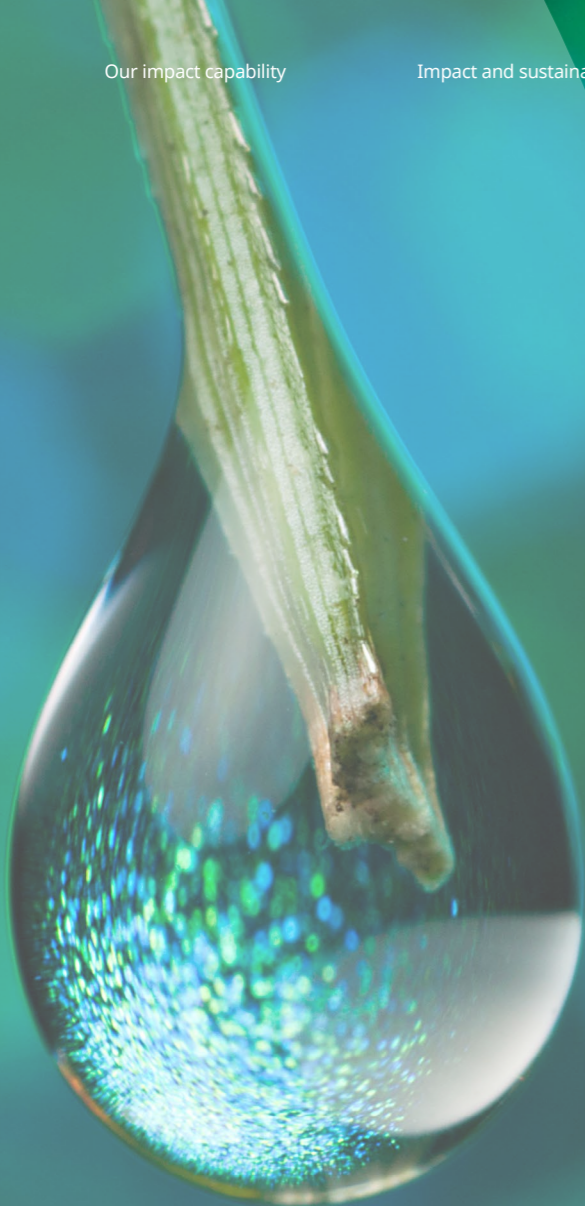


Impact Report

2024





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A message from our Chair

Over the years, I have had the privilege of witnessing the remarkable growth of the impact investing market. This market has seen a significant increase in assets under management (AUM), rising from billions to trillions over recent years. This growth is a positive development, considering the urgent need to allocate capital to achieve financial returns as well as addressing the challenges outlined by the United Nations (UN) Sustainable Development Goals (SDGs).

It is apparent that these goals represent a tremendous ambition and investment opportunity that no single actor can tackle alone. The launch of our first Impact Report marks an important step forward for Schroders in impact investing. This report highlights the increasing attention from large, diversified asset managers and institutional investors in investing for measurable outcomes. This will be crucial for unlocking capital to achieve impact at scale in the best interests of clients. Preserving integrity within the industry is of the utmost importance. Pioneers like BlueOrchard, and standards like the Operating Principles for Impact Management (Impact Principles), provide much-needed examples of best practice to the market.



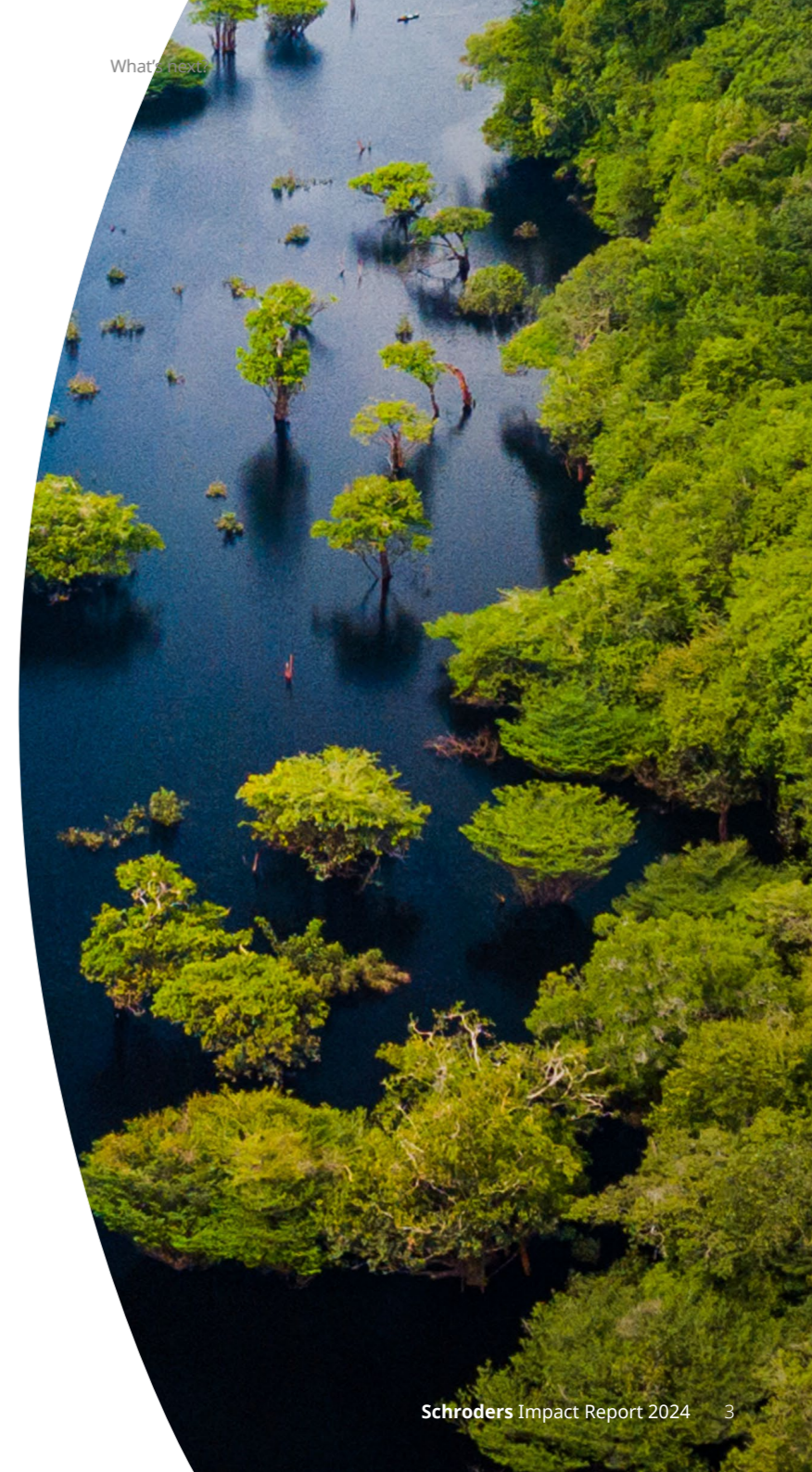
We are excited to announce Schroders' first Impact Report, an important step forward for Schroders impact investing across a range of asset classes. It highlights the importance of integrity, innovation and collaboration to drive positive, measurable change.

The report details the aggregate outcomes delivered through 20 portfolios spanning six asset classes. These strategies all adhere to the same Impact Framework. What excites me the most about this report is the potential it represents. It serves as a reminder that impact investing is an evolving field that requires continuous innovation and collaboration. It is a call to action for investors, asset managers and other stakeholders to continue pushing the boundaries to create impactful and financially rewarding investment opportunities.

I invite you to join me in exploring the pages of the Schroders Impact Report.



Dame Elizabeth Corley,
Chair, Schroders





A message from our Group Chief Executive

With deep roots in investment management, our commitment to understand, measure and report on financial returns is nothing new. While the externalities created by our investments have always been important to us, the techniques and norms for creating and measuring impact are comparatively novel.

In addition to the growing focus of many of our clients on non-financial outcomes, investors understandably want to see strong financial returns. Overlaying these objectives and new methods for analysis and disclosure is complex. Accordingly, most asset managers committing to impact investing have traditionally been small and specialised.

The world's challenge – and the investment industry's opportunity – is that the capital requirements for sustainable economic outcomes are neither small nor specialised, with a funding gap estimated by the UN of \$4.2 trillion per year to meet the SDGs.

Schrodgers' ambition is to develop a range of relevant investment products, solutions and vehicles that can help our clients to deliver impact investing at scale, while maintaining the integrity and efficacy of our proposition. We have been on a five-year journey towards this goal, integrating the expertise of BlueOrchard, the leading impact investor that we welcomed into the Schrodgers Group in 2019. In combination with our own cross-asset class expertise, we have developed a best-in-class Impact Framework.

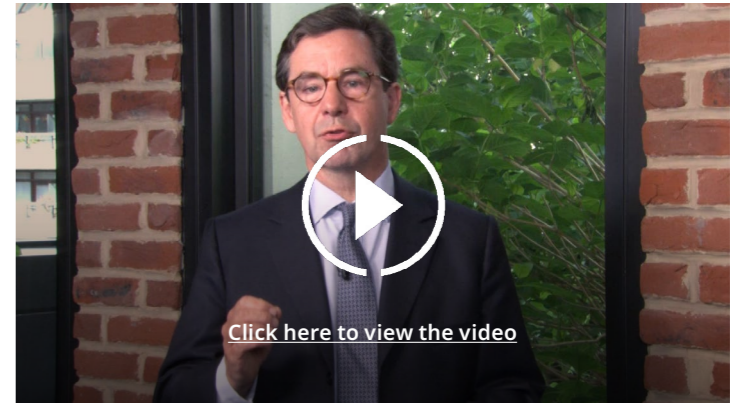
We have now applied our framework to 20 impact strategies across public and private markets. Spanning public and private equity and debt, infrastructure, real estate, fund of funds and multi-private asset solutions, our framework allows us to measure and monitor impact at scale, and with a consistent and rigorous process.

We do all this to provide solutions so that our clients can invest in helping to tackle real-world problems. On page 24 we delve into concrete examples, showcasing the tangible outcomes and transformative effects of our initiatives on individuals, communities and ecosystems around the world.

We look forward to sharing our impact journey with you.



Peter Harrison,
Group Chief Executive, Schrodgers



The Schroders and BlueOrchard story



A powerful partnership to scale impact

What does it take to unlock the potential of finance on a large scale and make a positive impact on both people and planet?

A powerful partnership between a pioneer of impact investing and a leading provider of active asset management, advisory and wealth management services, with a strong belief in the value that investments can create for society and our planet. That combination five years ago marked the beginning of the Schroders and BlueOrchard story.

BlueOrchard, founded over 20 years ago as a private initiative supported by the UN, has leveraged its access to leading expertise, new technology and extensive networks to innovate and find new solutions to shared challenges. It has built a sophisticated international investor base and earned the trust of leading global development finance institutions. This in turn has made our impact investment solutions more accessible. It has also promoted the expansion and upgrade of our impact management tools and processes that have been recognised by consultant BlueMark as industry leading.

Schroders' investment in BlueOrchard has therefore been critical to the strides we have made to establish a robust impact practice. This hub of impact expertise has enabled us to develop and scale a rigorous Impact Framework which we apply across our Impact Driven range. This is the result of Schroders' investment management expertise across sectors and asset classes, combined with BlueOrchard's many years of impact investing expertise and the associated tools and methodologies that come with it.

This close and successful partnership, built on shared values and a vision for the future of our society and planet, has led to the achievements we proudly celebrate today, including both BlueOrchard and Schroders being recognised as an Impact Practice Leader by BlueMark, following the independent verification of our impact management practices in alignment with the Impact Principles.

We are committed to further advancing our efforts and offerings across Schroders, providing a platform and tailored solutions that cater to the diverse needs of investors seeking impact investment solutions. Our ambition is to scale impact investing with integrity, ensuring that every investment makes a meaningful impact and contributes to a more sustainable and inclusive future.

We invite you to join us on this journey.



Maria Teresa Zappia,
Global Head of Impact, Schroders,
Deputy CEO and Chief Impact and
Blended Finance Officer, BlueOrchard

Our sustainability and impact credentials

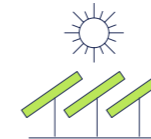
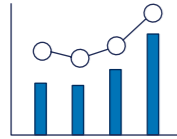
We believe we have a role to play in sharing our expertise in different areas, supporting best practice but also learning from others. Below we outline a selection of our industry commitments and notable achievements across the areas of sustainability and impact.

Accreditations and credentials	
Total number of engagements in 2023	6,700+
Companies covered by our portfolio-level sustainability reporting tool	16,000+
UNPRI Annual Assessment 2023	A+
Carbon Disclosure Project 2023 rating	5*
Global Canopy Forest 500 Report 2023	Top 5
Shareaction Survey 2023	Top 5
Financial Institutions Benchmark 2023 World Benchmark Alliance	Top 20
Science Based Targets initiative verification	One of the largest asset managers
Independent Impact Verification by BlueMark 	Practice Leaderboard member

Commitments	
Net Zero Asset Managers initiative	Founding Member
World Benchmark Alliance	SDG 200
UN Global Compact	Signatory
Institutional Investors Group on Climate Change (IIGCC)	Member
Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation by 2025	Signed
Natural Capital Investment Alliance	Joined
UK Stewardship Code	Signatory
Make it Mandatory – Business for Nature Letter	Signed
Operating Principles for Impact Management	Signatory
Global Impact Investing Network	Member

Our Sustainability and Impact Product Framework

Our Impact Driven range is part of the wider Schroders' sustainability and impact offering.



Non-S&I approaches
Traditional risk and return considerations
Aim Financial returns including considerations of environmental, social and governance (ESG) characteristics

Sustainable Tilt (EU SFDR only)
Sustainability characteristics at the portfolio level
Aim Financial returns through consideration of sustainability factors such that portfolio maintains a relatively strong sustainability profile
Measurement Portfolio maintains a sustainability profile better than its benchmark (often using SustainEx™)

Sustainable Driven
Sustainability characteristics at the holding level
Aim Financial returns through investments where sustainability is a key component of the investment criteria
Measurement Portfolio-level binding sustainability requirement (SustainEx™ > benchmark, absolute or ESG scorecard) Holding-level sustainability criteria

Sustainable Thematic
Portfolios designed with thematic sustainability focus
Aim Financial returns through investments that contribute to/benefit from specific environmental or social themes
Measurement Holdings-level alignment to relevant themes

Impact Driven
Seeking measurable change
Aim Intent to generate a positive and measurable societal or environmental impact alongside financial returns
Measurement Holdings-level assessment of impact using Schroders' proprietary impact scorecard



Our Sustainability and Impact Product Framework includes a dedicated impact investing product range consistently managed following Schroders Impact Framework. The length of impact experience and depth of investment expertise that come together in Schroders Impact Framework investment range create a platform that helps us meet our clients' changing needs.

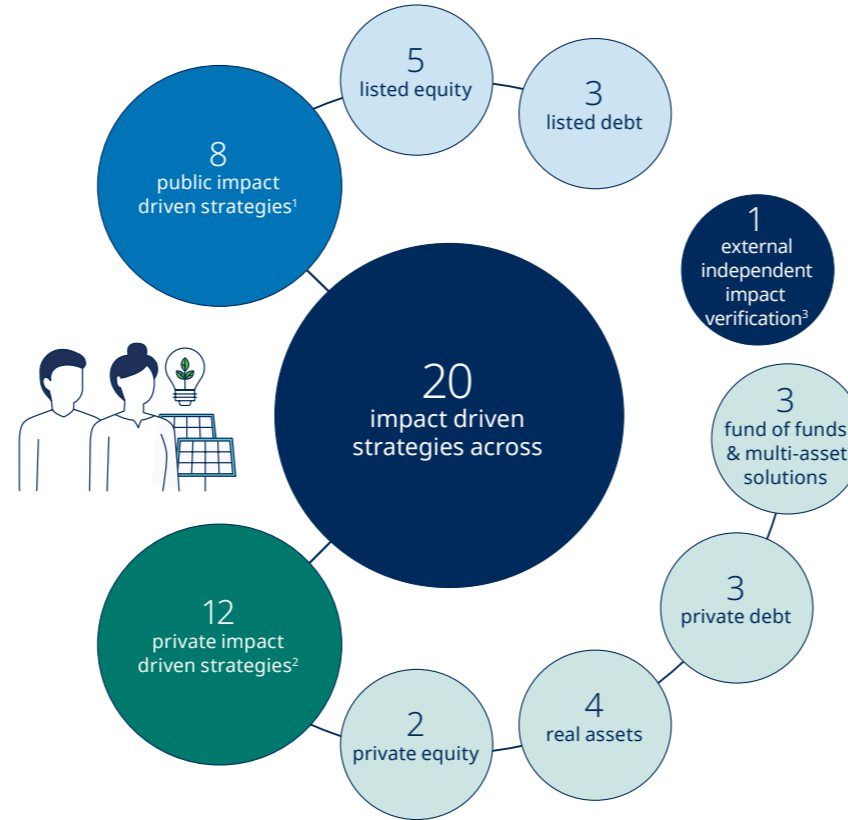
Andy Howard,
Global Head of Sustainable Investment

Impact at Schrodgers

We launched our Impact Driven range in 2022. All the strategies within the range apply our Impact Framework. Our impact practice is built on BlueOrchard's well-tested framework and tools. It also leverages existing best practice and is in line with various external initiatives, including the Impact Principles, Impact Frontiers and the Global Impact Investing Network's (GIIN).

The Impact Driven range includes 20 strategies across a wide range of asset classes and geographies, including public debt and equity and private debt and equity, infrastructure, real estate, fund of funds and multi-private asset solutions. The breadth of our impact practice demonstrates our commitment to deepening the impact investing market.

Applying the same level of rigour and impact diligence across diverse asset classes through the consistent application of our Impact Framework has been central to our ambition to scale impact with integrity.



¹Including Schrodgers' strategies in listed equity and Schrodgers' and BlueOrchard's strategies in listed credit.
²Including Schrodgers Capital strategies in private equity, infrastructure and private asset solutions, and BlueOrchard's strategies in private equity, private debt and infrastructure.
³Schrodgers marks sustainability milestone with leading impact industry verification. Practice Leaderboard – BlueMark.





Our Impact Driven range

Impact Driven		
Asset class	Private markets	Public markets
Global and developed markets equity	Circular economy semi-liquid strategy	Global impact strategy US small cap impact strategy European impact strategy
Emerging markets equity	Climate insurance strategy	Emerging market equity impact strategy Asia equity impact strategy
Global and developed markets fixed income		Social impact bond strategy
Emerging markets fixed income	Financial inclusion strategy Financial inclusion and climate strategy Diversity and inclusion strategy	Impact bond strategy Climate bond strategy
Global and developed markets real assets	UK real estate impact strategy Semi-liquid global energy transition (for UK DC) Semi-liquid global energy transition (for wealth)	
Emerging markets real assets	Infrastructure strategy	
Multi-asset solutions and fund of funds	Climate solutions strategy Climate and nature strategy UK social impact strategy	

Source: Schroders 2024.

Building bespoke impact solutions

In addition to the range of public and private market impact solutions that we describe in this report, we also work with our clients to develop bespoke impact solutions that are tailored to their impact, risk, return, asset class and geographic objectives.

There are three core steps in our work with clients to deliver bespoke impact solutions:

1

Defining impact

To deliver impact, we work with clients to identify the problems they are trying to solve and understand their causes. Bringing our expertise across environmental and social issues, we can help clients to articulate their values and define the areas they wish to focus on.

2

Delivering impact

We bring clients' impact intentions to life through a portfolio of aligned investments that are tailored to their impact, asset class, geographic, risk and return objectives. Our aim is to deliver portfolios that create long-term positive impacts as well as financial returns.

3

Demonstrating impact

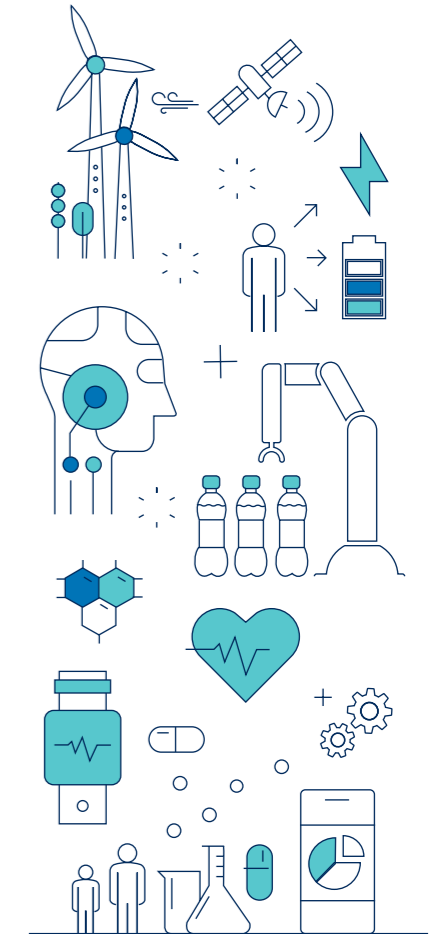
Understanding and quantifying the impact of investments is a core principle of impact investing. We report on the impact performance of the investments we manage, including SDG alignment and key performance indicators (KPIs) over time.




Building bespoke impact solutions

We have developed a series of bespoke mandates and solutions in collaboration with our clients and we highlight some of these below:

<p>Swiss client private equity mandate</p>	<p>Dutch client real asset mandate</p>	<p>German pension multi-asset mandate</p>	<p>Climate multi-asset mandate</p>	<p>Social and climate multi-asset mandate</p>
<p>Client impact themes Cross-thematic</p>	<p>Client impact themes Cross-thematic</p>	<p>Client impact themes Cross-thematic</p>	<p>Client impact themes Climate</p>	<p>Client impact themes Cross-thematic</p>
<p>Asset classes Private equity</p>	<p>Asset classes Infrastructure and real estate debt</p>	<p>Asset classes Multi-private assets</p>	<p>Asset classes Multi-private assets</p>	<p>Asset classes Multi-private assets</p>
<p>Structure Closed ended</p>	<p>Structure Closed ended</p>	<p>Structure Closed ended</p>	<p>Structure Open ended, LTAF</p>	<p>Structure Open ended, SCA RAIF</p>
<p>Client type Swiss pensions</p>	<p>Client type Single-client mandate</p>	<p>Client type Swiss pensions</p>	<p>Client type UK pensions, global institutional</p>	<p>Client type UK pensions, global institutional</p>
<p>Blended finance women empowerment mandate</p>	<p>Blended finance microfinance mandate for Asia</p>	<p>Blended finance education mandate for Africa</p>	<p>Blended finance Covid-19 MSMEs⁴ support mandate</p>	<p>Impact bond mandate for Japanese insurer</p>
<p>Client impact themes Inclusion</p>	<p>Client impact themes Inclusion</p>	<p>Client impact themes Education finance</p>	<p>Client impact themes Climate</p>	<p>Client impact themes Cross-thematic</p>
<p>Asset classes Private debt</p>	<p>Asset classes Private debt</p>	<p>Asset classes Private debt</p>	<p>Asset classes Multi-private assets</p>	<p>Asset classes Listed debt</p>
<p>Structure Closed ended</p>	<p>Structure Closed ended</p>	<p>Structure Closed ended</p>	<p>Structure Open ended, LTAF</p>	<p>Structure Closed ended</p>
<p>Client type Development finance institutions and private investors</p>	<p>Client type Development finance institutions and private investors</p>	<p>Client type Development finance institutions and private investors</p>	<p>Client type Development finance institutions and private investors</p>	<p>Client type Japan institutional</p>



⁴Micro, small and medium enterprises.



Impact and sustainability performance

Thematic and SDG alignment of our portfolios

We invest across five overarching impact themes within our Impact Driven portfolios: inclusion, health and wellness, environment, responsible production and consumption, and sustainable infrastructure. We show our impact performance across these themes as seen on page 34 in the report.

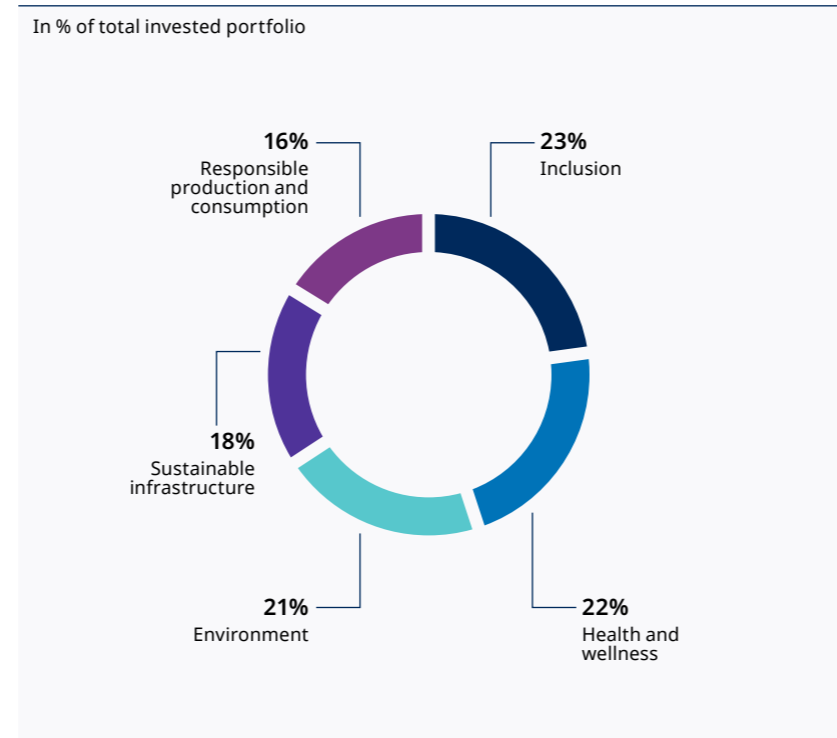
Our portfolios target a range of United Nations Sustainable Development Goals (UN SDGs), which we highlight when we have the relevant investment impact key performance indicators (KPIs) mapped to the SDG sub-targets.

The mapping and weighting of the SDGs for each investment is defined through the impact allocation, as indicated on our impact scorecard. More information about our Impact Toolkit can be found on page 22 in the report.

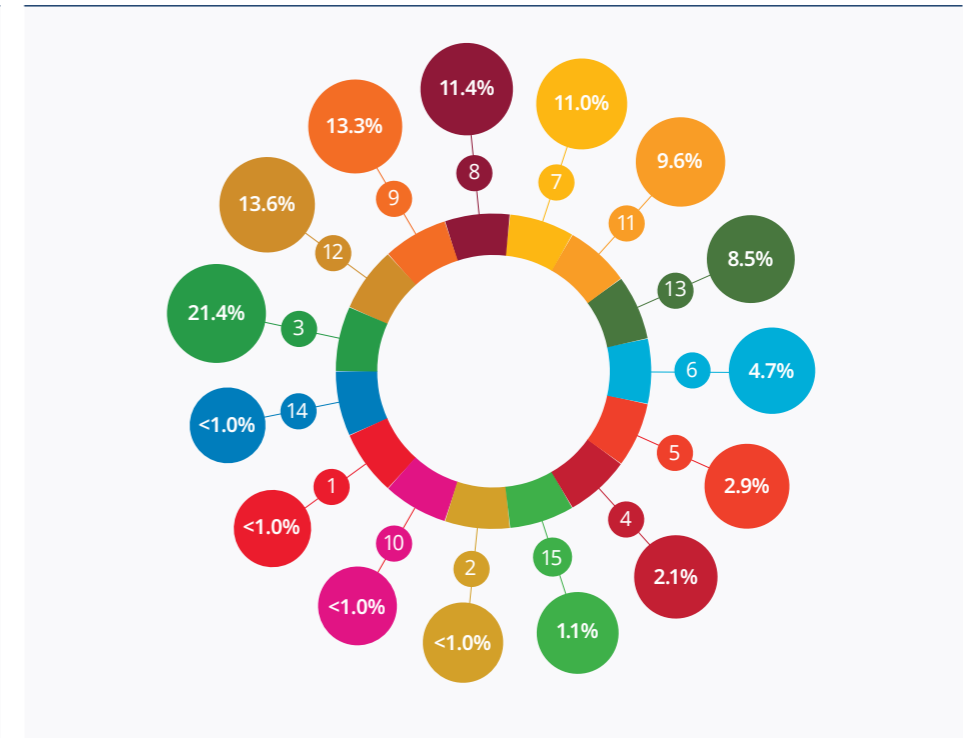
To the right, we present a snapshot of our invested portfolios as at 31 December 2023 mapped to the SDGs. This is a large aggregation exercise – amalgamating SDG investment contribution across all our Impact Driven portfolios.

We can do this because of the consistent application of our Impact Framework and measurement tools.

Invested portfolios by Schrodgers' impact themes



Invested portfolio by SDGs



Due to rounding effects, the sum of the invested portfolio by SDG is not equal to 100%

Mapping of impact themes

To the right we show our five impact themes mapped to the SDGs, noting that each underlying portfolio will have a more targeted set of impact objectives specific to that strategy. Please note this is a simplified mapping, and certain sub-intents under the same SDG may map to different impact themes.

Inclusion



Health and wellness



Environment



Responsible production and consumption



Sustainable infrastructure

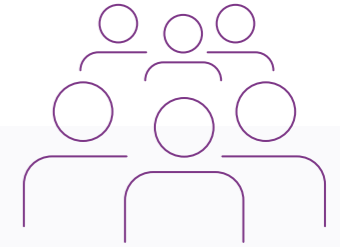


Impact performance

As many of our impact strategies are new and growing, we recognise that the impact aligned with Schrodgers' 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 Schrodgers' 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 (Enterprise Value including Cash)).



Investing for people

504,646 people reached, including:

91,469 through healthcare

67,763 with financial services

36,058 with digital services

402 through education

308,624 with improved access to water and basic services

187 Micro, Small and Medium Enterprises reached

Investing for planet

618,941 tonnes of CO₂e avoided

674,288 MWh renewable energy generated

125,974 second-hand items sold

102,783 hectares dedicated to restoration and conservation

257,256 items recycled

21,587 m³ water saved or treated

1,028 tonnes of waste treated



Note: Figures reflect latest available data as reported by our companies and assets as at 31 December 2023.

BlueOrchard

BlueOrchard has been among the pioneers in impact investing for more than two decades, and has disbursed over \$10 billion across 107 different countries to date.

BlueOrchard forms a core part of our Impact Driven range and has been central in establishing the Schroders Impact Framework. Below we are proud to present a snapshot of BlueOrchard's impact figures as at 31 December 2023.

34,766,310
Micro, Small and Medium
Enterprises reached^{5,6}

63%
rural clients⁵



180,939
students, learners and education
providers supported beneficiaries⁸

80%
female clients⁵



157
technical assistance
projects implemented¹⁰

77,259,994
climate insurance
beneficiaries⁹



160,553,651
job opportunities
created or maintained^{5,7}

⁵Includes only private debt funds.

⁶Estimation of the number of MSMEs based on the number of productive loans in the investee's portfolio, namely loans up to \$15,000 are microenterprises, loans \$15,001 – 150,000 are small enterprises and loans \$150,001 – 250,000 are medium enterprises.

⁷This is an estimate based on loan sizes and average number of jobs that we assume for the size of the business. It describes the number of jobs that we assume to be created or maintained through MSMEs that are clients of the financial institutions (FIs) at a specific moment in time.

⁸Includes only investees within the education finance strategy.

⁹We assume that not only the direct insurance policy holder benefits but also his/her immediate family, or in the case of a company the employees. This is because, in the case of an event, the payouts sustain the lives/livelihoods of the people connected to the insured person to a certain extent. For both poor and vulnerable individuals and MSMEs, BlueOrchard counts only the additional beneficiaries that a certain institution is targeting with respect to a baseline period. For the climate insurance strategy, I the baseline is December 2015. For climate insurance strategy II, this period is defined as the date of investment.

¹⁰Includes all Technical Assistance projects that were approved, are ongoing or completed as at 31 December 2023 for our microfinance initiative for Asia strategy, Covid-19 MSME support strategy, education finance strategy, climate insurance strategy, diversity & inclusion strategy, and our infrastructure strategy.



Engagement in numbers

Impact and sustainability engagement

Engagement is a critical part of impact investing. Schroders has a long history of active ownership and engagement, and we have set out our ambitions, priorities, approach and expectations within our award-winning [Engagement Blueprint](#). More information on the Group approach to sustainable investments and active ownership can also be found in our [Annual Sustainability Reports](#) and our [Active Ownership Report](#).

There are many similarities between how we engage with companies on material sustainability issues and how we engage with impact strategies.

That said, we recognise that a differentiated approach to engagement is needed for impact – one that touches on all three dimensions of impact. Engagement should be closely tied to the **core intent** and impact objectives of the strategy; it should seek to improve **measurement** of impact where relevant and be focused on **contributing** to the core impact outcomes of portfolio companies and assets. Impact funds may also engage to improve sustainability practices, and thus reduce risk and protect value creation.

Given the strong links between impact and financial risk or performance, we see huge opportunity for societal, environmental and financial value creation through impact engagement.

Below we provide an overview of our total engagement activity across Schroders in 2023 for the listed companies held within our Impact Driven strategies. This incorporates our listed equity and listed debt portfolios.

We generally engage with one or both of the following goals in mind:

Insight Driven: Gain insights into the company's understanding and management of impact and sustainability risks and opportunities.

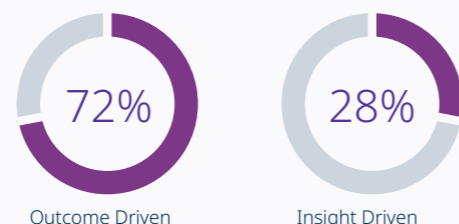
Outcome Driven: Encourage the company to take action in the areas where we believe change may be required to deliver long-term value.

Engagement in numbers

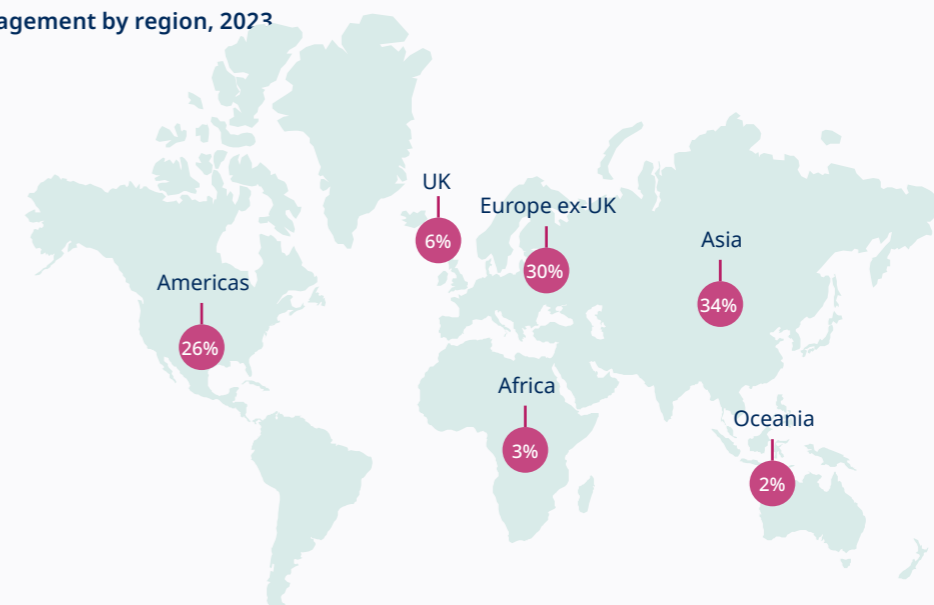
Unique engagement events, 2023



Company engagement by type, 2023

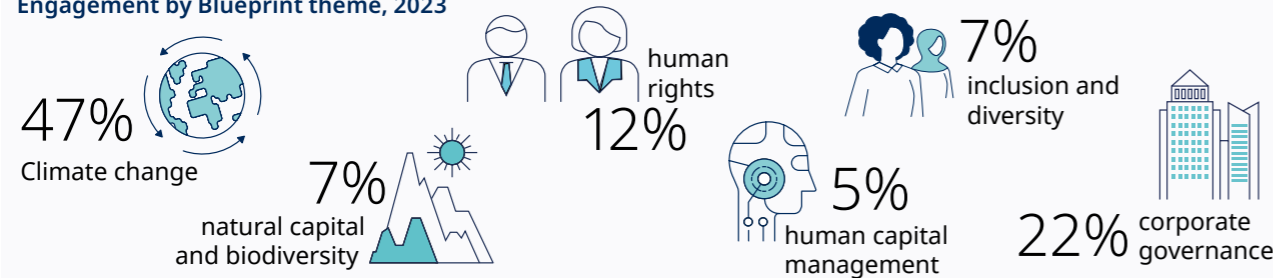


Company engagement by region, 2023



Due to rounding effects, the sum of the company engagement by region is not equal to 100%.

Engagement by Blueprint theme, 2023



Principal adverse impacts (PAIs)

While we focus on investing in companies and assets delivering net positive impacts on people and planet within our Impact Driven portfolios, we recognise that companies and assets unavoidably generate some negative externalities through their continued operations, and that focusing only on positive impacts risks potentially missing negative consequences. It is important to be transparent about negative impacts and to ensure that steps are taken to minimise and, where possible, mitigate them.

Understanding how our companies are performing and progressing on their material ESG issues is a critical part of our investment process. We conduct rigorous sustainability analyses to ensure that we do no significant harm in our Impact Driven portfolios. Below we highlight some key PAI indicators of our public market Impact Driven portfolios relative to their reference benchmarks. We expect the businesses we choose to own to actively manage their environmental footprints and social impacts, and therefore our portfolios create a lower planetary and societal burden than their respective benchmarks.

	Indicator	Impact portfolios	Portfolio coverage	Reference benchmark	Coverage
People	Board gender diversity	57%	92%	53%	97%
	UNGC and OECD principles policies	42%	92%	43%	97%
	UNGC and OECD principles violators	0%	100%	1%	100%
	Unadjusted gender pay gap	13%	16%	15%	20%
Planet	Energy revenue intensity (GWh/€m sales)	0.3	68%	2.5	70%
	Exposure to activities negatively affecting biodiversity sensitive areas	0%	92%	0.3%	97%
	Fossil fuel sector exposure	1%	92%	11%	97%
	Hazard waste ratio (tonnes/EVIC EURm)	1.3	32%	7.4	32%
	Investments in companies without carbon emission reduction initiatives	25%	90%	35%	96%
	Non-renewable energy exposure	75%	54%	77%	60%

Methodology

The PAI data includes our listed equity and listed debt Impact Driven funds. We calculate the weighted average performance for every PAI indicator for each portfolio and its respective benchmark. We then take the simple average of the portfolios and benchmarks to create our reference benchmark. This is to avoid the numbers being dominated by our larger and more established funds. Please see our Climate Dashboard on page 17 for details of our carbon emissions performance.



Climate performance

We are a founding signatory to the Net Zero Asset Managers initiative and have committed to achieve net zero by 2050 or sooner in our discretionary assets under management. In 2021, we published our Climate Transition Action Plan¹⁵, which details how we aim to achieve this ambition. In 2024, we published our Schroders plc Climate Report 2023 in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)¹⁶.

As we progress along our journey to net zero, understanding how our impact portfolios align with the goals of the Paris Agreement¹⁷ is a priority. Our climate insights include details on the:

- 1) emissions profile** of our funds and how these compare to their benchmark
- 2) climate risks and opportunities** within our funds, including transition and physical risks as well as opportunities
- 3) climate ambitions** of the companies we invest in.

These insights help us to understand what companies are doing to manage and mitigate climate change, and to inform our engagement efforts where more progress is needed.

On the right, we provide an overview of the climate performance of our listed equity and listed debt funds as at 31 December 2023 in aggregate.



¹⁵Schroders – Climate Transition Action Plan 2021.

¹⁶Schroders Climate (TCFD) Report 2023.

¹⁷A legally binding international treaty on climate change, adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.

Emissions profile

Scope 1+2:	Scope 3:
6,849 tCO ₂ e	42,820 tCO ₂ e

Weighted average carbon intensity

The portfolio's weighted average of companies' carbon intensity, based on tonnes of CO₂e per \$ million of revenue (tCO₂e/\$m revenue).

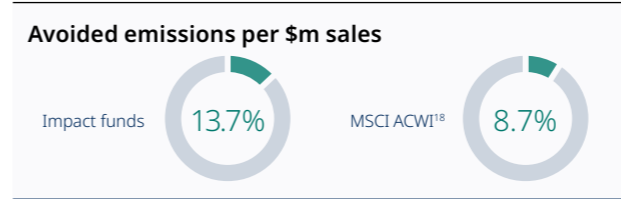
Scope 1+2:		Scope 3:	
Impact portfolios	Benchmark	Impact portfolios	Benchmark
52	121	509	691

The direct emissions generated from sources that are directly owned or controlled by portfolio companies (scope 1) and indirectly generated through the electricity purchased and used by portfolio companies (scope 2).

All indirect emissions that occur in the upstream and downstream value chains of portfolio companies.

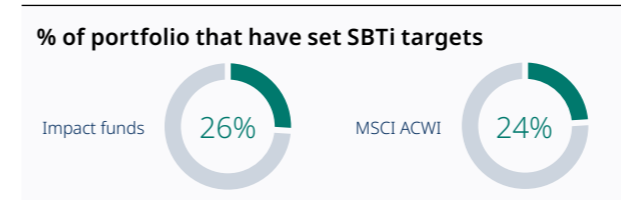
Climate opportunities

Avoided emissions are the emissions saved indirectly by products and services through the substitution of high-carbon activities with low-carbon alternatives. We have developed a proprietary approach to estimating avoided emissions, enabling investors to understand the climate opportunities associated with their portfolios.



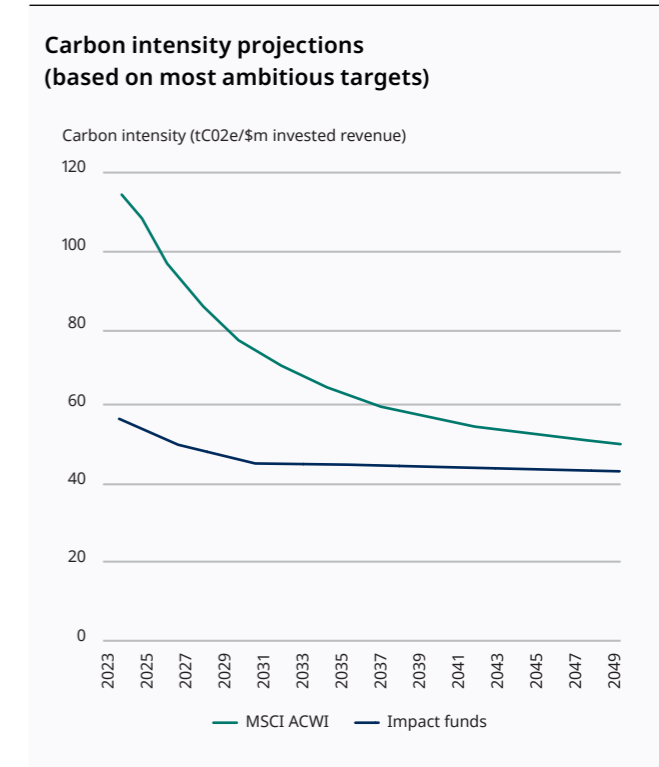
Climate ambition

Science based targets: A slightly higher percentage of companies within our Impact Driven funds have set Science Based Targets that have been validated by the Science Based Targets initiative (SBTi). Insofar as smaller companies are typically less likely to have established those targets, and Impact Driven portfolios typically comprise smaller companies than their benchmarks, we consider the small difference meaningful. Driving further progress in this area represents a key engagement opportunity, as validated targets can provide higher confidence that companies have thoroughly considered how to decarbonise their business models.



Portfolio emissions pathway

We model the future carbon intensity reduction projections based on the most ambitious targets that our portfolio companies have set to reduce emissions, relative to the companies in the MSCI ACWI. Although our impact portfolios start from a much lower base than the ACWI in current carbon intensity (tCO₂e/\$m revenue), the portfolio pathway suggests less ambition in emissions reductions. Working with our portfolio companies to drive a steeper carbon intensity reduction is a key engagement opportunity.



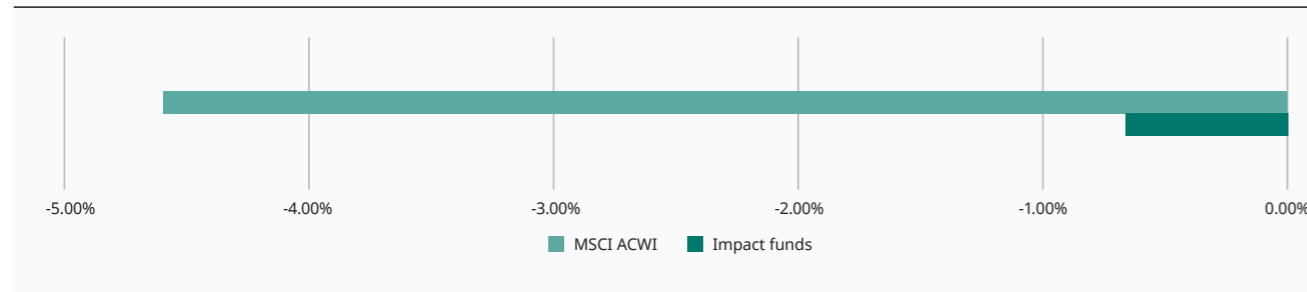
Climate performance

Climate risks

We use risk and scenario analysis to help answer real-world questions such as: "What would happen to the profitability of my portfolio if companies paid for the carbon they emit?" and "How would my portfolio be impacted financially if global climate goals were or were not met?"

On profitability, we use Schrodgers' proprietary Carbon Value at Risk (VaR) tool to estimate the impact on earnings should a global carbon tax of \$100/tCO₂e be introduced.

Average Carbon VaR of impact funds: the impact of applying a \$100 carbon price¹⁸

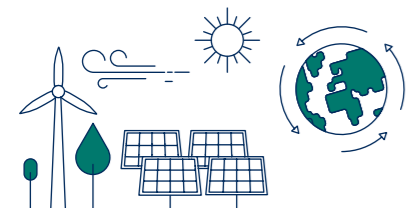
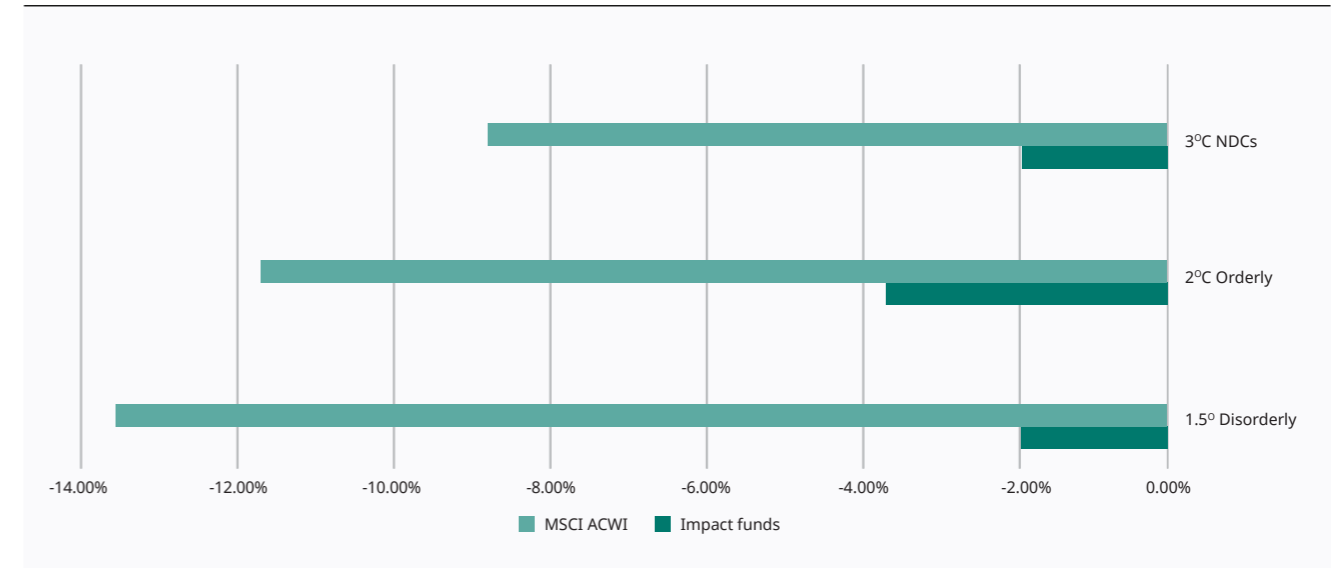


Scenario analysis using MSCI Climate VaR

We use MSCI's Climate VaR to assess climate-related policy risks and technological opportunities under different temperature pathways, namely 1.5°C disorderly, representing the greatest costs to transition, 2°C orderly and 3°C NDCs, representing the scenario if all countries nationally determined contributions were fulfilled. Climate VaR provides a forward-looking measure of climate-related risks and opportunities in the portfolio.

Aggregate impact funds Climate VaR

The % change in market value under different temperature scenarios (1.5°C, 2°C and 3.0°C). This includes policy risk, physical risk and technological opportunities.



¹⁸The Carbon VaR represents the simple average of our five listed equity funds and one listed debt fund (-1.47%) relative to the simple average of their respective benchmarks (-4.66%).



What impact investing means to us

How we define impact investing

Impact investing means investing with the intent to contribute to measurable positive social or environmental impact, alongside financial returns. There are four core attributes to impact investing, which we highlight below:

1. Intent

Impact funds have explicit impact objectives and goals, articulated in a theory of change that sets out the specific inputs and actions that the fund will take and the outputs that will be measured and monitored to track progress towards a desired impact outcome.

Intentionality at the company or asset level is evident in the business activities that it undertakes and its growth drivers, considering how material impact is to the business model, management priorities and strategic direction.

2. Contribution

Impact investing moves beyond identifying impactful investment opportunities and includes the provision of both financial and non-financial support to deepen the impact of portfolio companies or assets. Financial contribution may involve providing capital more quickly than other investors, with greater flexibility, or taking on greater risk than other investors would be willing to tolerate. Non-financial support might involve implementing impact targets into investment agreements or engaging with investees to improve impact and sustainability outcomes.

Investee contribution comes through their products and services, and the degree to which these are differentiated from alternatives available in the market. This could mean developing disruptive, pioneering or unique offerings for their market, which provide better access to underserved customers or industries or are delivered at a greater scale or lower cost.

3. Measurement

Measuring, monitoring and reporting on impact key performance indicators (KPIs) for companies and assets within an impact portfolio is critical to embed impact into allocation decisions throughout the life of the investment. It also drives transparency within the impact industry and, as impact data disclosures and standardisation strengthen over time, helps to improve comparability between funds.

Impact KPIs quantify the impact that an investee delivers through forward-looking impact targets and quantifiable measures to track progress towards them, forming the backbone of the entire process.

4. Financial returns

Our impact funds target competitive financial returns in line with their respective asset classes and benchmarks and have a dual financial and impact objective. We believe that companies offering solutions to societal challenges are well placed to deliver strong impact and financial results over time.

Our Impact Framework complements our investment teams' fundamental processes – in which we have more than 200 years of experience – and we need to establish conviction in both the impact and financial prospects of a company to invest.

Our Impact Framework

Leveraging BlueOrchard's 20+-year track record in impact investing to achieve impact at scale with integrity

Schroders Impact Framework is based on BlueOrchard's B. Impact™ Framework and incorporates established best practices and industry standards, including GIIN's IRIS+, the Impact Principles and Impact Frontiers.

To maintain integrity, we apply one comprehensive impact management, measurement and governance framework across all portfolios within our Impact Driven range.

We believe that conducting in-depth analysis is essential for establishing credibility in impact investing and measuring our impact footprint across public and private investments.

Schroders Impact Framework consists of three core pillars:

1. Impact management

Based on our independently verified, market-leading impact management framework

Impact management is integral to our approach, embedding impact into the investment process.

Schroders joined the Operating Principles for Impact Management as a signatory in 2022, while BlueOrchard became a founding signatory in 2019. The Impact Principles are core to our Impact Framework and our alignment is detailed in our Disclosure Statement.

BlueOrchard and Schroders have received recognition for their impact management leadership through independent verification and their inclusion in the BlueMark Practice Leaderboard.

2. Impact measurement and monitoring

Including our proprietary Impact Toolkit and our impact measurement and monitoring system, as well as transparent reporting for our clients

We have created our proprietary Impact Toolkit, which builds upon BlueOrchard's B. Impact™ framework.

This Toolkit allows us to evaluate and track the impact of our investments over time.

Each investment opportunity in our impact portfolios undergoes an assessment using our proprietary impact scorecard. If there are disparities between actual and target metrics, we take corrective or escalatory actions. We also work closely with our companies and assets to enhance their impact through engagement.

Our rigorous impact assessment at the transaction level ensures that we invest in and contribute to meaningful positive change aligned with our strategies' theory of change.

3. Impact governance

Comprehensive impact governance at transaction and portfolio levels with extensive impact expertise

To ensure consistency and a shared understanding of impact, we established a comprehensive governance framework for our Impact Driven strategies. Three key impact governance structures are in place to ensure the integrity and robustness of every transaction within our Impact Driven range.

The Impact Assessment Group (IAG) provides transaction and portfolio-level oversight to ensure alignment with the impact goals outlined in the strategies' theory of change.

The Impact Incubator collaborates with investment teams during fund creation to refine their impact thesis and integrate the Impact Framework into their investment processes.

The Impact Executive Committee has oversight of our impact priorities, including strategic direction and execution, and involves senior leaders across product, risk, legal, marketing, investment, sustainability and impact.



Operating Principles for Impact Management



BlueOrchard
Impact Investment Managers | Member of the Schroders Group

194 IAG meetings

444 impact investments assessed

As at 31 December 2023.

Impact measurement

Our proprietary impact scorecard assesses impact along the five key dimensions of impact:

<p>Impact thesis, mandate fit and impact materiality</p>	<p>1. What</p>	<p>2. How much</p>	<p>3. Who</p>	<p>4. Contribution</p>	<p>5. Risks</p>
<p>Impact thesis and mandate fit set out why the company or asset is a good fit for the portfolio.</p> <p>We also assess impact materiality, or the share of business activities or revenues tied to impact.</p>	<p>What is the impact intent of the investment?</p> <p>Includes a comprehensive set of 40+ impact intents mapped to the 169 targets set out by the UN SDGs and other external frameworks, such as the Sustainable Development Investments Asset Owner Platform (SDI AOP).</p>	<p>What is the current and expected impact of the investment?</p> <p>Includes a set of core and asset specific KPIs, weighted by the stage of impact that the KPI represents (such as an input, activity, output or outcome) and whether it refers to operations or products and services. Includes baseline and target KPIs, as well as historical data where available. Mapped to external initiatives such as IRIS+.</p>	<p>Which stakeholders experience the impact?</p> <p>We assess the level of need for the products and services being offered within a given country, using a series of macro indicators from international financial institutions, such as the World Bank and the SDG Index. We also assess the key customers and industries and the degree to which they are underserved.</p>	<p>What are the investee's and investor's financial and non-financial contributions?</p> <p>We assess investee contribution, including uniqueness of its products and services, as well as our investor financial contribution (such as scale, speed, risk, terms, role or reputation) and non-financial contribution, including our degree of influence, as well as the type and depth of our engagement.</p>	<p>What is the risk that could prevent the intended impact from materialising?</p> <p>We assess the nine impact risks identified by the Impact Frontiers.</p>
	<p>Impact intent examples: Improved access to clean energy improved access to quality medicines, healthcare equipment, facilities and services.</p>	<p>Impact indicator examples: Renewable energy MWh generated per annum. Number of patients reached.</p>	<p>Needs assessment indicator examples: Renewable energy consumption (% of total final energy consumption). % of population worried about being able to pay for medical costs.</p>	<p>Contribution indicator examples: Provision of new capital to the company or asset. Degree of influence (size of investment or strength of relationship).</p>	<p>Impact risk examples: Evidence risk: The probability that insufficient high-quality data exists to know what impact is occurring. External risk: The probability that external factors disrupt our ability to deliver the impact.</p>

Our impact scorecard creates an impact intensity score out of 100 for every company or asset within our portfolios

<p>Final impact score</p>	<p>What</p>	<p>How much</p>	<p>Who</p>	<p>Contribution</p>	<p>Risk adjustment</p>
<p>Very high High Moderate Low</p>	<p>Impact allocation defines weights</p>	<p>High Medium Low</p>	<p>High need Moderate need Low need</p>	<p>High Moderate Low</p>	<p>High risk Moderate risk Low risk</p>

Impact across the firm

Our impact network across the firm includes:

11 public asset impact portfolio managers and analysts

16 private asset impact portfolio managers and analysts

80+ dedicated sustainability specialists

60+ impact investment specialists at BlueOrchard



Andrew Howard

Global Head of Sustainable Investment, Schroders

Andrew joined Schroders in 2016 and is responsible for our sustainability strategy. He also oversees sustainability thought leadership, environmental, social and governance (ESG) integration and stewardship. He is a member of the Group Management Committee.



Maria Teresa Zappia

Global Head of Impact, Schroders
Deputy CEO and Chief Impact and Blended Finance Officer, BlueOrchard

Maria Teresa has over 20 years of experience in impact investing. She convenes the Impact Principles Advisory Board, sits on the Impact Investing Institute Advisory Council and is a member of the Board of Swiss Sustainable Finance.

Named among the 20 most influential people in ESG in 2024 by Private Equity News



Lyn Tomlinson

Head of Impact Solutions, Schroders
Head of Impact, Cazenove

Lyn is responsible for the impact investing solutions proposition across wealth and asset management. She joined Schroders in 2014. Lyn is a Schroders designated representative on the investment committee of the Schroders Better Society Capital (BSC) Social Impact Trust, the first public market social impact fund in the UK. She is a member of Schroders' impact leadership team.



Nadina Stodiek

Co-Head of Impact Management, Schroders

Nadina is responsible for developing and implementing our impact management and measurement framework, leveraging her work at BlueOrchard, including product development, portfolio impact management, impact strategy and impact reporting. She co-chairs Schroders' Impact Assessment Group (IAG).



Catherine Macaulay

Co-Head of Impact Management, Schroders

Catherine is responsible for developing and implementing our impact management and measurement framework. She co-chairs Schroders' Impact Assessment Group (IAG) and is a member of the Big Exchange's Impact Committee.

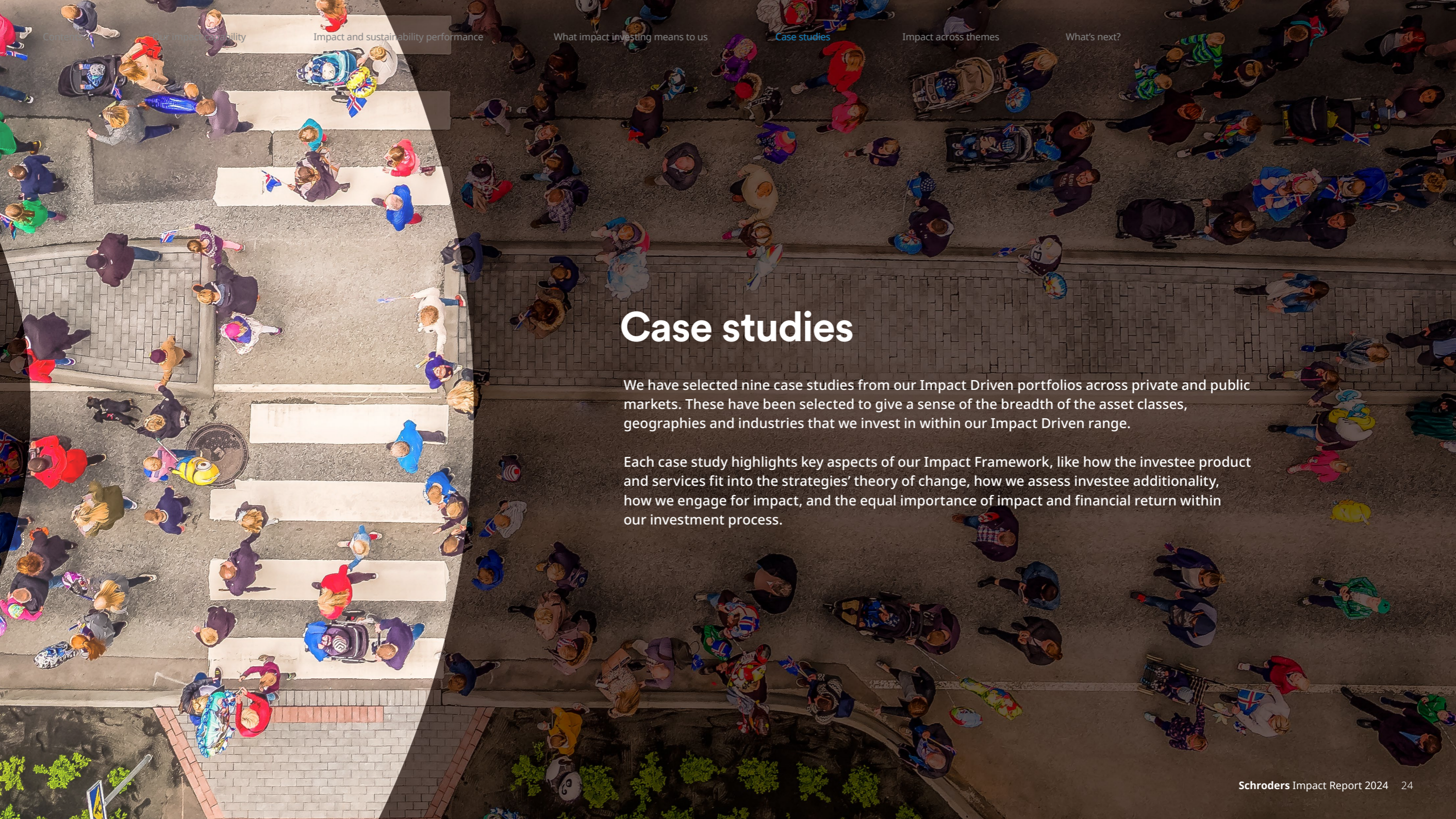
Awarded "Young Professional of the Year/Rising star" in the 2023 Environmental Finance Impact Awards



Veronika Giusti Keller

Head of Impact Management, BlueOrchard

Veronika has over 20 years of experience in emerging markets and impact investing. She held prior positions at BlueOrchard as Head of Risk Management and in the investment origination team, responsible for Central America, Mexico and the Caribbean, but also other countries in Africa and Asia. She has been a voting member of BlueOrchard's risk and investment committees and is currently a member of the Impact Management Committee.



Case studies

We have selected nine case studies from our Impact Driven portfolios across private and public markets. These have been selected to give a sense of the breadth of the asset classes, geographies and industries that we invest in within our Impact Driven range.

Each case study highlights key aspects of our Impact Framework, like how the investee product and services fit into the strategies' theory of change, how we assess investee additionality, how we engage for impact, and the equal importance of impact and financial return within our investment process.

NBT Bancorp – community bank operating in upstate New York driving economic growth in underserved communities

Impact thesis

- A community bank with a branch network that supports underserved regions, businesses and individuals of upstate New York (NY) where larger banks have a smaller presence.
- 91% of NBT Bancorp's New York branches are in counties where the per capita income is below the state median, while 88% are in counties where the median rate of people with a bachelor's degree or higher is below the state median. In addition, 41% of NBT Bancorp's New York state deposits are in counties where it is the #1 market provider, demonstrating its presence in areas where larger banks have not typically operated.
- NBT Bancorp promotes economic growth through services across consumer banking, commercial banking, small business loans, housing loans, auto loans and residential solar loans.
- The bank contributes to our US small cap impact strategy theory of change, which includes expanding access to banking, insurance and financial services.
- NBT Bancorp's network has provided the conditions to promote significant investment in the semiconductor and chip manufacturing industries across the "Chip Corridor" of upstate New York, including \$100 billion to create the largest semiconductor fabrication plant facility in the US, near Syracuse.

Impact materiality

We attribute 73% of NBT Bancorp's revenues to impact. This is NBT Bancorp's New York customers, share of total bank deposits.

What

Impact intents:

Improve access to financial services
 Promote micro, small and medium enterprise (MSME) growth and access to financial services

SDG targets:

8.10 – Universal access to banking, insurance and financial services

How much

KPIs:

- 412,123 underserved customers reached with financial services
- \$4.7 billion accessible loans provided
- \$4.0 billion MSME lending provided

Who

NBT Bancorp operates in economically underserved regions of upstate New York. These are extremely rural, small towns where the median population is 5,341.

Contribution

This is a new holding for the US small cap impact strategy, and the team continues its focus on deepening its relationship with, and engaging on continued growth opportunities in, the upstate New York region.

Risks

The main impact risks are 'execution risk and external risk' if there is slower-than-expected buildout of the upstate NY "Chip Corridor".



NBT Bancorp

An investment contributing to the strategy theory of change



Mitra Keluarga – private hospital group leading healthcare access in Indonesia

Impact thesis

- Mitra Keluarga is the largest private hospital group in Indonesia, providing healthcare services across a network of 30 hospitals operating principally in two of Indonesia's most urban areas, Greater Jakarta and the city of Surabaya, as well as selected other cities.
- Its comprehensive range of medical services include general medicine, obstetrics, gynaecology, paediatrics, cardiology, orthopaedics and neurology.
- Mitra Keluarga's community hospitals contribute to improving access to healthcare services by strategically targeting densely populated areas, as well as smaller cities with limited access to medical professionals.
- Despite being a private hospital, Mitra Keluarga treats patients across the income spectrum, with over 37% of payees supported by Indonesia's universal healthcare coverage programme.
- For Mitra Keluarga, ensuring important levels of patient satisfaction begins with the quality of the medical care provided by the group's 8,900 employees. Staff members therefore participate in extensive training programmes, completing an average of 47 hours of training per year.

Impact materiality

We attribute 100% of Mitra Keluarga's activities to impact.

What

Impact intents:

Improve access to medicines and healthcare services

SDG targets:

3.8 – Achieve universal health coverage

How much

KPIs:

- 2.8 million patients treated
- 3,469 beds provided

Who

Indonesia has a very limited healthcare infrastructure, with only 1 hospital bed per 1,000 people, compared with a global average of 2.9. Mitra Keluarga serves a range of different patients in terms of payee type, with 37% of patients funded by the universal healthcare coverage and the remainder from insured patients or those paying out of pocket.

Contribution

Schroders is a longstanding and large shareholder in Mitra Keluarga through its Emerging Market impact strategy and its Asia impact strategy. The company has strong impact and sustainability practices, although we see opportunities for increased environmental focus including specific targets. We will continue to engage on this topic.

Risks

We identify execution impact risk as moderate, given the challenges of recruiting and retaining medical staff and safe treatment of medical waste in Indonesia.



Mitra Keluarga

Positive outcomes through company impact additionality in the healthcare sector



aceGroup – one-stop-shop clean energy solutions providers for B2B customers

Impact thesis

- aceGroup is a full-service provider focused on commercial photovoltaic (PV) systems and public e-mobility charging infrastructure projects in Germany.
- It provides project development services, project realisation and construction of ground and roof PV solar systems as well as development and realisation services in the e-mobility infrastructure sector.
- aceGroup supports the development of critical sustainable infrastructure for the energy transition across Germany, focusing on B2B PV and e-mobility.

Impact materiality

We attribute 100% of aceGroup activities to impact.

What

Impact intents:

- Improve access to clean energy
- Provide access to clean and safe transport

SDG targets:

- 7.2 – Increase global percentage of renewable energy
- 11.2 – Affordable and sustainable transport systems

How much

KPIs:

- 37,810 KWp of capacity installed
- 140 charging points installed

Who

aceGroup serves German corporates, who are committed to a transition to net zero. The majority of its customers are large real estate owners or key players in EV infrastructure rollouts.

Contribution

Schroders Capital works closely with our investment partner EMERAM to provide aceGroup with the capital it needs to cement its market position as a leading impact case within the industry. The co-investment in aceGroup has originated from several Schroders Capital impact solutions.

We recognise that achieving success in the impact space often requires more than just capital, which is why our impact teams also provide support, engagement and strategic advice to our partners and have been working closely with EMERAM and aceGroup to support the definition of their impact roadmap.

Risks

The main impact risk is drop-off risk as the energy transition space faces raw material sourcing challenges.



aceGroup

An example of significant financial and non-financial contribution



Ocean 14 Capital – blue economy and marine conservation growth investments

Impact thesis

- Ocean 14 Capital (O14C) is a private equity fund with a strong commitment to impact and the blue economy, making early and late-stage venture and growth investments in 20–25 blue economy companies. O14C is a portfolio holding of our climate and nature strategy, a fund of funds, which is jointly managed by Schroders and BlueOrchard.
- O14C invests in blue economy portfolio companies that contribute to the protection and restoration of marine and coastal ecosystems. It achieves this by providing direct positive contributions to the protection of oceans, reducing marine pollution by capturing plastic waste, and reducing stressors on marine ecosystems mainly through sustainable aquaculture and fisheries.
- O14C has developed a strong impact management and measurement framework and engages actively with portfolio companies to improve environmental, social and governance (ESG) and impact performance during the life of the investment.

Impact materiality

O14C directs 100% of its investments towards addressing SDG – 14 Life Below Water, which is one of the core focus SDGs of our climate and nature strategy.

What

Impact intents:

Promote sustainable management, protection and restoration of marine and coastal ecosystems

SDG targets:

- 14.1 – Reduce marine pollution
- 14.2 – Protect and restore ecosystems
- 14.3 – Reduce ocean acidification
- 14.4 – Sustainable fishing

How much

KPIs:

- Targeting 100 tonnes of reduced pollution from (plastic and nitrogen) by 2027
- Targeting a 45,436-tonne reduction in demand for wild fish by 2027

Who

O14C supports new blue economy companies that address the severe challenges facing the oceans currently, including overfishing, pollution, habitat destruction, climate change and ocean acidification, which are causing significant harm to marine ecosystems and the livelihoods of coastal communities.

Contribution

There are very few funds that focus on financing the conservation and sustainable use of oceans and marine resources. Our climate and nature strategy helped the fund to reach its hard cap and has been willing to take additional risk to invest in the marine/ocean sector. Schroders Capital and BlueOrchard will continue to have a close collaboration with O14C and engage actively to improve impact management and sustainability practices.

Risks

The primary impact risk is 'execution risk', with opportunities for further process formalisation.



Ocean 14 Capital

An example of fund impact investment



Schneider Electric – optimising energy usage to support economy-wide electrification

Impact thesis

- Schneider Electric specialises in industrial automation and energy management solutions that help customers monitor and optimise the energy usage of their operating assets – therefore contributing to significant energy usage and emissions savings and providing the building blocks of an electric economy.
- Schneider Electric is exposed to electrification trends, and the need to use that electricity as efficiently and sparingly as possible. Its technical electrical components, sensors and software platforms can be applied across multiple contexts, contributing to significant energy usage and emissions savings and providing the building blocks of an electric economy.
- Applications include the management and grid integration of distributed energy resources; energy storage solutions; microgrid management systems; off-grid power solutions for communities living in remote areas with limited access to electricity; and electric vehicle (EV) charging solutions.
- The company's value proposition is based on measurement, data processing and control to assess, optimise and automate energy usage and efficiency across four end markets: buildings, industry, infrastructure and data centres.
- The value they can add through helping their customers to reduce energy use and emissions is more valuable than it was historically, driving a structural step up in Schneider's markets. This can help to explain the financial outperformance that Schneider has experienced vs some of their key peers.

Impact materiality

We attribute 71% of revenues to impact. Impact revenues are generated from energy efficiency architectures, grid reinforcement and smart grid products, "green premium" products and services for circularity.

What

Impact intents:

- Contribute to innovation in the production and/or use of energy
- Improve energy efficiency
- Improve the environmental performance of buildings

SDG targets:

- 7.3 – Double the improvement of energy efficiency
- 9.4 – Upgrade industry and infrastructure
- 11.6 – Reduce the environmental impact of cities

How much

KPIs:

- 93 million tonnes of CO₂ emissions avoided per annum
- 5,500,000 people provided with access to green electricity

Who

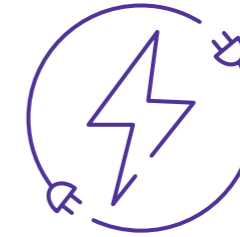
Schneider Electric is one of the leading scale players in energy management, helping to transform one of the least digitalised aspects of modern economies: buildings and infrastructure.

Contribution

Schneider Electric is a portfolio holding of both our Global equity impact and European equity impact strategies. We are a longstanding shareholder with a strong relationship with the management team and are invested in Schneider Electric. We engage often and with all levels of the company on environmental impact and its measurement, sustainability risks and opportunities for improvement, as well as on business strategy and governance.

Risks

The main impact risk relates to the group's complex supply chain and requirements for sustainable sourcing of key raw materials.



Schneider Electric

Aligning impact and financial returns



Shriram Transport Finance – supporting financial inclusion through social bond provision

Impact thesis

- Headquartered in Mumbai, India, Shriram Transport Finance Co. Ltd (STFC) is an asset financing, non-banking finance company and the flagship company of Shriram Group. STFC helps to improve the financial inclusion of thousands of drivers in India by offering affordable finance on pre-owned commercial vehicles through its asset financing services.
- The company issues social bonds for projects to improve access to finance for individuals who typically do not qualify for bank loans due to a lack of stable income. This includes small road-transport operators and first-time buyers from underserved communities, helping to promote socio-economic advancement and reducing inequality.
- Shriram’s finance model for drivers in India is a strong example of a social impact bond delivered through a unique social finance framework to issue social financing instruments. This model accelerated the process of drivers becoming truck owners, helping to increase their monthly income by enabling them to secure a professional vehicle to use in their business operations.

Impact materiality

100% of the use of proceeds for the social bond is aligned with impact. For the company itself, affordable finance on pre-owned commercial vehicles accounts for 77.32% of the lending portfolio.

What

Impact intents:

- Improve access to financial services
- Promote MSME growth and access to financial services

SDG targets:

- 5.5 – Female participation
- 8.10 – Access to financial services
- 10.1 – Reduce income inequality

How much

KPIs:

- 111,804 customers reached with financial services
- 75,004 MSMEs reached
- Of which 18,377 gender inclusive/female run businesses supported

Who

India has a poverty rate of 19% in rural areas and 5% in urban areas, as well as high income inequality, with a Gini coefficient of 35.7. Shriram caters to customers that are not a focus for commercial banks in India, as they lack substantial credit histories and other financial documentation.

Contribution

100% of the use of proceeds of the bond is aligned with impact. We are a large holder and have engaged to encourage the company to issue social bonds. Shriram use of proceeds bonds are part of both our social impact bond strategy and our impact bond strategy.

Risks

We identify ‘execution risk’ as the main impact risk, given the nature and high risk of lending to under-banked populations and MSMEs.



Shriram Transport Finance
An example of positive social impact use of proceeds bond



Cavco Industries – leading the provision of affordable housing across the US

Impact thesis

- Cavco Industries is one of the largest producers of manufactured housing in the US, against a stark backdrop of a nationwide shortage of affordable housing. Between 2019 and 2022, Cavco sold over 46,000 manufactured homes, which accounted for about 15% of total manufactured home sales in the US. The company's factory-built homes leverage economies of scale to produce affordable, low-utility-cost homes with significantly less manufacturing waste than onsite home building.
- The company's range of products includes manufactured homes, modular homes, park model recreational vehicles (RVs) and cabins, and commercial structures. The houses are intended to be entry-level homes and are tailored to households with an annual income of less than \$40,000.
- Cavco also has a financial service offering that includes consumer finance and insurance products, such as mortgages for homebuyers.
- Cavco's factory-built homes ensure that many people in need of housing in the US – including entry-level buyers, move-up buyers, first-time homeowners and low-income households – have access to low-cost options. By helping to increase the supply of affordable housing in the US, Cavco contributes to our impact goal of "Sustainable Infrastructure" with our US small cap impact strategy.

Impact materiality

100% of Cavco's activities are aligned with impact.

What

Impact intents:

Increase access to affordable housing and basic services

SDG targets:

11.1 – Safe and affordable housing

How much

KPIs:

- 19,376 households provided with affordable housing
- \$178 million worth of affordable mortgages provided via consumer loan originations

Who

The primary demographic for Cavco's services is entry-level and move-up buyers, people over the age of 55 and those with household incomes of less than \$40,000. The US Census reports that 46% of Americans spent at least 30% of their income on housing in 2020 (23% spent >50% of income on housing). The average US home price rose by 36% between October 2016 (\$300,000) and October 2021 (\$408,000) vs an average cost of \$82,000 for US manufactured homes in 2019.

Contribution

Our US small cap impact equity strategy has been invested in Cavco for many years and has developed a strong relationship with the company's management teams. This relationship has enabled us to have productive, outcome-focused engagements with Cavco related to corporate governance, strategy and execution.

Risks

The primary risk to the impact thesis is execution risk if Cavco is no longer able to provide affordable housing for its customers amid high levels of rent inflation.



Cavco Industries

Measured impact in affordable housing



Borregaard – non-toxic and sustainable biochemical alternatives to traditional petrochemical additives

Impact thesis

- Norway-based Borregaard is a global leader in sustainable biochemicals. It operates one of the world's most advanced biorefineries which converts waste wood into specialist "green" biochemicals to replace traditional oil-based products.
- Biochemicals produced by this process can be used as additives in a wide range of sectors, from agriculture, energy and construction to household products, industry, mining and pharmaceuticals.
- These biochemicals provide a low-carbon, high-performance, circular alternative to petrochemical materials, providing an essential green alternative to "linear", fossil-derived petrochemical materials.
- Borregaard's products provide cost-effective and non-toxic solutions to traditional petrochemical additives using renewable and sustainably sourced raw materials, contributing to the impact goal and Responsible Consumption & Production theme within our Global and European equity impact strategies with a focus on sustainable management and efficient use of natural resources.
- Borregaard is converting residual products from harvested trees into speciality chemicals that have high technical application and offer customers significant emissions reductions through their life.

Impact materiality

We map 91% of Borregaard's revenues to Impact, excluding its fine chemicals division.

What

Impact intents:

Improve circularity across the value chain
Avoid or reduce non-renewable resources

SDG targets:

12.2 – Sustainable management and use of natural resources
12.4 – Responsible management of chemicals and waste
12.5 – Substantial reduction in waste generation

How much

KPIs:

- 94% raw material utilisation (of sourced wood chips)
- 98% of raw materials from recycled or sustainable resources (%)
- 9,942 tonnes of CO₂ reduction in scope 3 emissions

Who

Norway has a high material footprint per capita (tonnes per capital of raw material equivalent per capita – i.e. the amount of raw material extracted to manufacture goods and services consumed) and minimal material recycling (2.4% circularity rate).

Contribution

We are a large shareholder in Borregaard and have had frequent contact with management and the board of directors over the last five years. Since 2020, Schrodgers' European equity impact strategy engagement with Borregaard has focused on enhancing disclosures and increasing clarity on the lifetime impact of its products. We have worked with Borregaard to ensure due diligence on wood sourced from certified forests, as well as broader product life cycle analysis. Our work with Borregaard demonstrates the key role of strategic engagement in driving innovation and adding value to both investors and investees.

Risks

We identify evidence risk as a moderate impact risk, as the company could do more to demonstrate and evidence the positive impact of its products and services. We also identify a moderate external risk, given the company's high reliance on its Norwegian biorefinery.



Borregaard
Impact engagement



Pula AG – provider of climate insurance to smallholder farmers

Impact thesis

- Pula is a trailblazer in the climate insurance space, specialising in insurance programmes for smallholder farmers in emerging markets.
- Approximately 80% of smallholder farmers in the developing world lack access to formal insurance, with the number rising to a staggering 97% in Africa.
- Currently, Pula has been involved in agricultural insurance programmes in 22 countries, having protected more than 15 million smallholder farmers against climate risks.
- Pula's proprietary data and pricing capabilities give the company a competitive advantage in the market, ensuring that farmers receive objective, verifiable and timely payouts when they need them most.
- By bundling insurance with other essential products like seeds and credit, Pula is making insurance more affordable and accessible than ever before. This strategy has positioned Pula as the largest insurtech in the climate and agricultural insurance space in Africa.

Impact materiality

Pula is 100% focused on the provision of climate insurance and ancillary services in emerging markets.

What

Impact intents:

Improve the resilience of poor and vulnerable communities to the impact of climate change on small-scale food producers

SDG targets:

- 1.5 – Build the resilience of the poor and vulnerable
- 2.3 – Double agricultural productivity and incomes
- 8.5 – Employment and decent work
- 10.2 – Social and economic inclusion
- 13.1 – Climate resilience and adaptation

How much

KPIs:

- 15.8 million climate insurance beneficiaries
- Targeting 60 million climate insurance beneficiaries by 2028

Who

Pula targets only smallholder farmers, defined as farmers that hold less than two hectares of land per day and live on \$2 per day or less. Geographically, Pula's current main focus is the Sub-Saharan region of Africa, with main exposure in Kenya, Zambia, Nigeria, Uganda and Zimbabwe, and it is gradually expanding to South-East Asia, Latin America and Middle-East.

Contribution

The company contributes to solutions by offering a product that only few other competitors offer in the market. BlueOrchard plans to provide technical assistance and premium support to help the company reach a target group that cannot afford premiums of more than \$5-10 annually. It is represented on the company's board and is highly engaged in numerous value – enhancing projects within the company.

Risks

We identify moderate 'external risk' due to the product rollout being interconnected with government subsidy schemes, which can be volatile, and a 'stakeholder participation risk', where it is fundamental that the needs of underserved clients are reflected in product design.



Pula AG
Impact in frontier markets through BlueOrchard





Impact across themes

Impact across themes

Inclusion

Problems we are trying to solve

1.4 billion adults (24%) are unbanked or excluded from the formal financial system¹⁹

It will take 134 years to close the global gender pay gap at the current rate of progress²⁰

17% of the world's youth are out of school²¹

Over 60% of the world's workers are in informal employment²²



Example investment themes

Micro, small and medium enterprises (MSMEs): growth and access to financial services

Inclusion and diversity

Quality education and training

Economic inclusion



Attributed impact Key Performance Indicators²³

67,673

people provided with financial services

308,624

people with improved access to basic services

402

students reached

187

MSMEs reached



Key portfolio holdings

Genera

Financial services provider in Mexico and Peru

NBT Bancorp

Regional bank providing financial services to small, economically underserved regions of upstate New York

LiveRamp

Anonymises personally identifiable information to protect online privacy rights

SEEK

Human capital management services focusing on small and medium enterprises in Asia

Adtalem Global Education

Post-secondary healthcare education provider for workforce preparedness

SDGs



¹⁹The Impact of Global Financial Exclusion – WorldRemit.

²⁰World Economic Forum Global Gender Gap Report 2024 released in June 2024.

²¹SDG Indicators (un.org).

²²EATWEAEX.pdf (imf.org).

²³KPIs reflect the attributed self-reported figures of the companies and assets in our portfolios as at 31 December 2023.

Impact across themes

Health and wellness

Problems we are trying to solve

Less than 50% of people have access to the healthcare they need²⁴

Noncommunicable diseases (NCDs) are the leading cause of death worldwide and represent >70% of all deaths globally²⁵

The disease burden from communicable diseases is highest in lower-income countries²⁵



Example investment themes

Access to medicines, healthcare equipment and services

Productivity and innovation in healthcare

Mental health and wellbeing



Attributed impact KPIs²⁶

91,469

patients reached with medicines and healthcare sector

11,081,099

medical devices supplied



Key portfolio holdings

Verra Mobility

Smart mobility solutions provider improving road safety

Physidia

Mobile home haemodialysis system provider in Europe

Mitra Keluarga

Healthcare services provider in Indonesia

United Health Group

Provider of healthcare and wellbeing across the Americas

Option Care Health

Provider of infusion healthcare in the US

SDGs



²⁴World Bank and WHO: Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses.

²⁵WHO.

²⁶KPIs reflect the attributed self-reported figures of the companies and assets in our portfolios as at 31 December 2023.

Impact across themes

Environment

Problems we are trying to solve

Global temperatures are on track to rise by 2.9°C²⁸

By 2035, emissions must decline by 80% in advanced economies and 60% in emerging market and developing economies compared with 2022 levels²⁹

Agricultural land accounts for 44% of the Earth's land surface, and has driven rapid deforestation³⁰



Example investment themes

Clean energy production, distribution and storage

Energy efficiency

Sustainable forestry and land management

Marine and coastal ecosystems



Attributed impact KPIs³¹

618,941

tonnes CO₂e avoided

674,288

MWh renewable energy generated

102,783

hectares dedicated to restoration and conservation



Key portfolio holdings

aceGroup

Full-service provider for commercial photovoltaic projects and public e-mobility charging infrastructure

Sinbon Electronics

Producer of customised cables and connectors for the wind and solar industries

Contact Energy

Generator and provider of renewable energy in New Zealand

Tetra Tech

Consulting and engineering services focused on water, environment, sustainable infrastructure and renewable energy

PotlachDeltic Corporation

Timber REIT in the US

SDGs



²⁸Emissions Gap Report 2023 | UNEP – UN Environment Programme.

²⁹Global Energy Transitions Stocktake – Topics – IEA.

³⁰Deforestation and Forest Loss – Our World in Data.

³¹KPIs reflect the attributed self-reported figures of the companies and assets in our portfolios as at 31 December 2023.

Impact across themes

Responsible production and consumption

Problems we are trying to solve

Over 90% of the world's biodiversity loss and water stress is caused by resource extraction and processing³²

Global waste generation is expected to increase by 70% by 2050³³

By 2050 we will need to produce enough food for an extra two billion people³⁴

We require the natural resources equivalent to 3x those of planet Earth to meet our current lifestyles³⁵



Example investment themes

Water quality and water use efficiency

Recovery and recycling

Maximise product and service usage

Waste and resource reduction

Sustainable food systems



Attributed impact KPIs³⁶

1,028

tonnes of waste

257,256

items recycled or reused

125,974

second-hand items sold

5

tonnes of food waste reduced



Key portfolio holdings

Tradera Marketplace

Circular online shopping platform in Sweden

AT Renew

Re-commercialisation of electronic devices in China

Graphic Packaging Holding

Paper-based packaging solutions driving the transition away from single-use plastics

Cleanaway Waste Management

Waste and environmental services provider based in Australia

AZEK

Manufactures environmentally sustainable outdoor living and building products from hard-to-recycle plastics

SDGs



³²What Passenger Cars Are Made of: A Key Issue for Climate Change (unep.org).

³³Global Waste to Grow by 70 Percent by 2050 Unless Urgent Action Is Taken: World Bank Report.

³⁴Growing at a slower pace, world population is expected to reach 9.7 billion in 2050 and could peak at nearly 11 billion around 2100 | UN DESA | United Nations Department of Economic and Social Affairs.

³⁵Home – Global Footprint Network, based on European consumption patterns.

³⁶KPIs reflect the attributed self-reported figures of the companies and assets in our portfolios as at 31 December 2023.

Impact across themes

Sustainable infrastructure

Problems we are trying to solve

2.7 billion people lack internet connectivity³⁷

The world must provide two billion homes over the next 75 years³⁸

Buildings are responsible for ~40% of global energy-related carbon emissions³⁹

Transport emissions have been growing at a 1.7% annual average rate, faster than any other end-use sector except industry⁴⁰



Example investment themes

Inclusive digital infrastructure

Affordable housing and basic services

Clean and safe transportation

Green buildings

Technological development and innovation



Attributed impact KPIs⁴¹

36,058

customers with increased connectivity

173

Electric Vehicles produced

86

MWh energy saved



Key portfolio holdings

Merida

Bicycle manufacturer based in Taiwan

Cavco

Factory-built affordable homes in the US

Millicom

Access to digital connectivity across Latin America

East Japan Railway Company

Energy-efficient and accessible railway company in Japan

Ciena Corporation

Energy-efficient global telecom solutions

SDGs



³⁷Facts and Figures 2022: Latest on global connectivity amid economic downturn – ITU Hub.

³⁸Sustainable and Affordable Housing Report – World Green Building Council (worldgbc.org).

³⁹Green Building Statistics (2024) (rubyhome.com).

⁴⁰IEA.

⁴¹KPIs reflect the attributed self-reported figures of the companies and assets in our portfolios as at 31 December 2023.

What's next?

Key challenges and opportunities

Impact investing is a dynamic market where asset owners and asset managers collaborate, sharing lessons learnt to drive the evolution and adoption of market best practice. The impact industry has consolidated around a few broadly accepted guidance setters such as the Impact Principles, the GIIN, IRIS+, the Science Based Targets initiative and frameworks such as the United Nations Sustainable Development Goals, to name a few. We are active members across many of these bodies and collaborate regularly to continue to drive progress.

While reflecting on the progress we have made in our own impact practice over recent years, four areas have stood out for their complexity, and represent the next hurdles to address. Indeed, for every challenge we see an opportunity for the impact investing industry to mature further.

1. Identify the right investment opportunities

We believe there are attractive impact investment opportunities across a range of geographies and industries. However, identifying the companies and sourcing the right deals requires a deep understanding of the key factors highlighted within this report, such as intentionality, contribution and measurability, among others. Ensuring that an impact mindset is deeply embedded in investment, deal teams and investees is critical in identifying the right opportunities. Our presence in impact is global; we have deep knowledge of our local markets and have created a robust process supporting us in selecting material and profitable impact opportunities.

2. After addressing “how” we do impact, keep advocating on “why” it matters

Newly released sustainability and impact regulations have pushed the market forward and led to improved transparency and harmonised reporting. However, disclosure efforts are often seen as a duty and a burden rather than a useful exercise. Having established a robust impact capability together with BlueOrchard, Schroders is now focusing on increasing awareness about the effects and benefits of considering impact within the investment process and how this can shape our portfolios.

3. Better impact data but not at the expense of quality

The collection of investment-specific impact metrics represents the backbone of impact investing. Traceability and transparency of the investments are key for the success of an impact investment strategy. However, inconsistency and misalignment of calculation methodologies prevents comparability. Our data assurance effort is a constant, and we engage with the investees to enhance disclosures and improve data availability while aligning to industry guidance.

4. Artificial Intelligence (AI): challenge or opportunity?

AI will re-shape the way we work in many industries, including impact investing. The main uses we see thus far are AI-powered tools for screening information online, though we expect this will likely expand in the future. At Schroders, we like to embrace innovation and change in impact. We welcome AI-powered tools to screen our investees for controversies, assess their progress against the UN Global Compact or consider any negative ESG performance within our own assessment.



Conclusion

Impact investing forms an integral part of Schroders' offering and capabilities. BlueOrchard's track record over more than 20 years has been a crucial foundation of our impact practice. Since its launch in 2022, Schroders Impact Framework has been externally and independently verified for its alignment to the Impact Principles, securing recognition in BlueMark's Practice Leaderboard.

Over the last five years, we have launched 20 impact investing strategies across public and private markets, including direct and indirect investments. Every strategy and asset class aligns to the same rigorous impact investment framework, whose goal is to scale impact with integrity.

The co-creation of our impact investing strategies with the respective investment teams has ensured that we have a full alignment in terms of impact objectives, have changed the investment processes to embed impact at every stage, and are ambitious in both monitoring and reporting our impact achievements.

Schroders is well equipped to be at the forefront of innovation in impact investing. We are consistently looking to address our clients' needs and invest in new sectors with high financial

needs and high impact potential. Our offering spanning across asset classes, regions and sectors has allowed us to support our clients in pursuing their impact objectives and combining theirs with ours. Our extensive work in building an in-house natural capital expertise is testament to this, for example.

Our goal remains to work closely with both our clients and investees to meet their impact and financial needs. Our teams are ready to accompany our clients and investees through every step of the development of an impact investment strategy. From the definition of the impact objective(s) to the allocation by asset classes, through the implementation phase, including how to embed impact in every step of the investment process, and finally to the impact reporting, featuring top-down and bottom-up evidence on the investments.

Engagement and stewardship are also key in our impact practice. We know that to achieve positive impact and minimise negative impacts we need to invest with and invest in partners that are aligned to our impact targets and can concretely contribute to the achievement of combined financial and non-financial returns.



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