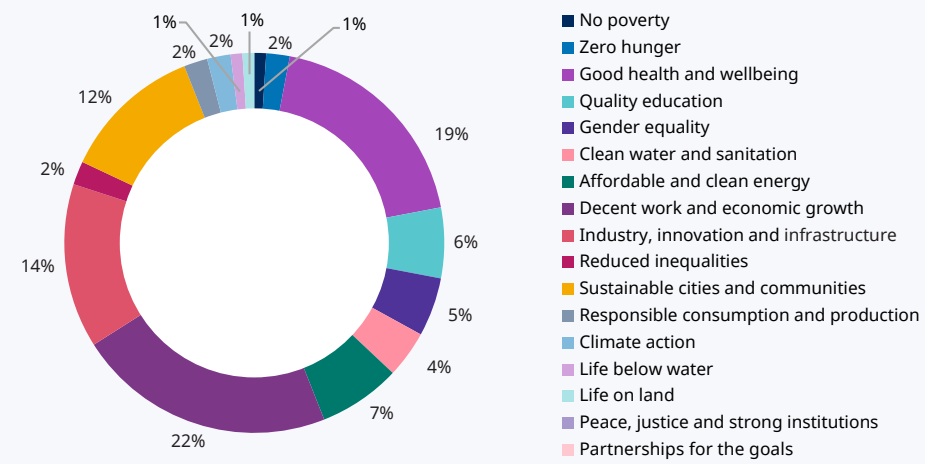
The impact theme and SDG mapping of the investment is a result of Schroders' proprietary impact scorecard, where impact KPIs gathered for each investment are associated with an impact objective and SDG sub-target. The distribution of one investment across multiple SDGs is determined by the materiality of impact, as indicated by the issuer's revenue stream or by the impact bond allocation report.

Breakdown of Fund by Impact area



Source: Schroders.

Breakdown of Fund by primary UN SDG¹



Source: Schroders.



For further information, please contact the impact portfolio management team.

Source: Schroders. ¹United Nations Social Development Goals. Data as at 31 December 2023. The breakdown by impact is an illustration of a specific point in time and is subject to evolution and change over time. Similarly, the representation percentages of the United Nations Social Development Goals evolve over time.



Impact metrics

Portfolio composition

Number of issuers	82
Number of use of proceed bonds	54
Number of countries	29
Emerging markets	37.2
Developing markets	62.8



Operational social impact by companies at portfolio level

Lifelong education	Hours of training per employee in 2023	44
Gender equality with impact	% of women in management positions	33%
Diversity with country impact	Average share of women in workforce, in countries with low women participation	39%
Diversity with sector impact	Average share of women in workforce, in sectors with low women participation	46%
Healthcare innovation	R&D expenses as % of revenues	13%
Access to healthcare products and services	Average % of revenue generated in low income countries	32%

Source: Schroders.

Impact metrics

Impact metrics

People



103,911 People reached

14,814 People provided with increased connectivity

50,498 People provided with access to financial services



34,619 Patients reached with access to healthcare



142 People with quality jobs created or maintained

1,915 Underserved women and minorities reached

3,760 People or businesses provided with access to safe water



146 Medium and small enterprises with access to services



39 Households provided with affordable housing

22 Students reached

481 Customers reached

12 Businesses or households with improved access to basic services



608 Number of medical decices supplied

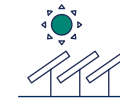


Planet



379,874 tCO₂e Avoided

124,508 MWh (MWh) of Renewable energy generated per annum



21,587 tons Wastewater treated or avoided per annum



84 MWh of energy saved



288 Tons of waste treated



1,193 Hectares of area dedicated to restoration and conservation

10,575 tons Number of items recycled/reused



Source: Schroders. As many of our impact strategies are new and growing, we recognise that the impact aligned with Schroders' investment in these companies is significantly smaller than the total positive impact of the companies that we invest in, and we look forward to growing this impact as we scale our impact range and direct capital towards high impact companies and assets.

Positive attributed impact

Total positive impact associated with Schroders impact portfolios is the total impact of the company or asset we invest in scaled by the size of our investment. This is typically (impact indicator* invested amount / EVIC). Figures reflect latest available data as reported by our companies and assets as at 31 December 2023

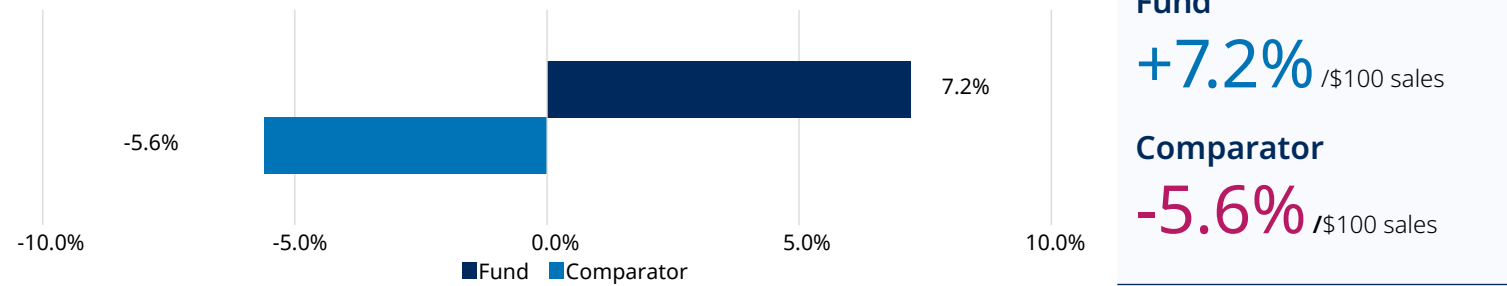
Impact metrics

Measuring externalities

SustainEx™

SustainEx™ provides an estimate of positive and negative “externalities” that companies may create for society. It does this by using metrics chosen by Schroders and quantifying positive and negative metrics to produce aggregate measures expressed as a notional percentage of sales. If a company was handed a bill or a credit note at the end of the year, for the net costs or benefits they created for society, SustainEx™ estimates what that would be. Below are the top three active externalities for people and planet for the Fund.

Overall Impact

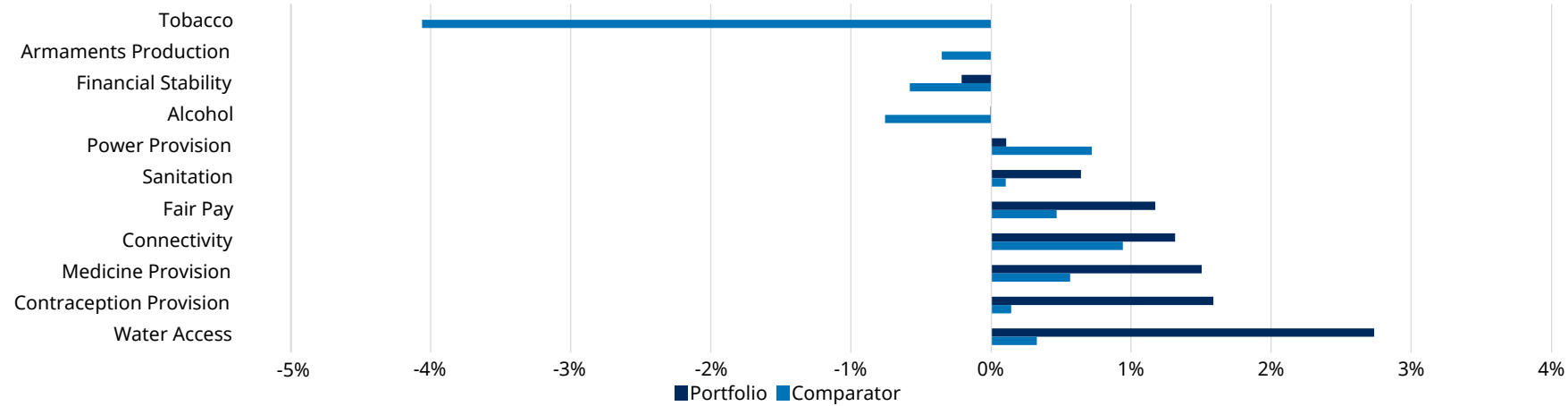


Rank	Top Contributors	Sector	Issuer SustainEx™ score	Portfolio Weight (%)	SustainEx™ Contribution
1	Organon & Co	Healthcare	85.2%	1.8%	1.7%
2	American Water Capital	Utilities	36.3%	4.1%	1.7%
3	ReNew Power	Utilities	80.2%	0.5%	0.5%
4	Illumina Inc	Healthcare	16.2%	2.3%	0.4%
5	Orange SA	Communication Services	12.9%	1.7%	0.2%
6	Cheplapharm Arzneimittel	Healthcare	10.4%	1.7%	0.2%
7	Ecolab Inc	Utilities	16.7%	1.0%	0.2%
8	Telefonica Europe	Communication Services	14.1%	1.2%	0.2%
9	Turkcell Iletisim Hizmetleri AS	Communication Services	14.9%	1.0%	0.2%
20	Telia Co AB	Communication Services	13.4%	1.1%	0.2%

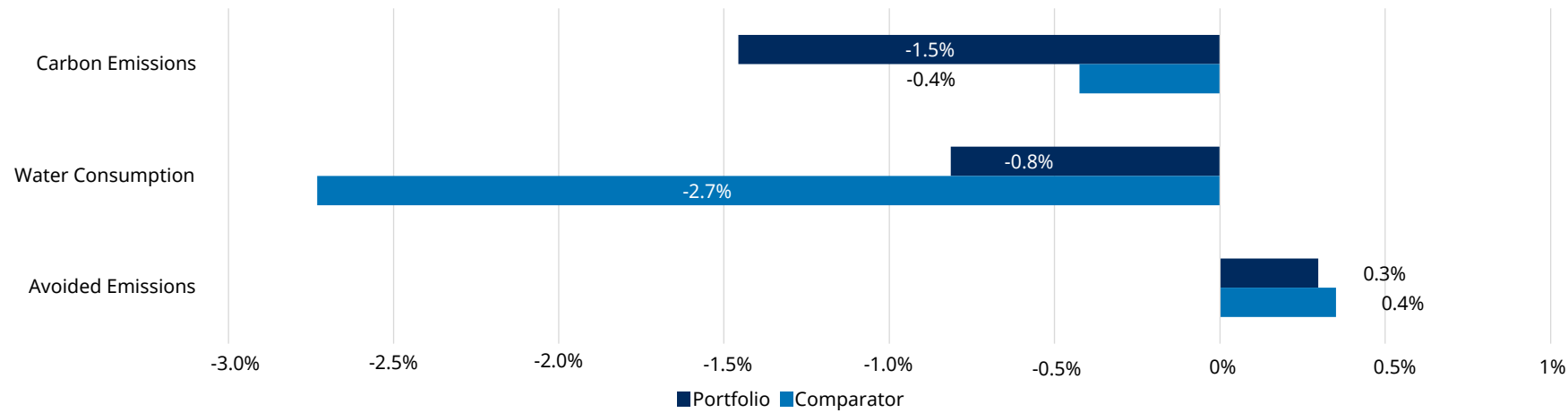


Impact metrics

Impact on People



Impact on Planet



Source: Schroders as at 28 March 2024. The 'Overall Impact' score is based on Schroders' proprietary tool, SustainEx™. Overall impact is an indication of the portfolio's impact compared to its benchmark. All holdings exclude cash and currency holdings. 'Impact on People' and 'Impact on Planet' indicate the portfolio's underlying benefits and harms compared to its benchmark across the aggregated people and planet metrics, respectively. Benchmark data Bloomberg Multiverse x Treasury (A+ to B-) (Hedged in USD). The three People and Planet metrics shown have been selected based on their significance to the overall score. They are not necessarily the main contributors to the portfolio score, nor should they sum to the 'Impact on People' or 'Impact on Planet' scores shown. Schroders uses SustainEx™ to estimate the net social and environmental "cost" or "benefit" of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures.



Financial performance

Schroder ISF Social Impact Credit has outperformed the comparator benchmark since its inception. We have endeavoured to find the best ideas from across Schrodgers, utilising the strategy's flexibility across impact corporates and some sovereigns. With single name and bond selection playing a key role, we have been consistent in risk management, searching for credit and impact improvement.

Financial performance

Financial performance and commentary

Security selection was positive in European services and US technology and electronics, although European healthcare, utilities, and telecommunications, also contributed well.

The top 5 notable positions for active returns included Liberty Costa Rica, Intesa Sanpaolo social bonds, Aegea, House of HR, and Banco De Credit Social Cooperativ social bonds.

Overweight sector allocations to US financial services, subordinated European banking and insurance, and European real estate contributed positively to active returns.

The fund does not have exposure to US energy based on strict exclusions on fossil fuels, and this negatively impacted relative returns.

Performance to end of March 2024. (% net returns in USD)

Past Performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of investments to fall as well as rise.

Schroder ISF Social Impact Credit	3 months			1 year			2 years (p.a.)			Since Inception (p.a.)*		
	Total	BM	Active	Total	BM	Active	Total	BM	Active	Total	BM	Active
E Acc USD	1.10%	0.37%	+0.73%	9.11%	6.85%	+2.26%	2.18%	0.85%	+1.33%	-0.59%	-2.60%	+2.01%
C Acc USD	1.05%	0.37%	+0.68%	8.87%	6.85%	+2.02%	1.94%	0.85%	+1.09%	-0.83%	-2.60%	+1.71%

Calendar year performance (% net returns in USD)

	2014	2015	2016	2017	2018	2019	2020	2021	2023
Schroder ISF Social Impact Credit E Acc USD	-	-	-	-	-	-	-	-10.7%	9.5%
Schroder ISF Social Impact Credit C Acc USD	-	-	-	-	-	-	-	-10.9%	9.2%
Comparator benchmark	-	-	-	-	-	-	-	-14.1%	9.7%



Source: Schroders, as at end of March 2024. Performance is shown for Schroder ISF Social Impact Credit E Accumulation share class (%) in USD (LU2388134764) and Schroder ISF Social Impact Credit C Accumulation share class (%) in USD (LU2388134848). Share class performance calculated NAV to NAV (Bid to Bid), adjusted for dividends, net of ongoing charges.

*Inception of the fund was November 2021. Comparator Benchmark is Bloomberg Multiverse ex Treasury A+ to B- USD Hedged. This fund is not managed with reference to a benchmark. Any reference to securities is for illustrative purposes only and not a recommendation to buy or sell.

Risk considerations

ABS and MBS risk:

The fund may invest in mortgage or asset-backed securities. The underlying borrowers of these securities may not be able to pay back the full amount that they owe, which may result in losses to the fund.

Counterparty risk:

The fund may have contractual agreements with counterparties. If a counterparty is unable to fulfil their obligations, the sum that they owe to the fund may be lost in part or in whole.

Currency risk:

The fund may lose value as a result of movements in foreign exchange rates, otherwise known as currency rates.

Derivatives risk:

Derivatives, which are financial instruments deriving their value from an underlying asset, may be used to manage the portfolio efficiently. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund.

Liquidity risk:

In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares, meaning investors may not be able to have immediate access to their holdings.

Performance risk:

Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.

Contingent convertible bonds:

The fund may invest in contingent convertible bonds which are bonds that convert to shares if the bond issuer's financial health deteriorates. A reduction in the financial strength of the issuer may result in losses to the fund.

Credit risk:

If a borrower of debt provided by the Fund or a bond issuer experiences a decline in financial health, their ability to make payments of interest and principal may be affected, which may cause a decline in the value of the Fund.

Currency risk/hedged share class:

The currency hedging of the share class may not be fully effective and residual currency exposure may remain. The cost associated with hedging may impact performance and potential gains may be more limited than for unhedged share classes. cost of the derivative and may result in losses to the fund.

High yield bond risk:

High yield bonds (normally lower rated or unrated) generally carry greater market, credit and liquidity risk meaning greater uncertainty of returns.

Interest rate risk:

The fund may lose value as a direct result of interest rate changes.

Market risk:

The value of investments can go up and down and an investor may not get back the amount initially invested.

Operational risk:

Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.

Sustainability risk:

The fund has the objective of sustainable investment. This means it may have limited exposure to some companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager. The fund may invest in companies that do not reflect the beliefs and values of any particular investor.



Case studies

In the following sections, we present the different themes under the Theory of Change of Schroder ISF Social Impact Credit. We have provided examples of the key Sustainable Development Goals (SDGs) that each holding represents, as well as examples of Key Performance Indicators (KPIs), to illustrate the detailed and careful approach we take in our impact-driven process.

We have selected examples from both companies and sovereigns. Many of these examples are in the form of impact bonds, but we also include impact issuers through their products, services, and intentions.

As illustrated through detailed case studies, our philosophy embraces impact not only in the emerging world, but also various social impact opportunities in the developed world. All our holdings have undergone an independent review by our Impact Assessment Group









Inclusion, quality work and education

UN SDG 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

UN SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. This goal emphasises the transformative power of education in fostering a sustainable and equitable world.

UN SDG 10: Reduce inequality within and among countries. Discrimination based on age, gender, ethnicity or racial group, disability status, sexual orientation, migratory status, residence, or other factors can disadvantage individuals in many different, often invisible ways throughout their lives.



Company	Description	UN SDG	Key Performance Indicator
Adtalem Global Education	Global education services provider	 4 Quality education	Number of students reached (#)
Pearson (Social bond)	Education publishing and assessment company	 4 Quality education	Number of underserved students reached (#)
House of HR	Human resources service provider	 8 Decent work and economic growth	Total quality jobs created and/or maintained (#)
		 8 Decent work and economic growth	% of businesses served that are SMEs
Western Union	Financial services and money transfer company	 8 Decent work and economic growth	Number of underserved customers reached (#)
Organon	Pharmaceutical company	 5 Gender equality	Women or minorities reached (#)
		 5 Gender equality	% of women focused products and services
Republic of Colombia (Social bond)	Country in South America	 10 Reduced inequalities	Underserved reached (#)
		 16 Peace, justice, and strong institutions	Projects for rebuilding peace for victims of armed conflict
		 2 Zero hunger	Number of students benefiting from school nutrition program
		 4 Quality education	Number of school infrastructure, classrooms or buildings built, improved, or modernized

Source: Schroders.

Inclusion, quality work and education

Case study 1

Theme: **Socioeconomic empowerment and inclusion**



Issuer:
Republic Of Colombia (Social bond)

In 2023, the Colombian economy experienced steady growth, with inflation adjusting to target levels post its March peak. Our Fund invested in Colombia's inaugural sovereign social bonds, launched in November 2023. The country's improved security, large population, abundant resources, and growing middle class continue to draw foreign investment.

Colombia's export dynamism, price corrections, and productive transformation strategy implementation are expected to bolster its fiscal and external positions.

Despite becoming an OECD member in 2020, Colombia remains one of Latin America's most unequal countries. Its 2021 Gini coefficient was 51.5, and extreme poverty was 12.2%. To address these social disparities, the National Development Plan (NDP) 2022-2026, "Colombia World Power of Life", proposes a new social contract to overcome historical injustices and prevent conflict recurrence. The plan sets targets like reducing extreme poverty to 9.6% and the national housing deficit to 26% by 2026.

The proceeds from the social bonds will fund eligible social expenditures as outlined in Colombia's Green, Social, and Sustainable Sovereign Bond Framework. This includes initiatives for socioeconomic advancement, inequality reduction, education quality improvement, job creation, and peacebuilding. Hence, our Fund's investments not only support Colombia's socioeconomic objectives but also benefit from the country's increasing social stability.

Case study 2

Theme: **Education**



Issuer:
Adtalem Global Education

Company profile

Adtalem Global Education is a leading provider of post-secondary education and healthcare talent. It offers a variety of educational programs, including degrees and certifications, through renowned institutions like Chamberlain University and DeVry University. Its mission is to equip students with the necessary skills for success in their chosen fields.

How does Adtalem make a positive impact?

As of January 2023, Adtalem operates five institutions with over 300,000 alumni and 10,000 employees across 27 campuses. Its flexible, career-focused programs and leading healthcare education have resulted in a 98% residency attainment rate for medical graduates. Adtalem also awarded \$301,700 in scholarships to 162 students, addressing healthcare worker shortages and promoting lifelong learning.

How does Adtalem approach sustainability?

Adtalem's sustainability strategy revolves around empowering individuals, impacting global communities, safeguarding health and the environment, and operating responsibly. Its robust data privacy and cybersecurity programs exceed industry standards. The board significantly represents people of colour, demonstrating a commitment to diversity. Additionally, Adtalem actively reduces CO₂ emissions and recycles IT equipment to enhance climate awareness and resilience.





Inclusion, quality work and education

Case study 3

Theme: **Quality work**



Issuer:

House Of HR

Company profile

House of HR is a leading HR services group that offers flexible workforce solutions across various industries. It operates through specialized brands, each focusing on different HR services like temporary staffing, recruitment, payrolling and consultancy.

How does House of HR's make a positive impact?

House of HR connects talented individuals with job opportunities and assists companies in finding suitable talent to drive success. It efficiently meets businesses' workforce needs, and each month serves an average of 17,988 customers and places approximately 73,395 people at work.

Its initiative, JobRoad, aims to support individuals facing challenges in securing suitable employment and overcomes employment barriers and promotes integration. JobRoad has implemented 9 projects, serving 345 customers and connecting them with 1,920 candidates, leading to the employment of 592 individuals and providing them with valuable work opportunities and contributing to their personal and professional growth.

In 2023, JobRoad collaborated with the International Committee and the city of Antwerp to assist Ukrainian individuals forced to flee their country in finding employment in the Belgian labour market.

How does House of HR's approach sustainability?

House of HR is committed to sustainability, excelling in employee management and job creation, with a 4.7 Glassdoor rating. It has a strong female representation and governance structure with independent board members. Its environmental footprint is minimal, with improving carbon and energy trends. The company aligns its ESG strategy with six UN Sustainable Development Goals.

For illustrative purposes only and not a recommendation to buy/sell.

Case study 4

Theme: **Accessible healthcare**



Issuer:
Organon

Company profile

Organon is a global healthcare company focused on improving health and well-being through innovative solutions in women's health and biosimilars. It provides pharmaceutical products and therapies, that empower individuals to make informed decisions about their health, including contraceptives, fertility treatments, and biosimilars.

How does Organon make a positive impact?

The high rates of unintended pregnancy have been recognized as a global public health crisis by the United Nations Population Fund (UNFPA). It is estimated that nearly 50% of pregnancies worldwide are unintended, and over 160 million women and girls have an unmet need for contraception.

Furthermore, the underrepresentation of women in clinical trials continues to persist, leading to ongoing sex bias in new drug development and limiting the availability of reliable information regarding effectiveness and potential side effects for all participants.

Organon focuses on contraception, fertility, and conditions unique to women. Its initiatives, Her Promise Access and Her Plan is Her Power, aim to provide contraceptive options to 100 million women in the 73 lowest income countries. Additionally, the company has initiated the Her Plan is Her Power initiative, pledging \$30 million over three years to reduce unintended pregnancies and empower women and girls. It also grants funds globally to enhance reproductive health and empower women.

How does Organon approach sustainability?

Organon's sustainability focus includes Her Equity, Her Planet, and Her Trust, aiming for equity in women's healthcare and to promote gender equality.

It plans to reduce its greenhouse gas emissions by over 25% from 2020 levels and allocate at least 70% of its supplier spend to suppliers with emission reduction programs.

Its board is one of the most gender-diverse boards in the S&P 500, with nearly 70% female directors, reflecting the patients the organisation serves. Additionally, 46% of directors come from underrepresented racial and ethnic groups in the United States.

Approximately 50% of the board members have lived and worked outside the United States, which brings valuable global perspectives to the organization, enhancing its ability to address the needs of stakeholders on a global scale.



Inclusion, quality work and education

Case study 5

Theme: **Accessible finance**



Issuer:

Bank Rakyat

Company profile

Bank Rakyat Indonesia (BRI) is one of Indonesia's largest banks, specializing in small scale and microfinance lending.

How does Bank Rakyat make a positive impact?

Micro, small, and medium-sized enterprises (MSMEs) in Indonesia contribute to over 60% of the country's GDP and employ 96.62% of the national workforce. However, the development of MSMEs faces several constraints, especially in terms of access to finance. Moreover, about 80% of Indonesia's 275 million population is either unbanked or underbanked.

Bank Rakyat Indonesia (BRI) is committed to empowering MSMEs and promoting financial inclusion. By the end of 2023, BRI had disbursed over IDR 690 trillion (approximately USD 42 billion) in business loans to more than 36.9 million Ultra Micro (UMi) and Micro customers. The bank offers capacity-building programs, particularly for women entrepreneurs, to enhance their skills and

knowledge. In addition, BRI's extensive branch network and digital banking services allow it to reach underserved communities, thereby promoting financial inclusion and empowering individuals and businesses to access formal financial services. Through the PNM Mekaar program, the company has empowered more than 15.1 million underprivileged women customers. Overall, BRI provides substantial support for the distribution of economic prosperity and financial inclusion in Indonesia.

How does Bank Rakyat approach sustainability?

BRI aims to reduce Scope 1 and 2 emissions by 42% by 2030 and achieve Net Zero Emission by 2050. It also closely monitors Scope 3 emissions. BRI excels in human capital management, implementing talent development strategies, conducting staff satisfaction surveys, and establishing grievance redressal mechanisms to foster a positive work environment.

For illustrative purposes only and not a recommendation to buy/sell.

Health and wellness

UN SDG 3: Ensure healthy lives and promote well-being for all at all ages.

UN SDG 6: Ensure availability and sustainable management of water and sanitation for all.

Company	Description	UN SDG	Key Performance Indicator
Rede D'Or	Brazilian private hospital network	 3 Good health and wellbeing	Customers patients reached Number of hospital beds
Illumina	Biotechnology company specializing in genetic sequencing	 3 Good health and wellbeing	Number of hospital beds R&D to sales (%) Patents (#)
Regeneron	Biotechnology company focused on developing medicines	 3 Good health and wellbeing	Customers/patients reached (#) R&D spend on healthcare solutions (\$m), R%D to sales
PureGym	UK-based chain of convenient fitness centres	 3 Good health and wellbeing	Number of customers reached to improve wellbeing (#) Number of convenient gym sites



For illustrative purposes only and not a recommendation to buy/sell.

Health and wellness

Case study 1

Theme: **Health and wellbeing in developed markets**



Issuer:

PureGym

Company profile

PureGym is a leading UK fitness chain operating over 570 affordable, 24-hour gyms nationwide. It has over 1.9 million members, which makes it one of the largest fitness chains in the UK. PureGym aims to make fitness accessible to everyone through flexible membership, a wide range of equipment, classes, and digital resources, to support members in achieving their fitness goals.

How does PureGym make a positive impact?

Insufficient physical activity can lead to heart disease and increase the risk of other conditions like obesity, high blood pressure, and type 2 diabetes. In the UK, about one in four adults and one in five children aged 10 to 11 are obese. Regular exercise can prevent or manage several health issues, including stroke, depression, anxiety, and various types of cancer. It also improves cognitive function and lowers the risk of death from all causes.

However, the UK's cost of living crisis has impacted people's decisions to join a gym. Over half (54%) of those surveyed said they wouldn't join a gym due to high costs. In the East Midlands, 20% have discontinued their gym memberships due to cost, more than any other UK region.

PureGym provides affordable, flexible, and value-for-money memberships, increasing access to fitness for hundreds of thousands of people. This approach helps individuals improve their health awareness, physical and mental health, and avoid conditions like obesity. Offering low-cost, no-contract memberships with various budget options makes gyms more accessible.

How does PureGym approach sustainability?

PureGym is committed to sustainability, implementing energy-efficient practices like LED lighting and motion sensor controls. It aims to reduce emissions intensity per location by ~20% in the medium term. The company also emphasizes gender balance, achieving a 0% median pay gap and a 2.6% mean pay gap in the UK as of 2023.





Health and wellness

Case study 2

Theme: **Health and wellbeing in emerging markets**



Issuer:
Rede D'Or

Company profile

Rede D'Or is a leading healthcare network in Brazil, operating 70 hospitals, 3 managed hospitals, and 55 oncology clinics. Known for its high-quality facilities and advanced medical technology, it offers services across various specialties like cardiology and oncology.

How does Rede D'Or make a positive impact?

Rede D'Or impacts society through quality healthcare, accessibility, and medical research. With 87,000 physicians and 11,000 beds, it handles 5.3 million emergency visits and provides outpatient care to 4.4 million patients annually. It performs 486,000 surgeries, supports 47,000 childbirths, and serves 2.8 million patients-day annually, demonstrating its extensive services and broad reach.

Rede D'Or significantly enhances healthcare access and quality, particularly in underserved areas, through its extensive network of hospitals and clinics. Its commitment to medical research and innovation fosters the advancement of medical knowledge and the development of innovative treatments, contributing significantly to the betterment of individual and community health.

How does Rede D'Or approach sustainability?

Rede D'Or emphasizes high service quality across all facilities and aims to achieve the Net Promoter Score (NPS) zone of excellence in all hospitals by 2030. In 2021, 8 hospitals achieved the excellence zone, and 41 achieved the quality zone. The company also targets a 36% reduction in greenhouse gas emissions intensity by 2030.

For illustrative purposes only and not a recommendation to buy/sell.

Case study 3

Theme: **Clean water and sanitation**



Issuer:

American Water Works

Company profile

American Water Works is the largest public water and wastewater utility in the U.S., serving residential, commercial, and industrial customers across 14 states. It operates in approximately 1,700 communities, providing safe, clean, and reliable water services to 3.5 million customers, while prioritizing environmental sustainability.

How does American Water Works make a positive impact?

Water is a fundamental human right, and American Water Works supports the United Nations' declaration that everyone, irrespective of their economic status, should have access to clean water and sanitation. As a national water utility, American Water Works is committed to providing a water supply that is safe, efficient, reliable, accessible, and affordable. The company consistently maintains water costs significantly below the EPA's suggested guidance of 2% of household income, striving to keep residential customer bills at or below 1% of median household income.

In doing so, American Water Works contributes to the achievement of SDG 6.1, which aims to achieve universal and equitable access to safe and affordable drinking

water for all by 2030, and SDG 6.4, which seeks to substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and significantly reduce the number of people suffering from water scarcity by 2030.






How does American Water Works approach sustainability?

American Water Works is committed to sustainability, employing a variety of strategies to uphold it. The company prioritizes water conservation through initiatives such as leak detection programs and educational campaigns. Investments are made in infrastructure upgrades and the adoption of renewable energy sources to minimize their carbon footprint. Environmental stewardship takes center stage, with responsible water sourcing and active participation in ecosystem protection. American Water Works also engages actively with communities, endorsing educational programs and advocating for sustainable practices. In essence, the company is dedicated to providing water services in an environmentally responsible and sustainable way.



Sustainable infrastructure

UN SDG 11: This goal aims to renew and plan cities and other human settlements in a way that offers opportunities for all. It includes access to basic services, energy, housing, transportation, and green public spaces, while reducing resource use and environmental impact.

Company	Description	UN SDG	Key Performance Indicator
Vonovia (Social bond)	German residential real estate company	 11 Sustainable cities and communities	Households provided affordable housing (#) Businesses/households with improved access to basic services (#)
Welltower (Green bond)	Healthcare real estate investment trust (REIT)	 11 Sustainable cities and communities	Green buildings certified (#)
East Japan Railway	Major railway company in Japan	 11 Sustainable cities and communities	Number of electric vehicles produced
			Avoided emissions
		 9 Industry, innovation, and infrastructure	Clean transportation infrastructure built or improved (km) Avoided emissions Energy-saving by using VVVF inverter Energy-saving by using VVVF inverter (Compared to conventional products) Energy-saving by using LED lighting (vs. conventional fluorescent lighting)
TerraForm Power	Renewable energy company (now part of Brookfield Renewables)	 7 Affordable and clean energy	Renewable energy generated per annum (MWh)

For illustrative purposes only and not a recommendation to buy/sell.



Sustainable infrastructure

Case study 1

Theme: **Reducing inequalities through accessible housing**



Issuer:

Vonovia (Social bond)

Company profile

Vonovia is a leading private European residential real estate company, owning and managing properties in Germany, Austria, and Sweden. It provides quality, affordable housing to over 1 million customers, including diverse groups like private renters, social housing tenants, people with disabilities, senior citizens, and students.

How does Vonovia make a positive impact?

Vonovia meets a basic human need by providing housing to millions across Europe. It invests in improving tenants' living conditions and well-being, and issues social bonds supporting UN Sustainable Development Goals of reducing inequality (SDG 10) and ensuring safe and sustainable cities (SDG 11). By financing projects for low-income households, disabled individuals, and seniors, Vonovia promotes social inclusion. It also enhances its properties' energy efficiency, reducing its carbon footprint. As Europe's largest private real estate company, Vonovia holds a pivotal role in shaping urban development's future and fostering vibrant, liveable communities.

How does Vonovia approach sustainability?

Vonovia adopts a holistic sustainability approach, improving its properties' environmental footprint through energy-efficient solutions and climate-friendly solutions. It supports the social market economy principles and economic efficiency by offering moderate rents, protecting vulnerable tenants, and creating liveable communities. Sustainability guides Vonovia's business activities.



Sustainable infrastructure

Case study 2

Theme: **Connectivity**



Issuer:
Millicom

Company profile

Millicom is a multinational telecommunications and media company offering a range of digital services, including mobile, cable, and broadband, to customers in Latin America and Africa. It operates under various brands like Tigo and in addition to telecommunications, provides digital entertainment services like streaming music and video content.

How does Millicom make a positive impact?

It's estimated that 45% of Latin Americans lack internet access. Many adults in the region lack computer literacy skills, and only approximately 5% of Latin American and Caribbean students have access to internet technology in their classrooms. Additionally, women are underrepresented in internet and communications technology careers in the region. The rise in internet usage has also significantly increased the risk of children encountering inappropriate content, online predators, cyberbullying, and other online threats.

Millicom has made significant commitments and achieved notable goals in the field of digital education and inclusion. Key programs such as Maestr@s Conectad@s and Conectadas have been instrumental in delivering web-based courses and promoting digital literacy among teachers and women. Moreover, the Conéctate Segura program educates children, parents, and caregivers on the responsible use of digital technology through child online protection modules.

Extending its efforts across nine countries where it operates, including Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Bolivia, and Paraguay, Millicom trained 107,662 teachers and educated over 170,000 women in 2023 alone. To date, a total of 525,608 teachers and 955,856 women and girls have been trained. Since the beginning of the Conéctate Segura program in 2018, 1,131,000 children and parents have been trained. These efforts have positively impacted and empowered thousands of individuals in Latin America.

How does Millicom approach sustainability?

Millicom is among the few Latin American telecom companies with validated science-based targets. It aims to reduce absolute Scope 1 and 2 market-based GHG emissions by 50% by 2030, absolute Scope 3 GHG emissions by 20% by 2035 from a 2020 base year, and achieve net-zero emissions by 2050. Additionally, it aims for a 76% end-to-end recovery rate of Consumer Premise Equipment by 2024.







Socially, Millicom is progressing towards its Diversity, Equity, and Inclusion Goals, aiming for 50% female representation across the organization and in upper management, and annual DE&I training for all employees. It prioritizes data privacy and freedom of expression, earning recognition as a Data Privacy Champion by the National Cybersecurity Alliance in 2023.



Responsible production and consumption

UN SDG 12: This goal is about ensuring sustainable consumption and production patterns, which are key to sustaining the livelihoods of current and future generations. Our planet's resources are depleting, while populations continue to grow.



Company	Description	UN SDG	Key Performance Indicator
Adevinta ASA	Norwegian digital marketplace company	 12 Responsible consumption and production	CO ₂ avoided per annum (CO ₂ e)
Signify	Dutch lighting technology company	 12 Responsible consumption and production	12 Responsible consumption and production
		 12 Responsible consumption and production	R&D to sales (%)
Advanced Drainage Systems	American water management product manufacturer	 12 Responsible consumption and production	Number of items recycled or reused (#)
Varex Imaging Corporation	Medical imaging technology company	 12 Responsible consumption and production	12 Responsible consumption and production
Suez	Water and waste management solutions provider	 12 Responsible consumption and production	Waste recycled per annum tons
			Waste collected and treated or disposed / improved access to municipals waste collection

For illustrative purposes only and not a recommendation to buy/sell.

Responsible production and consumption

Case study 1

Theme: **Responsible consumption**



Issuer:

Adevinta

What does Adevinta do?

Adevinta ASA is a global provider of internet-based services, and champion for sustainable commerce across Europe and beyond. The company fosters networks of people collaborating towards a common goal across various geographies and disciplines. As a global specialist in classifieds, with online marketplaces in 13 countries, Adevinta leverages technology, talent, and trusted brands to facilitate perfect matches, promoting sustainable consumption. Enjoying leading market positions with its trusted brands, Adevinta operates a resilient business model at the heart of the second-hand economy, catering to consumers seeking more sustainable and cost-efficient purchasing options.

How does Adevinta make a positive impact?

Adevinta is central to the shift towards circular and second-hand fashion through their eBay Classifieds Group, which supports users and customers daily. By connecting buyers and sellers of second-hand goods, Adevinta promotes the reuse of products, reducing environmental

impact, fostering inclusion due to lower costs, and supporting responsible consumption. Circular consumption, which involves keeping products and materials in use by repairing, reusing, and recycling, helps avoid emissions associated with the disposal of used items.

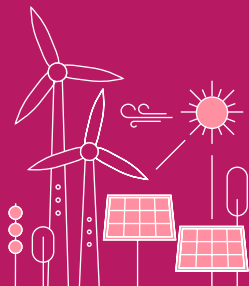
How does Adevinta approach sustainability?










Sustainability is integral to Adevinta's operations, encompassing their products, technology, and operations. Socially, they foster a diverse and inclusive culture through purpose-driven programs that promote leadership development and talent promotion. They engage with communities to promote circularity and support vulnerable people by providing local charities and organizations with free platform access. Environmentally, they are setting targets to address their own GHG emissions in line with a Paris-aligned 1.5-degree scenario, linking these goals to management's incentive plans.



Affordable and clean energy

UN SDG 7: This goal is about ensuring access to affordable, reliable, sustainable, and modern energy. Access to clean and affordable energy is key to the development of various sectors including agriculture, business, communications, education, healthcare, and transportation.



Company	Description	UN SDG	Key Performance Indicator
mBank	Green bonds issued by a Polish bank	 13 Climate action	Annual CO ₂ emission avoidance (tCO ₂ /year)
		 7 Affordable and clean energy	MWh/year of energy saved
			Renewable energy generated per annum (MWh)
SK Hynix	South Korean semiconductor company	 14 Life below water	Wastewater treated/avoided per annum (tons) m3 close to tonnes (1m3 = 0.984t)
		 14 Life below water	Water reuse rate
		 15 Life on land	Increased area of afforestation or restoration area (ha)
			Construction of ecological park to improve environment and secure biodiversity
		 13 Climate action	Total energy consumption per revenue (GJ/ 100 million won); no visibility over impact therefore moderate
Banco Do Brasil	Brazilian banking institution	 13 Climate action	Tons GHG emissions reduced per annum (tCO ₂ e)
Fondo MiVivienda S.A.	Peruvian housing fund	 13 Climate action	% of energy use reduced vs. local baselines – local baseline defined based on 2015 IFC study.
		 13 Climate action	Tons GHG emissions reduced per annum (tCO ₂ e)

For illustrative purposes only and not a recommendation to buy/sell.

Affordable and clean energy

Case study 1

Theme: **Renewable energy**



Issuer:

Renew Power

Company profile

Renew Power is a leading renewable energy company in India, operating over 150 utility-scale projects across nine states. Specializing in the development, construction, and operation of renewable energy projects, it harnesses clean, sustainable sources such as solar, wind, and hydro power. Renew Power also provides decarbonisation solutions through green hydrogen, data-driven solutions, storage, manufacturing, and carbon markets.

How does ReNew make a positive impact?

India ranks as the third-largest global emitter, releasing 2.9 GtCO₂ annually as of 2019. Most of these emissions, around 70%, originate from six key sectors: power, steel, automotive, aviation, cement, and agriculture. To address this, India commits to utilizing half of the installed power capacity from non-fossil fuel-based energy resources and achieving a 45% reduction in emissions intensity compared to 2005 levels.

Renew Power contributes to the country's sustainable development by reducing carbon emissions and

promoting a greener energy future. Its portfolio includes solar parks, wind farms, and small hydropower plants with a total commissioned capacity of 7.98 GW and a committed capacity of 5.72 GW. In 2023, Renew Power's projects avoided 14.08 million tCO₂e emissions. The company has also issued ~\$4 billion worth of Green Bonds certified by the Climate Bonds Initiative, aiding in CO₂ emission reduction and renewable energy capacity augmentation.

How does ReNew approach sustainability?

Renew Power believes renewable energy is vital for rapid decarbonization. The company manages its carbon footprint by tracking and reducing emissions, adopting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. It aims to reduce emissions by 90% by 2040, be annually validated as carbon neutral for scope 1 and 2 emissions, eliminate solid waste to landfill, achieve water positivity, and source 50% of electricity from clean sources across all operations, eventually aiming for 100% clean electricity sourcing. These commitments highlight Renew Power's dedication to environmental sustainability and its role in transitioning to a low-carbon future.

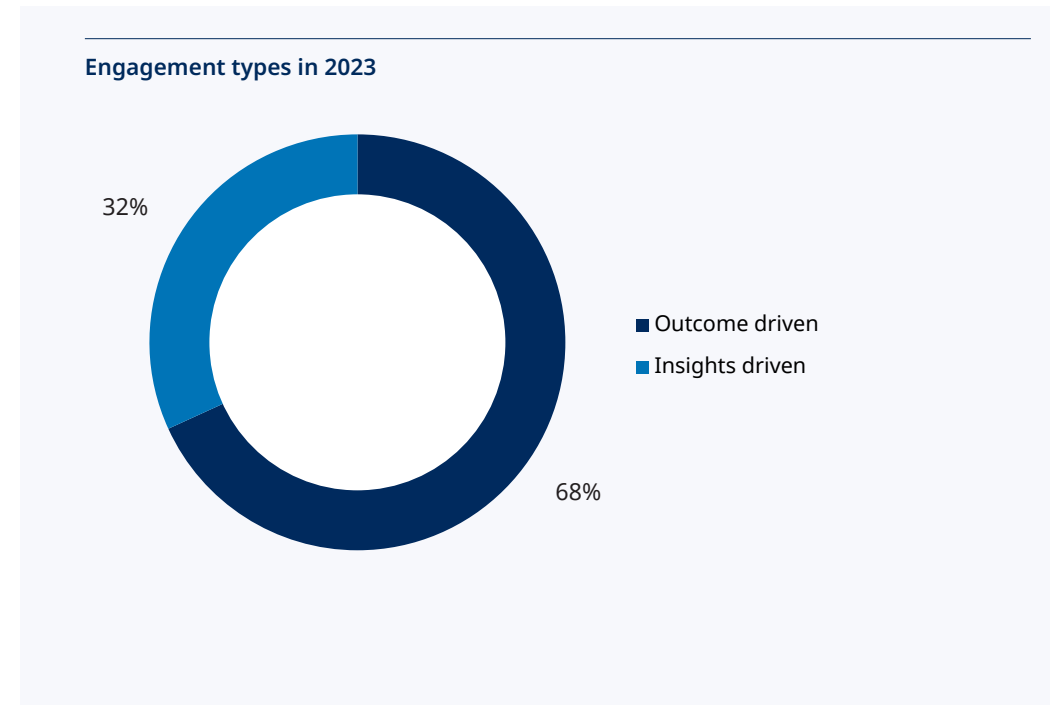
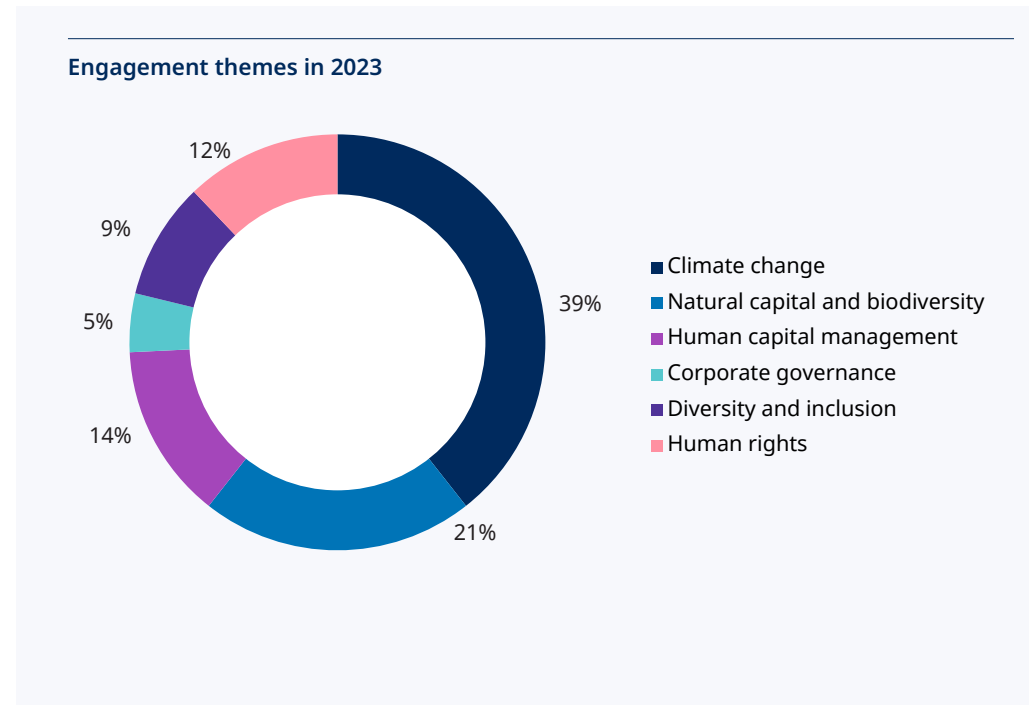


Engaging for impact

Our engagements, dialogues, and stewardship activities shape our convictions and contributions as investors. In 2023, we engaged on various topics as outlined in Schroders' Engagement Blueprint. These topics ranged from human rights to human capital management, as well as corporate governance to climate change. We discovered impact opportunities by engaging with high yield and Emerging market corporates. At the same time, we also engaged to minimise or clarify the risks of negative impact.



Schroder ISF Social Impact Credit engagements over 2023: 24 companies engaged; 66 engagements held



Source: Schroders, ActiveIQ, as at 31 December 2023

Engaging for impact

Case study 1

Theme: **Access to medicine**



Issuer:

Cheplapharm

Theme alignment:

We identified a unique opportunity that aligns with our key “Access to Medicine” theme. This involved the distribution of cost-effective, well-established medicines under an innovative business model.

Potential and impact goals:

While the company demonstrated potential, it lacked clearly articulated and distinguished impact goals.

Impact engagement agenda:

In April 2023, we initiated engagement with the issuer to help shape an effective impact investing strategy. We proposed various impact and sustainability points for their consideration. These included disclosure on revenue breakdown and their social contributions. This information was crucial in assessing the issuer’s eligibility for investment under the Schroder ISF Social Impact Credit.

Findings and impact contribution:

The company responded positively by providing us with comprehensive impact information, including an example of a second-party impact assessment. As a result,

we approved the investment, effectively backing a relatively underappreciated issuer. This move was well-received by impact/sustainable investors, resulting in a B+ rating and contributing to a decrease in financing cost.

Subsequent steps:



In May 2023, as per our request, the company published a more structured ESG report.

Financial considerations:

- The company boasts a long track record of successful M&A-led growth and has fostered strong relationships with large pharmaceutical companies
- It operates an asset-light business model, generating robust cash flow and stable EBITDA margins
- The company adheres to a conservative financial policy, maintaining leverage generally below 4.0x with intentions to sustain this level



Engaging for impact

Company	Sector	Engagement description
General Mills	Natural and organic foods 	<p>We proposed General Mills for our Impact Fund due to their initiatives addressing SDG challenges, such as regenerative agriculture targets and nutritious plant-based product offerings. However, our Impact Assessment Group sought more ambitious goals and detailed action plans, including progress measurement methods and compliance with regenerative agriculture practices to avoid “claims washing”. We also urged General Mills to raise their nutritious food targets beyond 41% in 2023.</p> <p>In response, General Mills announced new regenerative agriculture initiatives in April 2023. They formed strategic partnerships with American Farmland Trust and Rodale Institute to promote regenerative agriculture in California and the Northern Great Plains. Additionally, they supported women-owned farms in California’s San Joaquin Valley through grants, aiming to improve soil health and water outcomes in a key sourcing area experiencing extreme water stress.</p> <p>By November 2023, General Mills had established a global impact team to minimize their negative impact on nature and biodiversity. They reported that 235,700 acres of land were already under regenerative agriculture, contributing towards their 2030 target of 1 million acres. In collaboration with retailers like Walmart, General Mills plans to expand these regenerative efforts even further.</p>
Informa	Digital media and sustainability events 	<p>We engaged with Informa to establish a solid Impact thesis, a prerequisite for our investment. We discovered that Informa is making strides in the following areas:</p> <ul style="list-style-type: none"> - Accessibility: Informa is designing products with consideration for various physical and mental attributes, enabling broader connectivity - Social equity: They are creating opportunities for diverse social groups and cultures to engage with their products - Access to resources: They are improving product accessibility for individuals with varying resources, such as visas, internet connection, and purchasing power - Affordability: Informa offers free or discounted space for exhibitors from innovative start-ups and under-represented individuals. They also partner with local non-profits to provide event access to those who might not otherwise afford it - Community engagement: Informa is expanding its audience base by offering scholarships, free subscriptions, and discounted event passes to young people and potential future customers - Support for developing regions: At Taylor & Francis, they are making open access publishing more affordable by waiving or discounting article publishing charges for the least developed countries. They are also providing free training to academics and students in these regions to improve their publication capabilities <p>Informa has a target to embed sustainability in 100% of their brands by 2025. As of 2022, over 80% of their 380+ events have incorporated sustainability content, attracting over 2 million visitors and exhibitors.</p>

Source: Schroders. For illustrative purposes only and not a recommendation to buy/sell.



Impact through Social bonds

Social bonds help to finance in a targeted manner where impact really matters. They support:

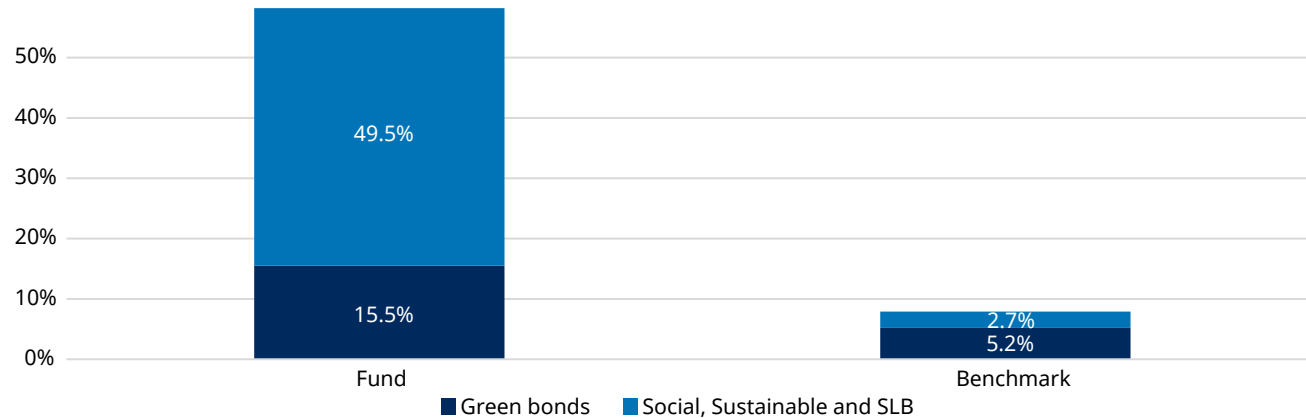
- Excluded and/or marginalised populations or communities living below the poverty line
- People with disabilities
- Migrants and/or displaced persons/workers
- Undereducated individuals from different age groups
- Underserved populations, owing to a lack of quality access to essential goods and services
- Women and other minorities
- Ageing populations and vulnerable youth
- Other vulnerable groups, including those affected by natural disasters, for example

Impact through Social bonds

Social bond investment process:

1. Social bonds aim to address specific social issues or achieve positive social outcomes, especially for target populations. As core investors in these bonds, we have the opportunity to impact underserved and underinvested communities through clear KPIs.
2. We evaluate Social bond frameworks to discern strengths and weaknesses. We note that issuers often categorize similar projects differently due to less defined categories and their position in the value chain. For instance, a finance firm providing mortgages to low-income households could be classified as 'access to finance' or 'affordable housing' by different companies. We ensure the categories for the target population are well-defined and clear, to benefit those most in need.
3. We assess 'additionality', ensuring the bond offers something beyond business-as-usual. Even when firms' regular products could be deemed social, we believe it's important for them to offer additional value. We also consider long-term relative value.
4. We carefully assess the ESG credentials of both the issuer and the issuance, paying close attention to the exclusion criteria outlined in the social bond framework, which includes factors such as fossil fuel-related financing. This approach helps to enhance credibility and instil confidence in investors. Furthermore, we place significant importance on the issuer's own decarbonization targets and efforts. This information plays a pivotal role in our decision-making process when we consider investing.

Allocation to use of proceeds bonds



Impact through Social bonds

Social bond examples:

Name	Sector	Impact	Use of Proceeds and SDGs
Pearson Funding	Media/Education	The bond has enabled education for 107,000 learners, with a 94% course completion rate.	<p>The Social bond aims to enhance people's relationship with learning and align education with their aspirations for living and working. It reports on the number of learners enrolled in each course.</p> <p>Aligned with SDG 4.1, SDG 8.6.</p>
Banco de Crédito Social (Cajamar)	Spanish Banking	The Social bond issued in 2022 is projected to create local employment for 5,682 individuals in regions with lower economic and social development. It has benefitted 191,625 social economy enterprises.	<p>Cajamar's Social bond focuses on promoting social economy and socio-economic development in regions affected by economic under-performance, unemployment, and depopulation. Thanks to its extensive network, Cajamar is well positioned to finance entities in these regions.</p> <p>Aligned with SDGs 1, 8, 9.</p>
Praemia Healthcare	Healthcare Real Estate	Key social indicators from the Social bond: 3,375 beds/places and 223,458 stays. Population served by facilities: 4,846,000 people in France.	<p>Praemia's framework provides healthcare buildings. It focuses on medical and elderly care facilities, which must meet the French National Authority for Health's A or B level. The facilities must be accessible to all through Assurance Maladie.</p> <p>Aligned with SDGs 3, 10.</p>
Mexico	Sovereign	Mexico's SDG Sovereign bond framework aligns the country's Federal Budget with 11 SDGs. It targets municipalities with the highest social gaps for social projects, ensuring funds are directed for maximum impact.	<p>The Use of Proceeds include welfare, effective agrarian production, healthcare, promoting financial inclusion in rural areas, connectivity, and rural roads, among others.</p> <p>Provide SDGs.</p>
Nonghyup	Financial Services	As of 2022, they have provided 103,973 loans to low-income households and supported small businesses through 217,546 loans.	<p>The Social bond supports low-income individuals, small businesses, and provides loans to cooperatives to rejuvenate the economies of low-income areas.</p> <p>Aligned with SDGs 1, 2, 3, 11.</p>



Impact at exit

Principle 7 of the Operating Principles for Impact Management calls for the consideration of the effect on sustained impact when conducting exits. A well-chosen impact intent, monitoring of Impact Key Performance Indicators (KPIs), engagements, and the continuation of impact delivery even after exit can facilitate the company's or sovereign's intended long-term impact. This is evident in examples from the Schroder ISF Social Impact Credit.

Impact at exit

Sustaining impact at and after exit is essential to our impact management process. We might exit a position due to financial or sustainability reasons, or when the desired impact has materialised, for example. During the holding period, we contribute not only financially (through primary issuance, funding cost, fast access), but also by engaging with the company or sovereign on various issues. Every exit needs to be documented in the scorecard.

Case study: Anglian Water

Balancing positive impact and risk

Our investment in Anglian Water aimed to serve both well-served and underserved populations in the UK, helping to reduce water bills and provide essential services. However, over time, we encountered unintended impact risks along with clear additionality in terms of positive impact.

We identified pollution issues within the UK water sector and regulatory investigations concerning Anglian Water. The company also seemed to lag behind its peers in terms of decarbonisation targets.

Despite these challenges, we actively engaged with the company and, ultimately, decided to exit the investment while continuing our engagement.

We engaged and exited and keep on engaging. Following example of exit assessment:

Impact category	Water
Reason for exit	Sustainability or negative impact concerns
Impact achievement	Partially achieved
Investor contribution	During our investment period, we actively engaged with the company on impact matters. We encouraged the company to mitigate controversies, resulting in the settlement of a regulatory fine. We also observed increased communication on water-related pollution and client education on the company's website. Recently, the company has begun to assist with the cost-of-living crisis related to water bills, with support from the UK Government.
Impact classification	Contribute to solutions
Capital type	Existing capital
Engagement	Yes, on operations
Engagement success	Partially successful. Our communication led to better recognition of the sewage spill problem and the settlement of fines. The company is striving to be more customer-centred and aims to avoid breaching regulatory limits on pollution in the future.
Continued impact post-exit	Yes. Anglian Water will continue to supply and recycle water for its customers and communities.
Summary of exit conversations	We requested increased transparency and commitments in a letter dated October 10. We plan to further engage as part of ongoing engagements in the UK water sector. Although we exited this investment, we continue to monitor potential investment opportunities within the credit market, including companies like Anglian Water, particularly if they issue a sustainability-linked bond with earmarked use of proceeds and improved tracking of impact outcomes.

Financial implication of exit: The decision to divest was also financially sound, as it reduced performance risk during a period of high volatility in the bond market.

Source: Schroders. For illustrative purposes only and not a recommendation to buy/sell.





Sustainability performance measures

We are committed to providing our clients with transparency about the ESG-characteristics of the investments they hold with us. As a result, we have evolved our reporting to include details on the sustainability credentials of the underlying investments. Our sustainability reporting combines data from our proprietary tools with external metrics from third party rating agencies and information publicly available on the assets in the portfolio.

Principle Adverse Impacts (PAIs)

Schroder ISF Social Impact Credit as at 28 March 2024

Corporate Principle Adverse Impacts (PAIs)

	Metric	Principal Adverse Impact	Unit	Portfolio	Coverage	Benchmark	Coverage
People	UNGC and OECD principal violators	Share of investments in companies that have been involved in violations of UNGC and OECD principal	%	0.0	83%	0.9	91%
	UNGC and OECD principal policies	Share of investment in companies without policies to monitor compliance with UNGC and OECD principal	%	25.4	83%	47.7	90%
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	12.8	26%	16.3	17%
	Board gender diversity	Average ratio of female to male board members in investee companies	%	62.5	81%	55.6	90%
	Exposure to controversial weapons	Share of investments in companies involved in the manufacture or selling of controversial weapons	%	0.0	100%	-	-
	Supplier code of conduct availability	Share of investments in companies without any supplier code of conduct (e.g. child and forced labour)	%	-	-	-	-
Planet	Total GHG emissions	Scope 1 and 2 greenhouse gas emissions	Metric Tonnes	202.4	79%	N/A	N/A
		Scope 3 greenhouse gas emissions		1,670.6	79%	N/A	N/A
	Carbon footprint	Carbon footprint	Tonnes of CO ₂ per €m invested	102.6	76%	427.5	81%
	Weighted Average Carbon Intensity	GHG intensity of investee companies	Tonnes of CO ₂ per €m sales	466.9	81%	1,129.6	91%
	Fossil fuel sector exposure	Share of investment in companies active in the fossil fuel sector	%	0.0	83%	13.8	91%
	Non-renewable energy exposure	Share of non-renewable energy consumption and production	%	75.5	61%	73.2	61%
	Exposure to activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with operations in or near biodiversity sensitive areas	%	0.0	83%	0.3	91%
	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	Tonnes of emissions to water per €m invested	0.0	2%	0.0	1%
	Hazardous waste ratio	Hazardous waste by investee companies per million EUR invested	Tonnes of hazardous waste per €m invested	0.1	21%	2.5	22%
Exposure to companies without carbon emissions reduction initiatives	Investing in companies without carbon emission reduction initiatives aligned with the Paris Agreement	%	11.8	80%	27.2	88%	

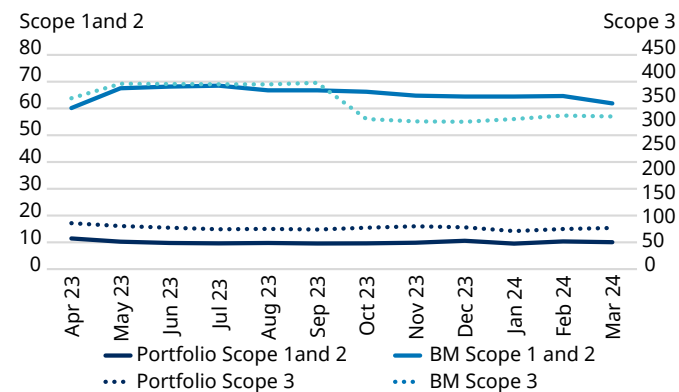
Sovereign Principle Adverse Impacts (PAIs)

	Metric	Principal Adverse Impact	Unit	Portfolio	Coverage	Benchmark	Coverage
People	UNGC and OECD principal violators	Number of investee countries subject to social violations (e.g. UN Principals)	Number	0.0	83%	0.9	91%
Planet	GHG intensity	GHG intensity of countries	Metric Tonnes per €m GDP	592.2	100%	721.9	91%

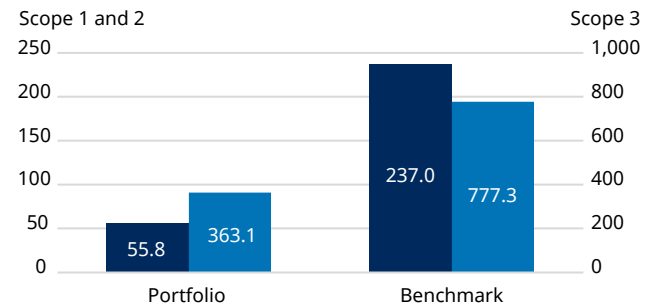
Climate performance

Climate metrics

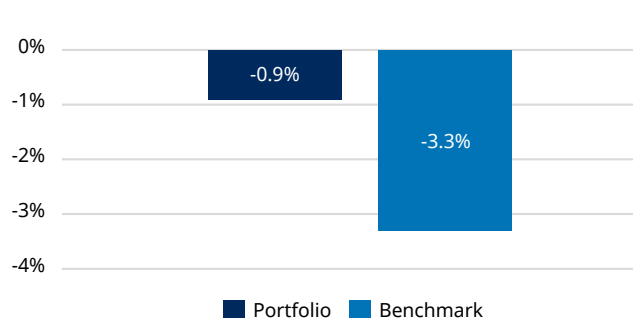
Carbon footprint



Weighted average carbon intensity



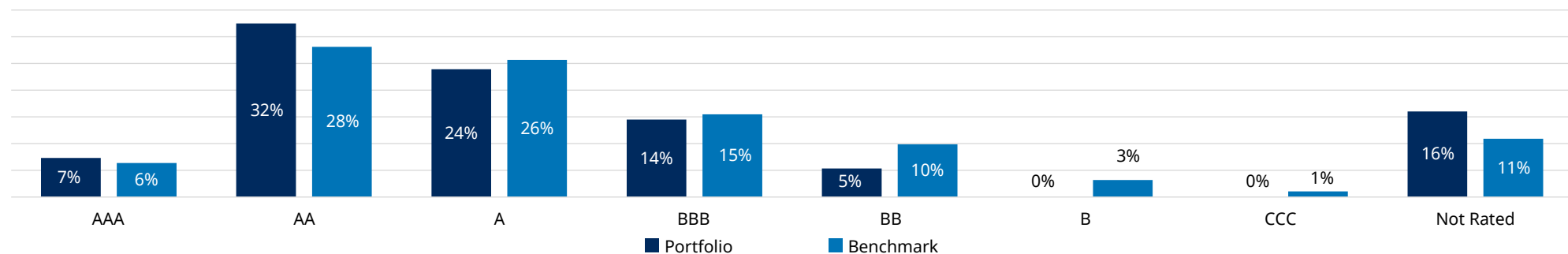
Climate risk exposure



Source: MSCI, Schroders, as at 28 March 2024. Carbon footprint and Weighted Average Carbon Intensity (WACI) use calculation methodologies in-line with TCFD recommendations and prescribed by SFDR Principal Adverse Impacts. Of these three measures, only WACI is re-weighted or 'normalised' based on the portfolio's coverage. Schroders only uses estimated data for Scope 3 emissions. Carbon VaR is a proprietary methodology that measures the impact of a carbon price of \$100/tonne on companies' earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently lower demand in each sector. Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission. Benchmark data Bloomberg Multiverse x Treasury (A+ to B-) (Hedged in USD). Our proprietary ESG tools are designed to enhance the research and evaluation process but do not guarantee favourable investment results.

*'Portfolio corporate allocation' refers to the proportion of the portfolio invested in listed corporate bonds, which is utilised in the calculation of the 'Corporate climate metrics'.

MSCI ESG ratings of portfolio vs. benchmark*



Source: MSCI ESG rating as at 28 March 2024. All holdings exclude cash and currency holdings. *Ratings may not add up to 100% due to cash and other holdings not in scope. Even though some companies may not have an external MSCI rating, every company within the portfolio undergoes rigorous proprietary sustainability analysis and impact assessments to ensure their eligibility for inclusion in the fund. Certain information © MSCI ESG Research LLC. Reproduced by permission. Benchmark data Bloomberg Multiverse x Treasury (A+ to B-) (Hedged in USD).

The table on the previous page shows some of the indicators related to Principal Adverse Impacts (PAIs) of this portfolio and its benchmark, where applicable. The PAIs aim to show the potential for significant negative effects that investment decisions made in respect of the portfolio's portfolio have on sustainability factors. Sustainability factors are defined in the European Union's Sustainable Finance Disclosure Regulation (SFDR) as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. We also identify the coverage, which refers to the percentage of indicator data available at month-end for the underlying holdings of the portfolio and benchmark, where applicable. The aggregation of index level metrics has been calculated by Schroders and not MSCI. Of the three emissions measures ('Total GHG emissions, carbon footprint and Weighted Average Carbon Intensity (WACI)), only WACI is re-weighted or 'normalised' based on the portfolio's coverage. Schroders only uses estimated data for Scope 3 emissions.

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Mid-Term Scope 1 and 2
Temperature Score: **1.9°C**



Conclusion

Schroder ISF Social Impact Credit has been diligently investing across various Sustainable Development Goals (SDGs), with a clear focus on contributing to solutions that benefit final stakeholders. This approach has enabled us to harvest global credit and impact opportunities not only in emerging markets (EM) but also in developed markets (DM).

Our commitment to focused engagements, rigorous impact tracking, and transparent reporting has been instrumental in our success. We have continuously sought new investment ideas that align with the forward-thinking ethos of the UN Sustainable Development Goals, all of which is underpinned by Schroders' robust, impact-driven framework.

The result of these efforts has been twofold: we have achieved attractive income and risk-adjusted returns for our clients and prospects, and we have made a meaningful contribution to social impact through credit.

We trust that you find our impact report not only informative, but also intriguing and inspiring. We hope it encourages you to consider how you, too, can contribute to social impact through credit. We look forward to continuing our journey of creating sustainable value and making a real difference in the world.



Disclaimers and important information

Sustainability definitions

Overall Impact

The Schroders Impact Score is based on Schroders' proprietary tool, SustainEx™. SustainEx™ provides an estimate of the potential societal or environmental impact that may be created by the companies and other issuers in which the portfolio is invested. The result is expressed as a notional percentage (positive or negative) of sales of the relevant underlying companies and other issuers. For example, a SustainEx™ score of +2% would mean a company contributes \$2 of relative notional positive impact (i.e. benefits to society) per \$100 of sales.

We calculate SustainEx™ scores for companies and other issuers in the portfolio to arrive at the total portfolio score.

The "Overall Impact" shown is a measure of the portfolio's estimated impact compared to that of its benchmark, in each case calculated as a relative notional percentage as described above.

The "Impact on People" and "Impact on Planet" measure the portfolio's estimated underlying benefits and harms, as compared to its benchmark, in each case calculated as a relative notional percentage as described above.

Impact scores

These are generated using Schroders' proprietary tool, SustainEx™, which provides an estimate of the potential social or environmental impact that a company or other issuer may create. It does this by using certain metrics with respect to that issuer and quantifying the positive and negative impacts of each of those metrics in economic terms to produce an aggregate measure. Not all of those metrics are represented in the impact scores on 'People' and 'Planet' and how those scores are generated may change over time. It utilises and is reliant on third

party data (including third party estimates) as well as Schroders' own modelling assumptions, and the outcome differs from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimate are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall portfolio/portfolio score. At the same time, of course, the issuer's SustainEx™ performance might improve or deteriorate. Schroders' proprietary tools, including SustainEx™, may not cover all of the portfolio's holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and if so would be excluded from a portfolio's sustainability score. The SustainEx™ scores show month-end data. Where a portfolio maintains a higher overall sustainability score than its sustainability benchmark based on the investment manager's rating system, this means that the portfolio's weighted average score in SustainEx™ over the previous six month period will be higher than the benchmark's score in SustainEx™ over the same period, based on

month-end data. Where a portfolio has different sustainability criteria, the portfolio's weighted average score in SustainEx™ is shown here for information and illustrative purposes only.

MSCI ESG Research rating

Produced by MSCI ESG Research as of the "reporting date". MSCI ESG Research LLC's ("MSCI ESG") portfolio Metrics and Ratings (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 31,000 multi-asset class mutual portfolios and ETFs globally. MSCI ESG is a registered investment adviser under the U.S. Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the U.S. Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. The Information should not be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

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Corporate SustainEx™ Impact metrics

Alcohol:

Societal cost of alcohol consumption (assigned to alcohol producers).

Armaments production:

Societal costs from both international organised conflict and intra-state conflict (such as gang violence). Assigned in proportion to company market share of weapons sales.

Avoided carbon emissions:

Environmental and societal benefits of activities and technologies that enable system-wide reductions in carbon emissions, including companies' products and services and country investments in clean energy. Assigned in proportion to the social benefit from avoided emissions which is attributed per unit of the product or service that delivers the emission savings.

Carbon emissions:

Environmental and societal cost of carbon emissions (Scopes 1,2 and 3). Assigned in proportion to country GHG emissions data.

Connectivity:

Societal benefits from companies' that enable and/or support the connection of communities through telecommunication services. Assigned in proportion to the global benefit of access to global communication technologies and attributing that benefit to individual companies based on their share of global revenues from telecommunication and internet connectivity markets, including social media companies.

Contraception:

Societal benefits attained from the production and supply of contraceptives. Assigned in proportion to company market share of global revenue.

Fair pay:

Societal benefits or costs of companies over- or under-paying staff relative to local living wages (for regions in which they operate). Assigned in proportion to the surplus or deficit company's' are paying employees compared to the average living wage.

Financial stability:

Societal costs associated with the top 40 global systemically important banks to financial instability. Assigned in proportion to company market share of listed entities.

Medicine:

Societal benefits arising from the additional social value the sale of such products and services exhibits of the wider economy. Benefit calculated is dependent on the company's involvement in the healthcare value chain and proportion of company market share to global sub-sector revenue.

Power Provision:

Societal benefits of access to power and electricity. Assigned in proportion on a company's share of power provision revenues.

Sewerage and sanitation:

Societal benefits associated with the provisions of products and services that tackle poor sanitation, lack of safe water and hygiene. Assigned in proportion to company market share of global revenue.

Tobacco:

Societal cost of smoking (assigned to tobacco producers). Assigned in proportion to company market share of global revenue.

Water access:

Societal benefits associated with the benefits to human health from the provision of clean drinking water. Assigned in proportion to company market share of global revenue.

Water consumption:

Environmental and societal cost of companies' and countries' freshwater withdrawal. Assigned based on reported water usage.

Corporate carbon metrics

Carbon footprint:

A weighted-average measure of company greenhouse gas emissions per \$ million of enterprise value. Methodology is aligned to "carbon footprint" as defined by TCFD and The EU's Sustainable Finance Disclosures Regulation.

Weighted Average Carbon Intensity (WACI):

A weighted-average of company emissions per \$million of sales. Methodology is aligned to "weighted average carbon intensity" as defined by TCFD and "GHG intensity" under the EU's Sustainable Finance Disclosures Regulation.

Carbon Value-at-Risk (VaR):

A model developed by Schroders to measure the potential impact on companies' earnings of raising carbon prices to \$100 per tonne.

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