Global Climate Change

Investing for a low-carbon world

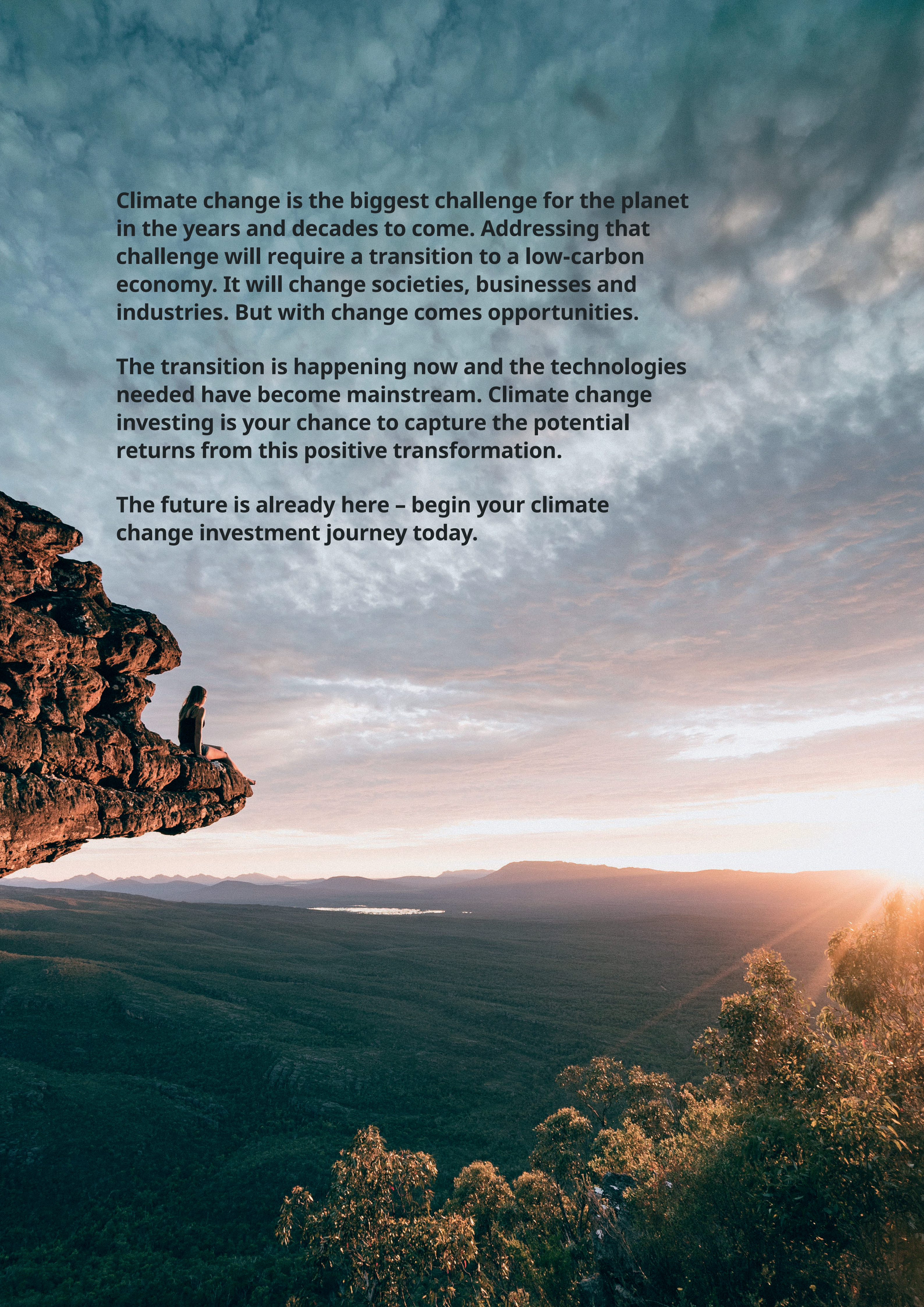
Marketing material

Schroders

Climate change is the biggest challenge for the planet in the years and decades to come. Addressing that challenge will require a transition to a low-carbon economy. It will change societies, businesses and industries. But with change comes opportunities.

The transition is happening now and the technologies needed have become mainstream. Climate change investing is your chance to capture the potential returns from this positive transformation.

The future is already here – begin your climate change investment journey today.



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Schroder International Selection Fund is referred to as Schroder ISF throughout.

Transitioning to a new world

In 2015, global leaders signed the Paris Agreement and committed to limit the rise in global temperatures to 2°C, above pre-industrial levels.

At **2°C**

it is believed that climate change consequences are manageable.

We estimate that

$2trillion p.a.

of investment over the next decade is required to meet this target.

At **4°C**

the impact of global warming becomes more severe.

Our current estimate suggests a rise of

3.9°C*

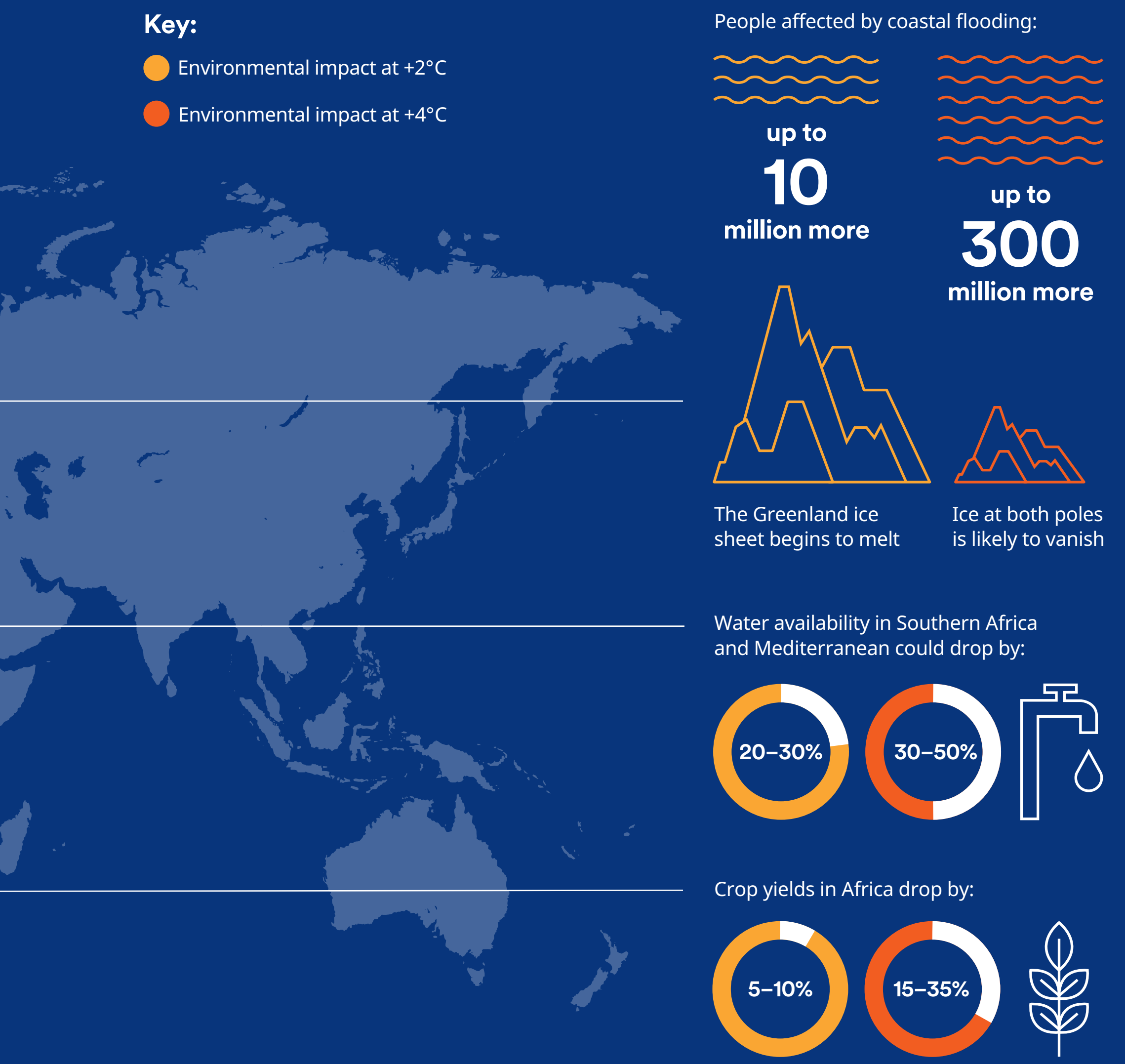
* Source: Schroders Climate Progress Dashboard, March 2020.

At 2°C, it is thought the effects of climate change are manageable. Anything above this, however, and the impact becomes increasingly severe.

Right now, according to our Sustainability team's research, we are on track for a 3.9°C rise, almost double our intended target. Getting us on the right path will involve a radical transformation of the global economy. We estimate that around $2 trillion p.a. of investment is needed over the next decade to hit our climate targets.

We believe that the companies that embrace the challenges and recognise the threats of climate change early, or that form part of the solution, will outperform the broader market and ultimately deliver long-term returns to investors. On the other hand, those companies that fail to respond are at risk of falling by the wayside.

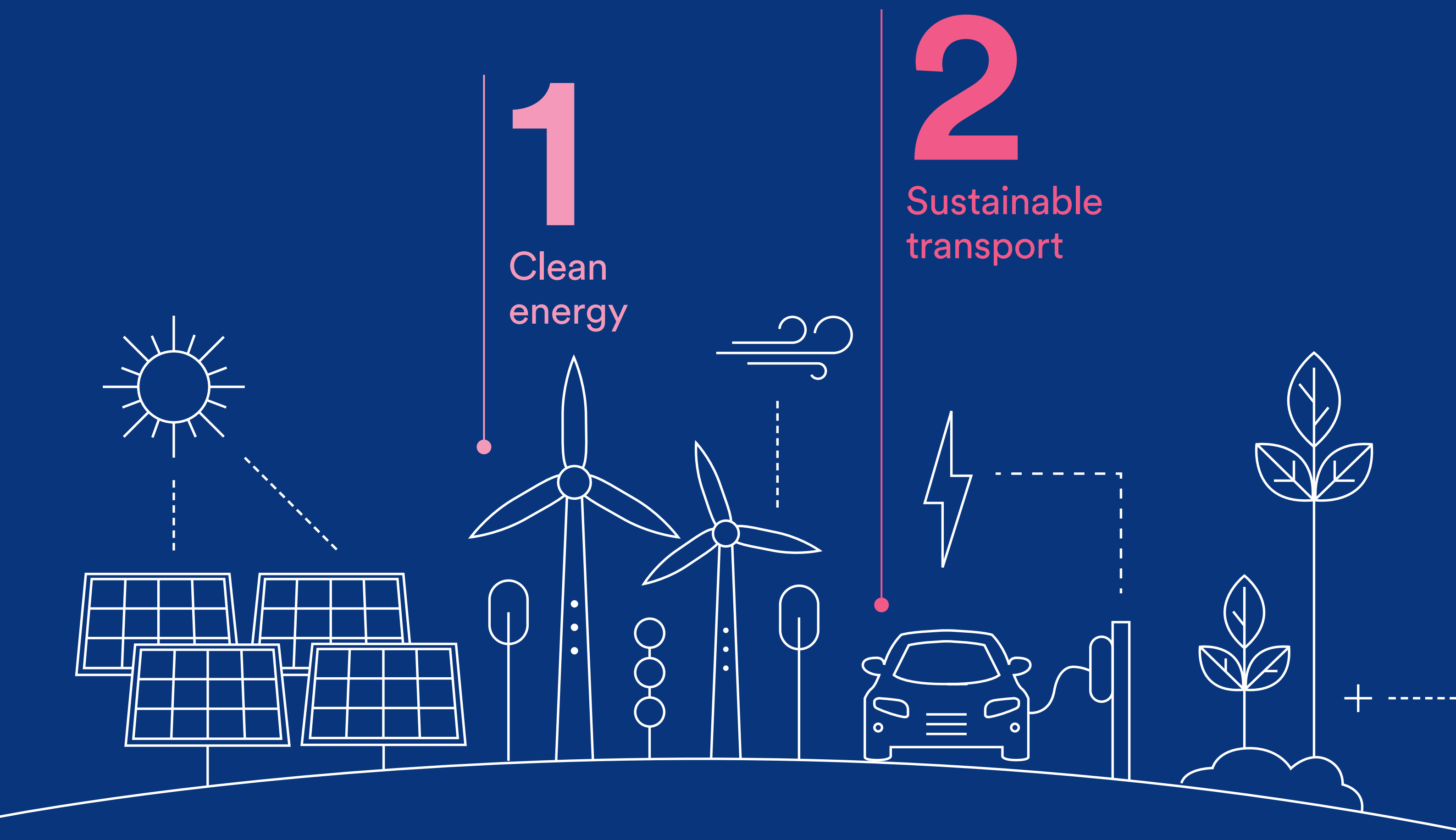
The good news is that change is happening and there is already a rich universe of companies with the transition to a low-carbon world at the heart of their business.



Source: New Scientist, Carbon Brief, IPCC.

Identifying the climate change winners

Our investment process is built around five key themes:



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1
Clean energy

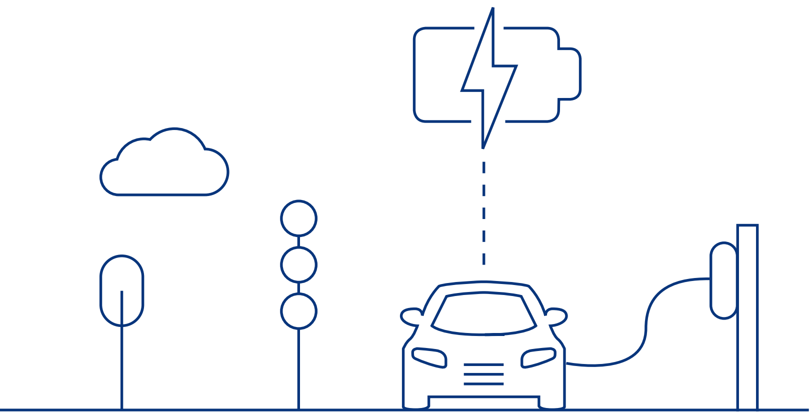
Renewable energy sources have become cheaper to develop than other forms of power generation and they now account for almost two-thirds of net new power capacity globally[1].

However, solar and wind power sources are still being deployed at half the rate that they need to be to meet the 2°C climate target. We estimate that in order to meet this target, a three-fold rise of real annual investment in climate mitigation technologies and infrastructure is required by 2030.

The rapid growth of the renewable energy industry is likely to continue. Therefore, we see long-term investment opportunities in clean energy sectors.

A look at Vestas

Vestas is a Danish manufacturer, seller, installer, and servicer of wind turbines. Out of the 600 gigawatts of wind capacity installed worldwide, Vestas is responsible for 100 gigawatts. They are likely to continue to gain market share, as they have a strong product portfolio and are well positioned to capture future growth.



2
Sustainable transport

Increasing access to and use of public transport is an important part of sustainable transport. However, a significant challenge for the transportation industry is ensuring that the combustion engine is replaced with environmentally friendly technology.

If we are to meet climate change goals, the combustion engine will need to be phased out almost completely and replaced with electrification within the next three decades. We have found that the investment opportunities go beyond the vehicles and include the manufacturers of components used in their production.

This includes companies that improve the technology, produce the batteries and test the equipment.

One area of growth is the lithium ion battery market. It is estimated that it needs to increase over 8x in size, in order to meet the needs of the European Union and China alone.

A look at Chroma ATE

Chroma ATE, a Taiwanese company, is a leading supplier in Automatic Testing Equipment (ATE). Every battery used in electric vehicles has to be tested once it comes off the production line to review its performance and to ensure that it is safe. Chroma is one of two main companies that produce this testing equipment so, as more batteries are produced for the increased number of electric cars, they have a strong potential for growth.

1 IEA World Energy Statistics, 2017

3 Environmental resources

How we use the earth's resources will naturally play a critical role in meeting the climate change challenge. Companies at the forefront of areas such as water infrastructure, biofuels, carbon removal/storage and agricultural productivity will help us carve out more sustainable processes.

A look at Weyerhaeuser

Weyerhaeuser is one of the world's largest land owners of forests. They specialise in wood products and using timber as a sustainable solution for construction, hygiene, packaging, fabric and even plastics.

They are also focused on using their forests to provide sustainable energy via the creation of woody biomass to both themselves and other companies. To date, nearly 70% of Weyerhaeuser's energy needs is sourced from the residual biomass from their forests, having a positive impact on both their balance sheet as well as the environment. They also make their land available to carefully selected renewable energy producers in areas such as wind and solar power.

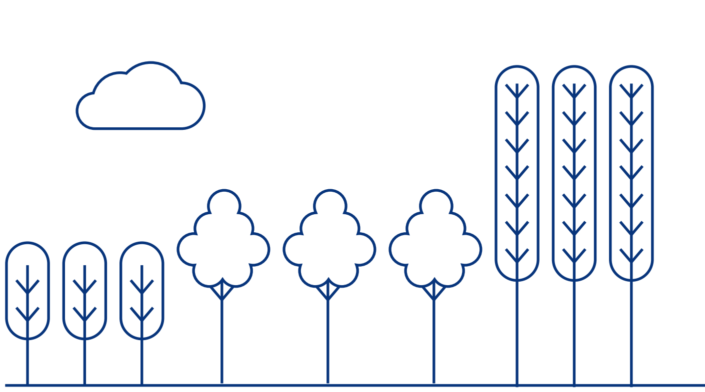
4 Low-carbon leader

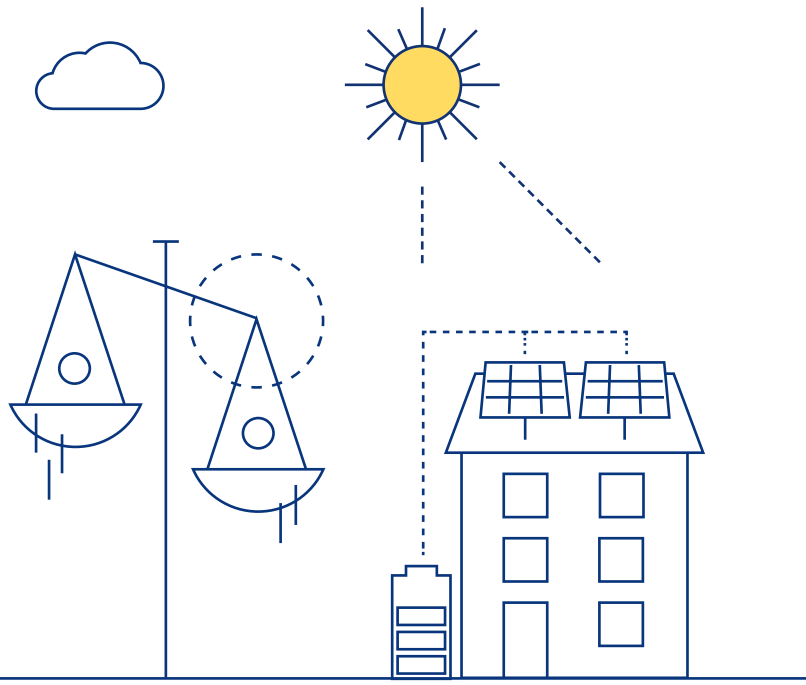
Occurring across a wide variety of sectors and regions, a low-carbon leader is a company that has technologies, production processes, products or even a corporate culture that sets them apart in terms of dealing with the challenge of climate change.

A look at Norsk Hydro

Norsk Hydro is an aluminium manufacturer that uses hydropower, rather than coal, to power their smelters. This results in carbon emissions of only four tons (compared to the average of 20 tons) for every ton of aluminium produced.

The overall result is around a 66% reduction in greenhouse gas emissions.





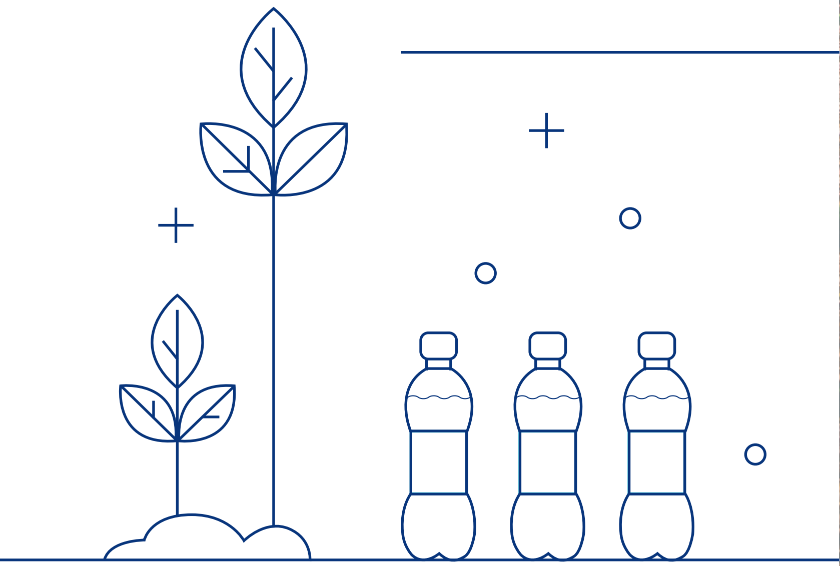
5
Energy efficiency

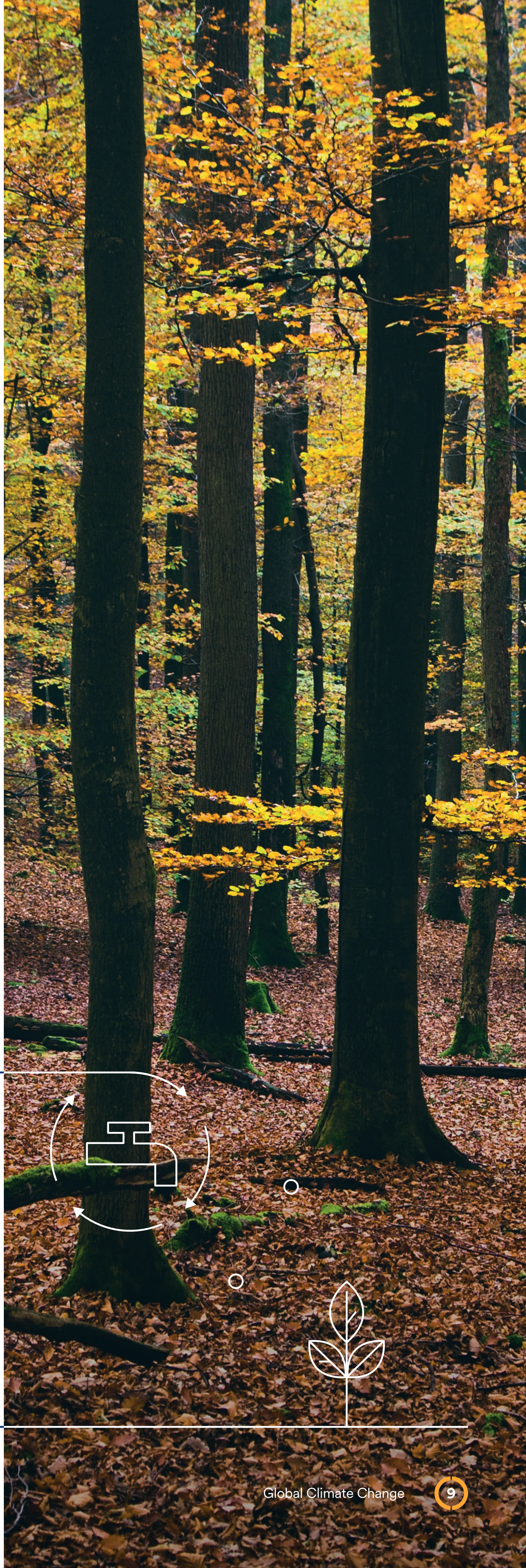
To meet climate change targets, it is important that there is investment in new energy efficient products and technologies. This involves developing new processes and using new lightweight materials, such as aluminium.

A look at SEKISUI CHEMICAL

SEKISUI is a Japanese company specialising in high performance plastics, urban infrastructure and environmental products, as well as eco-friendly housebuilding. The latter of which they have pioneered one of the first zero-emission homes, known as the Green First ZERO model.

These houses are designed to minimise household energy consumption through advanced heat insulation and high-efficiency home equipment, while generating electricity through solar and fuel cells. The result is a home that offsets its own energy use and can even achieve below-zero energy consumption.





Case studies: Amazon.com

Amazon may not be the obvious example of a climate change leader but when you take a closer look, it becomes apparent that it is an increasingly positive force.

In September 2019, Amazon was a co-founder of The Climate Pledge, a commitment to meet the goals of the Paris Agreement 10 years early. Amazon intends to source 100% of its energy from renewables by 2025, roll-out a fleet of 100,000 electric delivery vans and invest $100 million into reforestation projects.

Over half of Amazon's revenue comes from their web services business, a largescale cloud provider. The business world is hugely dependent on data centres which consume huge amounts of energy. If companies move to the cloud, where servers are operated more efficiently with sophisticated cooling systems, we could see up to an 88% reduction in the carbon emissions of business computing.

Online retailers have a much lower direct energy and emission footprint, as they operate a few centralised distribution warehouses, compared to a traditional retailer which operates distribution facilities as well as expensively lit, air-conditioned and heated stores. The online delivery model also results in lower carbon emissions as each delivery vehicle will be responsible for multiple packages ordered online and delivered in bulk.

100% of their global infrastructure to be powered by renewable energy by 2025

88% reduction in the carbon emissions of business computing

One Amazon electric vehicle can make the same number of deliveries, in one trip, as 20 consumer cars

01 Amazon ← **20** Households

A focus on nuclear power

Why isn't it an exclusion?

Nuclear power produces close to zero greenhouse gas emissions and, for this reason, some countries worldwide have included it as a part of their climate change action plan.

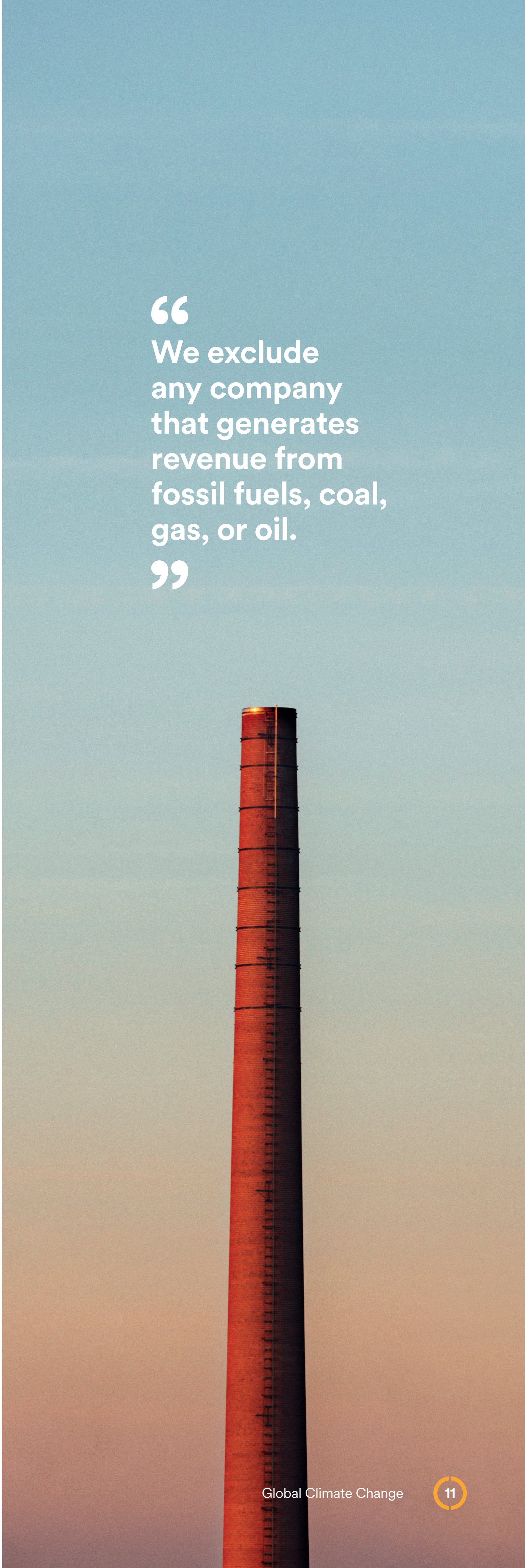
For example, China has around half the market share for renewables, yet they also have to rely on nuclear power in order to meet their climate change targets. If they were not to do so, they would remain dependent on coal.

We continue to hold companies in our portfolio that have exposure to nuclear power whilst it has a part to play in a number of countries' implementation plans.

However, we do not have a significant exposure to nuclear power as it's an expensive form of power production, especially when compared to renewable sources.

A look at NextEra

One company that has exposure to nuclear power is NextEra, a US utility company. Whilst they have had long-term ownership of a nuclear power plant, they are now the largest developer of renewable energy sources in North America and continue to develop climate friendly products and services.



> **"We exclude any company that generates revenue from fossil fuels, coal, gas, or oil."**

Introducing Schroder ISF Global Climate Change Equity

An actively managed global fund that invests in companies leading the charge in, or will be positively impacted by, the transition to a low carbon economy.

We've been doing this a long time

Climate change investing is not something we've recently jumped into. Schroder ISF Global Climate Change Equity has been successfully running since 2007 and was among the first in its field. Over this time, our philosophy and method haven't wavered.

Not your typical climate change fund

Climate change is going to impact every company, so we look for opportunities across a global and diverse opportunity set rather than limit ourselves to particular sectors. This way we are able to construct a well-diversified portfolio of different companies across sectors, all linked to climate change. We do, however, exclude companies that generate significant revenues from fossil fuels.

A team of climate change specialists

Climate change investing is complex but we do the hard work for you. We have investment professionals dedicated to analysing sectors like technology, energy, utilities, materials and automotive – exactly the ones set to be affected by climate change. We also have a sustainability team who links the science of climate change to economic trends, as well as data scientists to provide us with unique insights that others may not be able to spot.

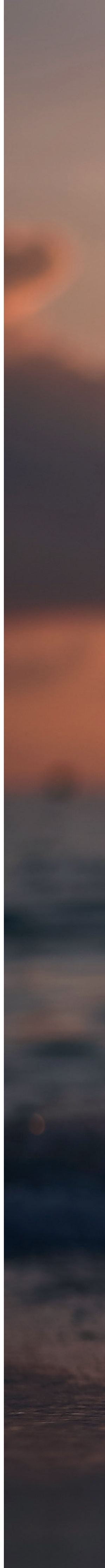
Diving deeper

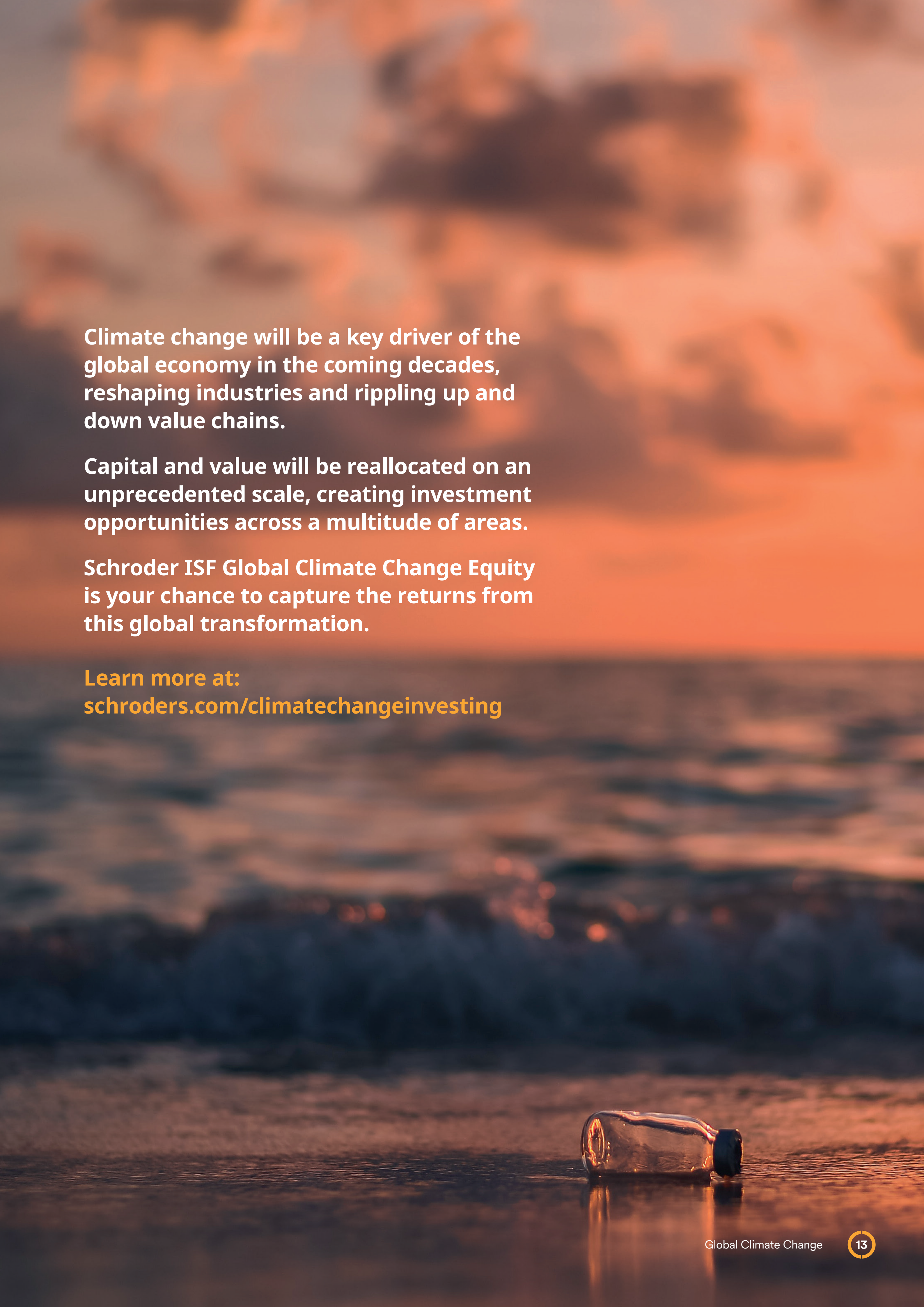
We don't rely solely on traditional measures like carbon footprint. We use proprietary tools to build an accurate picture of how companies and industries will evolve and adapt. We're looking at how climate change will affect revenue, margins, running costs, valuations and the impact on the entire value chain. This gives us the best opportunity to pick those companies that will flourish as part of a low-carbon economy and, ultimately, potentially deliver better returns for you.

Fund information

ISIN code: LU0302445910	Fund launch date: 29 June 2007
Bloomberg code: SCGLLAA:LX	Fund base currency: USD

All fund information in the table above is for the A Accumulation share class, for further share class information please see the funds' prospectus.





Climate change will be a key driver of the global economy in the coming decades, reshaping industries and rippling up and down value chains.

Capital and value will be reallocated on an unprecedented scale, creating investment opportunities across a multitude of areas.

Schroder ISF Global Climate Change Equity is your chance to capture the returns from this global transformation.

Learn more at:
schroders.com/climatechangeinvesting

Risk Considerations

- 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.
- Operational risk: Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- Currency risk: The fund may lose value as a result of movements in foreign exchange rates.
- Derivatives risk – Efficient Portfolio Management and Investment Purposes: Derivatives may be used to manage the portfolio efficiently. 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. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.
- Emerging Markets & Frontier risk: Emerging markets, and especially frontier markets, generally carry greater political, legal, counterparty, operational and liquidity risk than developed markets.
- 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.
- 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.
- IBOR: The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.

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