

Funding the future

Investing in climate action



Schroders plc Climate Report 2022 in line with recommendations
by the Task Force on Climate-related Financial Disclosures (TCFD)

Schroders



Contents

The aim and scope of this report	1
A message from the Group Chief Executive	2
A message from the Global Head of Sustainable Investment	3
Transitioning to a net zero, nature positive future	4
The scale of the challenge	4
Our role in the transition to net zero and nature positive	5
Our commitment to action	6
2022 highlights and achievements	7
The TCFD framework	8
The structure of the Report	8
The four thematic areas	9
Governance	13
Strategy	20
Risk management	51
Metrics and targets	59
Appendices and glossary	70
Appendix 1: Summary TCFD disclosures	71
Appendix 2: Policies, position statements and key documents	72
Appendix 3: Climate and nature-related initiatives and memberships	73
Appendix 4: Network for Greening the Financial System (NGFS) scenarios	75
Glossary	76

Our purpose is to provide excellent investment performance to clients through active management.

By serving clients, we serve wider society. Channelling capital into sustainable and durable businesses accelerates positive change in the world. Funding the future is a privilege: we use it wisely and responsibly.

The aim and scope of this Report

This Climate Report 2022 ('Report') aims to give our shareholders, clients and other stakeholders a better understanding of our climate transition plan. This includes how we manage our business' and clients' investment exposure to climate-related risks, our strategic resilience to these risks and the climate-related opportunities we are pursuing.

This Report is in line with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). It also takes into consideration the TCFD's Supplemental Guidance for the Financial Sector. It sets out how Schroders plc and its subsidiaries ('the Group', 'our' or 'we') incorporate climate-related risks and opportunities into governance, strategy, risk management and metrics and targets, and how we are responding to the expectations of our stakeholders. This Report supplements the summary disclosures in our 2022 Annual Report and Accounts.



Further information

For our summary index response against the core recommendations, see Appendix 1.

The following entities within the Group, as a result of being regulated by the Financial Conduct Authority (FCA), are required to publish their own separate TCFD-related reports pursuant to the ESG Sourcebook rules issued by the FCA. These entities will predominantly rely on this Report when publishing their own. The implementation of these FCA rules is staggered with publication dates in 2023 and 2024. The below entities will publish their separate TCFD-related entity reports by 30 June 2023.

- Schroder Investment Management Limited
- Schroder Investment Management North America Limited
- Schroder Unit Trust Limited
- Schroders Pension Management Limited
- Schroders IS Limited
- Schroder & Co. Limited
- Schroder Real Estate Investment Management Limited



A message from the Group Chief Executive

Why our position on climate won't change



Peter Harrison
Group Chief Executive



We have chosen to walk towards the problem.

2022 was a year when polarised views on climate change moved even further apart. It was made most apparent in a decision taken by the State of Texas in August.

Schroders was one of 11 companies named on the state's boycott list, singled out for our supposed refusal to do business with fossil fuel companies. This characterisation is wrong. To be clear, our primary aim is to maximise returns for investors. Climate change is a key risk factor that we consider. In fact, it is probably the greatest risk investors face. The world is warming rapidly and it is inevitable that there will need to be systematic re-evaluation of the way capital is allocated.

The effects of this warming have been felt first-hand this year by the victims of the Pakistan floods, the Cuban hurricane and the European drought. Our attempts to keep this warming to 1.5°C require drastic action that will change the way companies are valued, penalising those who continue to operate in a carbon-intensive manner and rewarding those that reduce emissions. This rewiring of the economy is unavoidable and well underway.

Our clients can lose out from this disruption or they can win. Their behaviour suggests they are choosing to win with many channelling their capital into the frontiers of the energy transition.

It is our role to support these choices and to ensure all portfolios are managed mindful of these new risks.

Not only are we producing tailored products, but our portfolio managers have access to accurate and helpful climate-risk data. Engagement with companies is also crucial. We must really understand a company's exposure to the risks so they can find their most direct path to net zero. We have already published our own roadmap and opened it to independent scrutiny. A highlight of the year was when we became the largest investment manager to have our climate targets validated by the Science Based Targets initiative. They confirmed that our in-scope assets are aligned to a 1.5°C trajectory.

Importantly, it considers both our corporate decisions and the investment decisions we make on behalf of clients. It says we are on the right path.

Many clients believe there is opportunity in aiming their capital directly at the problem, and I am glad that we can be a leader in opening up these opportunities. Our Global Energy Transition fund, for example, channels capital towards the companies at the vanguard of climate change mitigation.

We have also met client demand with the launch of a Climate Leaders equities strategy and, in 2021, an Emerging Markets Climate Bond Fund, operated through our impact-focused BlueOrchard business.

Our targeted thematic funds are helping to meet client demand, but we plan to go further. The world's stock of global resources – nature's treasure trove – is vital for an estimated \$44 trillion of economic value, according to the World Economic Forum, and yet natural capital is currently overlooked as both an investment risk and an investible asset.

Our launch of Akaria Natural Capital, together with non-profit Conservation International, will give clients a foothold in this area, opening up natural climate solutions projects across South East Asia.

There is much more to do and we will continue to do it. In the process, we will help our clients have a positive impact as well as diversifying the sources of their returns. This is true sustainability, ensuring that our clients are invested in companies that will be able to remain successful over time.

From ongoing dialogue, we know that this type of sustainability is what many of our clients want. There will always be polar opposite views to our own, and the State of Texas will not be the last critical voice to take aim at Schroders. But we have chosen our path; we have chosen to walk towards the problem. It is right for our business and it is right for our clients.



A message from the Global Head of Sustainable Investment

True engagement will move the dial on climate targets



Andy Howard

Global Head of Sustainable Investment



Effective engagement does not create an overnight response.

A growing number of financial institutions have made, or are planning, commitments to reduce emissions. How they reach that destination is key to the value those commitments will create. The journey we have chosen reflects our understanding of the ways we can best ensure portfolios are able to benefit from the value transition can unlock.

Almost 90% of global emissions come from countries that have committed to reaching net zero in the next few decades.¹ Global policy makers are taking steps to meet that goal. While progress toward that destination is neither smooth nor linear, and tougher policies will be needed, we believe a decarbonisation journey lies ahead. Business models will need to respond and react to that, and the companies that do so will be stronger.

As active managers we are participants in that transition and have choices over how we reach the net zero destination. There are many routes to decarbonise portfolios; the path we select will determine whether it creates or constrains the investment returns we deliver to our clients.

We have established a climate change strategy that we expect will allow the investments we manage to benefit from the value that can be unlocked as companies cut emissions. Instead of avoiding companies with higher emissions, we identify them and encourage them to establish and deliver their own transition plans.

Our own analysis has shown that companies able to reduce their emissions quicker than peers have typically outperformed in recent years.² As policy measures intensify to encourage decarbonisation and penalise emissions, we expect that performance tailwind to continue.

To benefit from that, during 2022, we embarked on our largest engagement exercise yet. We engaged over 700 companies, responsible for around half of the financed emissions of the asset classes in scope of our targets. This is a whole-firm effort, with analysts and fund managers across Schroders' global offices speaking to hundreds of companies to explain our views and goals. Our engagement has proven successful; the companies we engaged

on climate since 2021 have been almost twice as likely to set a new below 2°C target than those we did not.

Beyond driving transition in the investments we manage, we are also seeking ways for our clients to invest in portfolios focused on assets with low carbon exposures, which are transitioning quickly or which provide solutions to the climate challenge. That spectrum of investment products provides a strong platform to support our clients on their own journeys and with their own investment goals.

Underpinning investment decisions, engagement and new products, we continue to invest heavily in developing proprietary analysis and tools that help our analysts and fund managers to integrate climate factors into investment decisions. That analysis also benefits significantly from their insights and input.

Through all of this, data is often estimated and inconsistent, particularly relating to companies' indirect emissions. Data challenges are not an excuse for inaction but do underline the importance of both interpreting reported data with a recognition of the uncertainty and volatility estimates create, as well as making sure targets and performance measures are grounded in data that is less susceptible to those issues.

Taken together, our group portfolio targets are a natural outcome of an investment approach that focuses on delivering value through transition, rather than an end in themselves.

The same perspectives, commitments and action applies to the way we manage our own business and is reflected in our operating and supply chain emissions reduction programmes and targets.

As an active investment manager, climate risk is an investment problem that we are in a strong position to help solve for our clients, using our expertise in investment as well as our influence on the companies in which we invest. By pursuing our main purpose – excellent investment performance for our clients – we are accelerating positive change for people and planet.

1. <https://zerotracker.net/analysis/post-cop26-snapshot>
2. Based on Schroders analysis of listed companies in the MSCI ACWI IMI index. We examined changes in companies' emissions over the last five years, relative to sector peers, and compared the total shareholder returns delivered by companies in each quintile of emissions reductions.



Further information
For how we track and hold investee companies to account, see page 35.



Transitioning to a net zero, nature positive future

We live in an era defined by the effects of climate change and biodiversity loss. The huge structural shifts needed to address these threats are already affecting the values of industries and companies across the globe.

In the coming years, value will be created and destroyed by business responses to our changing world. It is our responsibility to deliver investment performance for clients through our understanding of how this seismic shift will affect assets and investments.

We believe that as a result of our actions, we are contributing to a just¹ and sustainable future.

The scale of the challenge

It is hard to overestimate the effects of human-induced climate change and biodiversity loss on our planet and its people. The world has already warmed to more than 1.1°C above pre-industrial levels² and we are experiencing the effects of man-made climate change: the last eight years have been the warmest on record³ and 2022 saw extreme heatwaves, drought, flooding and fires that affected millions and cost billions.⁴

If we are to achieve a just transition to a low carbon, more resource-efficient, and a more socially inclusive economy, governments and businesses need to take action to realise their commitments, to build a green economy with people and human rights at its centre. This transition is gaining momentum. In 2019, the UK became the first major economy in the world to set a binding target to reach net zero emissions by 2050. More than 90% of global gross domestic product and 88% of global emissions are now covered by net zero commitments.⁵ The drive to achieve these commitments will result in more extensive climate legislation, affecting the companies in which we invest and how we manage portfolios for our clients.

But the current pace of action isn't enough. The goal of the Paris Agreement, to limit global warming to well below 2°C, preferably 1.5°C, above pre-industrial levels, requires the decarbonisation of the global economy in under a generation. At the end of November 2022, policies and action underway are projected to result in a 2.7°C global warming level.⁶

The global focus is moving beyond climate. The recent United Nations (UN) Biodiversity Conference (COP15) called for at least 30% of the planet's land and marine areas to be protected by 2030 to curb biodiversity loss and climate change. The climate and nature-related action needed to deliver this will change the economic landscape dramatically.

1. The just transition is the principle of mitigating the socio-economic impacts of a transition on all stakeholders and areas of society. For more detail, see <https://www.schroders.com/en/insights/economics/what-is-the-just-transition-and-why-does-it-matter-for-investors/>
2. <https://www.ipcc.ch/2021/08/09/ar6-wg1-20210809-pr/>
3. <https://public.wmo.int/en/media/press-release/past-eight-years-confirmed-be-eight-warmest-record#:~:text=2022%20is%20the%208th,eight%20warmest%20years%20on%20record>
4. <https://www.weforum.org/agenda/2023/01/10-costliest-climate-disasters-of-2022/>
5. <https://zerotracker.net/analysis/post-cop26-snapshot>
6. <https://climateactiontracker.org/global/temperatures/>



Transitioning to a net zero, nature positive future continued

Our role in the transition to net zero and nature positive

We believe that in time, every economy, industry and company will need to plot a net zero path to remain competitive. As a global investment manager, we can be a catalyst for change, using our expertise and influence to encourage businesses in their transition towards a net zero, nature positive operating model.

This position is consistent with our overarching purpose, which is to deliver excellent investment performance for our clients. New research from the UN suggests that unpriced climate and nature risk could wipe billions off the world's food and agriculture companies alone.¹ Meanwhile, our own analysis indicates that those companies that reduce their greenhouse gas (GHG) emissions more quickly than their peers have tended to outperform in their sector.² We believe that, to deliver robust long-term returns for our clients, we must mitigate the climate and nature risks embedded in the investments we manage.

Our role as an active investment manager gives us the ability to engage with our investee companies and help drive sustained change. We seek value in the potential opportunities created when companies transition their business models. We aim to develop investment strategies that help our clients to meet their own investment and environmental goals. Through this process we aim to deliver value for all our stakeholders, play a critical role in influencing investment in the real economy and accelerate progress towards a net zero, nature positive future.

While the emissions of the companies that we finance through our investments are more than 5,000 times greater³ than those from our own operations, we hold ourselves to the same sustainability standards as we do our investee companies. We aim to lead by example so have set ambitious targets to reduce our own operational GHG footprint.



A growing focus on nature

Climate change has dominated the sustainability agenda in recent years – with good reason. As well as the fundamental threat it poses, there will also be substantial disruption to economies, industries and companies as efforts to limit long-term temperature increases accelerate.

However, some of the same forces that have led to the climate crisis – notably growing demand from a larger, wealthier global population pushing the planet to its limits – are becoming evident in a wider range of biodiversity and nature-related challenges.

The Organisation for Economic Co-operation and Development (OECD) has estimated that the services nature provides to the planet are worth around 1.5 times our global GDP.⁴ But nature's capacity to provide these benefits is being eroded quickly by the pressures caused by economic development and growth. According to the World Wide Fund for Nature, wildlife populations have declined by an average 69% over the last five decades.⁵ Whilst precise figures are impossible, some estimates imply that the value of the services nature makes to the global economy have declined by around \$10 trillion annually in recent decades.⁶

As a result, it's unsurprising that societies, policy makers, companies and investors have become increasingly focused on nature and are starting to crystallise the environmental threat as a financial and investment risk. We saw this momentum first-hand when we attended the COP15 conference in December 2022.

We are committed to taking action to tackle the threats degrading nature poses to the investments we manage and to our business.

Our actions and commitments run parallel to our climate change strategy:

- **Insights:** Developing our understanding and analysis to identify the exposure to nature risk companies and assets have.
- **Influence:** Engaging with and influencing companies to reduce their exposure to nature risk and their impacts on nature.
- **Innovate:** Offering investment solutions to protect and restore nature and deliver long-term returns.

Reflecting those principles, we have established several initiatives, set targets and joined with industry peers to collaborate and share knowledge on nature and biodiversity. As a result, Global Canopy's 2022 Forest 500 assessment increased our score by 46%, placing us 1st in the 150 global financial institutions tracked.⁷

Going forward, we plan to develop our nature-related commitments, so that these become stronger and more comprehensive.

We will integrate these with our climate change strategy and performance measurement, in order to deliver superior risk-adjusted returns for our clients.

1. <https://climatechampions.unfccc.int/wp-content/uploads/2022/09/Assessing-the-financial-impact-of-the-land-use-transition-on-the-food-and-agriculture-sector.pdf>
2. Based on Schroders analysis of listed companies in the MSCI ACWI IMI index. We examined changes in companies' emissions over the last five years, relative to sector peers, and compared the total shareholder returns delivered by companies in each quintile of emissions reductions.
3. Based on 2022 Scope 1 and 2 emissions of investee companies (mandatory in-scope asset classes for SBTi) compared to Schroders' own Scope 1 and 2 emissions.
4. <https://www.oecd.org/environment/resources/biodiversity/Executive-Summary-and-Synthesis-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf>
5. <https://www.weforum.org/agenda/2022/10/nature-loss-biodiversity-wwf/>
6. <https://www.sciencedirect.com/science/article/abs/pii/S0959378014000685>
7. <https://forest500.org/publications/2023-watershed-year-action-deforestation>



Transitioning to a net zero, nature positive future continued

Our commitment to action

We have made a number of climate and nature-related commitments to support achieving net zero by 2050, or sooner. These span both the investments we manage and our own operations. These commitments build on years of research, risk analysis, proprietary tool development, and action to understand and manage the risks and transition opportunities posed by climate change and biodiversity loss.

We were among the first 20 financial institutions to have our targets formally validated by the Science Based Targets initiative (SBTi) in February 2022 and are the largest investment manager by assets under management (AUM) to have done so. The validation confirmed that our Scope 1 and 2 targets are in line with a 1.5°C trajectory and that our relevant¹ AUM is also targeted to be fully aligned with a 1.5°C pathway by 2040.

Climate and biodiversity are intrinsically linked. In 2022, we published our Plan for Nature² and Group Nature and Biodiversity Position Statement.³ These set out our commitment to the Finance for Biodiversity Pledge⁴, our target to eliminate exposure to commodity-driven deforestation in the companies held in the investment portfolios we manage by 2025 and the key actions we are taking.

In December 2021, we published our Climate Transition Action Plan (CTAP).⁵ This plan and our progress has been updated in our subsequent 2021 and 2022 Climate (TCFD-aligned) Reports.

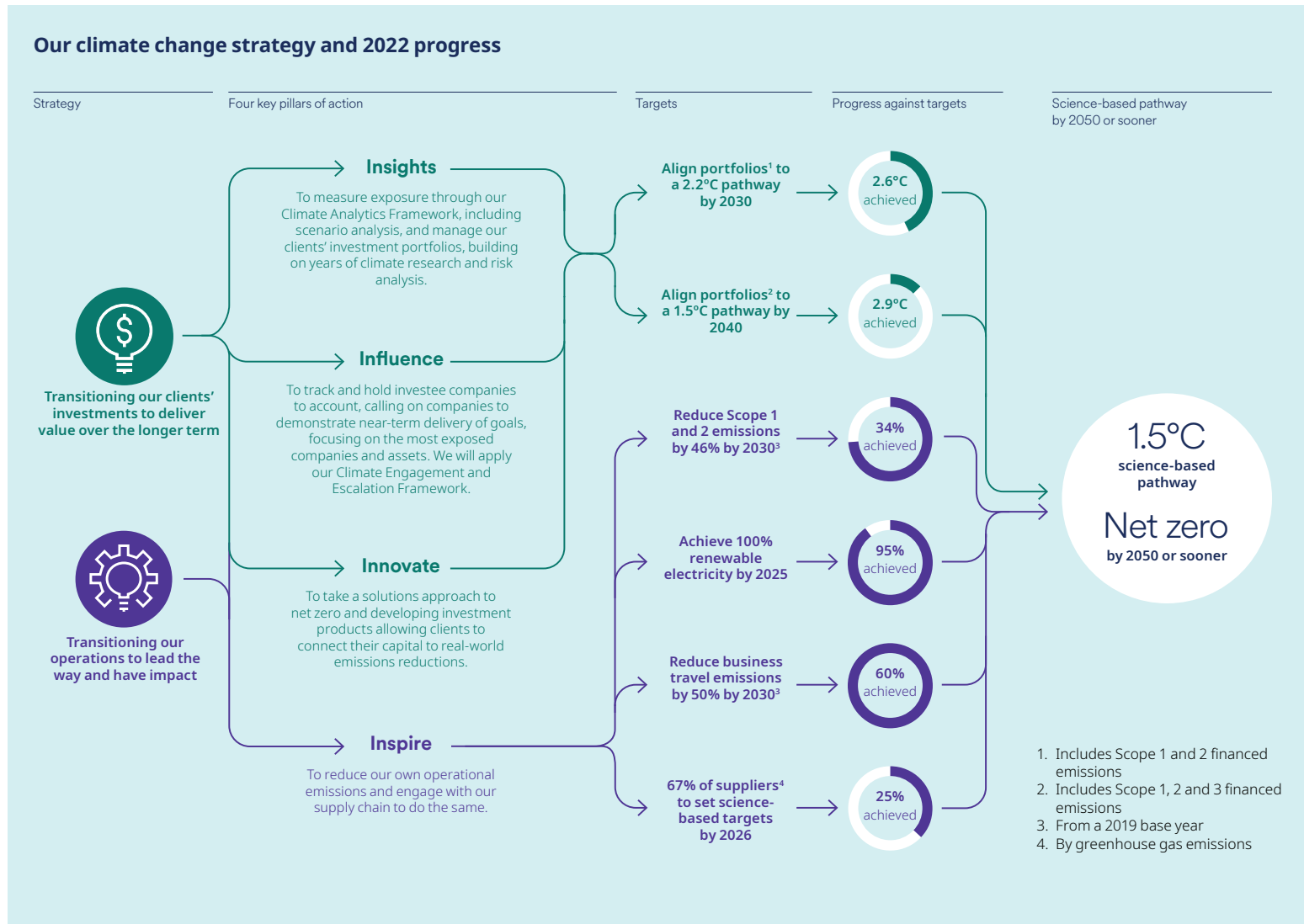
1. Current in-scope asset classes for SBTi, which represent more than 60% of our AUM, encompass listed equities (common and preferred stock), corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs).

2. [Schroders' Plan for Nature](#).

3. [Schroders Group Nature and Biodiversity Position Statement](#).

4. <https://www.financeforbiodiversity.org/>

5. [Schroders Climate Transition Action Plan](#).





Transitioning to a net zero, nature positive future

continued

2022 highlights and achievements

Our commitment to climate action goes back many years, and the progress made in 2022 has been significant.

Completed the acquisition of a **75% shareholding** in

Greencoat Capital*



Our Engagement Blueprint **won** the ESG engagement initiative of the year award at **Environmental Finance's Sustainable Investment Awards**

Our greenhouse gas emissions reductions goals were formally

Validated

by the SBTi

95%

renewable electricity across global offices

2.6°C

portfolio **temperature score**



Companies engaged on climate

almost 2x

more likely to set a 'below 2°C' target (since 2021)

Announced our **collaboration** with Conservation International to **launch** **Akaria Natural Capital**

a dedicated natural capital impact investment manager in Singapore



34%

decrease in operational Scope 1 and 2 emissions since 2019

Joined the Finance for Biodiversity Pledge

737

climate-related engagements with companies

'A' rating

awarded in CDP's 2022 climate change questionnaire



Launched our employee campaign

#COPACT

in relation to COP27 and COP15, which encouraged employees to take on a number of **planet challenges**



The TCFD framework

Governance

The organisation's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Risk management

How the organisation identifies, assesses, and manages climate-related risks.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.



The structure of the Report

The Governance section covers the Group's approach. For Strategy, Risk management and Metrics and targets, the Report is structured so it considers both:



The investments we manage

The role investment managers play in the climate transition is increasingly clear to policymakers, investors and society. Understanding the impact of climate exposure on earnings and the extent to which that is reflected in valuations will become ever more important. Our commitment is to engage with and encourage the companies we invest in to establish net zero targets and robust plans for delivery, in order to improve their durability and profitability. We are also expanding the options for our clients to invest in climate solutions, so that they can benefit from the growth underway in those markets.



Our own operations

We believe in leading by example, by managing and reducing the climate impact we have as a business. We have embarked on an ambitious plan to manage and improve our own environmental performance and in the process engage our people and suppliers to support our climate goals. We play an active role in climate and nature initiatives to help drive systems change across our sector and beyond.

Materiality

We consider the materiality of reported information in both a financial and non-financial reporting context. Our threshold for reporting relevant information is met where we believe that it is sufficiently important to impact the decisions of clients, shareholders and other stakeholders. This threshold will evolve over time, and as such we will continue to assess our approach to materiality.

Transparency and accountability

We believe corporate transparency and accountability helps to drive action. As well as seeking to hold the companies we invest in to account on behalf of our clients, we report and disclose our own progress as transparently as possible.

Our 2022 CDP climate change questionnaire response (for year end 2021) achieved a leadership level score of A. This top ranking was achieved by only 2% of the nearly 15,000 companies scored by CDP¹, establishing us as a leader in corporate transparency and performance on climate change.



1. <https://www.cdp.net/en/companies/companies-scores>



The TCFD framework continued

Our Group Sustainability
and Impact Committee
monitors progress
towards our science-
based targets

Our portfolio temperature
score in 2022

2.6°C

The four thematic areas

Governance

The Board of Schroders plc (the Board) has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate and nature-related risks and opportunities into our strategy. The Board is therefore ultimately responsible for the oversight of climate and nature-related risks and opportunities that could impact our business.

The Group has a well-defined governance framework based on delegated authority. The Board has reserved certain matters to itself and has also delegated specific responsibilities to Board Committees, notably the Nominations Committee, the Audit and Risk Committee and the Remuneration Committee, and also to the Group Chief Executive. The Group Chief Executive is responsible for proposing the strategy for the Group and for its execution. Through this framework, the Board receives regular briefings on sustainability matters, including climate and nature-related issues.

Our Group Sustainability and Impact (GSI) Committee advises and assists the Group Chief Executive, who chairs the Committee, in discharging his responsibilities regarding sustainability and impact. Our climate and nature-related targets are monitored by the GSI Committee, with progress reported to the Board.

For a number of years, our executive Directors have had sustainability-related measures included within their annual bonus scorecard. The measures are reviewed each year by the Remuneration Committee to align with our key priorities.



Further information
For Governance, see pages 13-19.

Strategy

Our sustainability strategy is embedded throughout our business; how we deliver for our clients and how we operate. Our strategic and financial planning process includes an assessment of the business model and key planning assumptions, including any changes needed to respond to climate and nature-related risks and opportunities. These changes include new product offerings and investment in our people and technology. We consider the expected impact of product development activity, changes in client behaviour and other movements in our AUM and pricing due to climate change.

We continue to see progress towards our science-based targets. Our portfolio temperature score in 2022 was 2.6°C, a decrease of 0.2°C on 2021. These figures are based on all mandatory asset classes required by the SBTi, which consist of our listed equity (common and preferred stock), corporate bond, real estate investment trust (REIT) and exchange-traded fund (ETF) investments. Together, these amount to more than 60% of our AUM.

In 2022, we have developed analysis covering additional asset classes. We have not yet included those in our reporting or Group performance measures, but plan to do so in the future. Individual business units have also developed climate plans specific to their circumstances; for example the Real Estate team published a Net Zero Pathway¹ in December 2020.

1. [Schroders Real Estate Net Zero Pathway](#).





The TCFD framework

continued

Our climate change strategy is built on four pillars:

1. Insights: measure and manage exposure in our clients' investment portfolios

We continue to enhance our capability to identify climate-related risks and the opportunities arising from the net zero transition. Our proprietary tools help our investment teams to analyse investment impacts of climate change.

In our Asset Management business, we have developed the Climate Analytics Framework to give investment teams a more rounded view of climate-related risks and opportunities, augmenting their own company and industry insights.

We have analysed the exposure of our listed equity and credit holdings to physical and transition climate risks under a range of scenarios. Under the most severe scenario the model estimates an approximate -15% impact to the value of our current portfolio.

Each asset class requires a different approach and our ambition is to build a deeper understanding of the risks facing the investments we manage and how they contribute solutions to environmental and social challenges.



Further information

For our proprietary tools and metrics, see page 29.

2. Influence: track and hold investee companies to account

Engaging with our investee companies is our main lever to drive transition in the investments we manage, and to managing climate-related risks and opportunities.

In 2022, we began an ambitious global engagement programme. It focuses on companies to which we have significant exposure, which have high GHG emissions but have not yet made decarbonisation commitments. We engage with these investee companies to encourage them to reduce emissions, transition to low-carbon business models and strengthen their resilience to climate change.

In 2022, we engaged with 737 companies on climate topics, across more than 1,100 individual engagement events. Collaborative engagements through the CDP non-disclosure campaign and the Institutional Investors Group on Climate Change (IIGCC) climate lobbying disclosure campaign accounted for just over 10%.

Over the same period, we voted in support of 69% of shareholder resolutions on climate, and 76% of management 'Say on Climate' resolutions. Although we consider voting powers an important lever for change, we do not immediately support shareholder resolutions if we do not believe they advance our goal of supporting the company to protect long-term value by transitioning its business model toward a low carbon value chain.

We have found that over the two year period from the start of 2021 to the end of 2022, the companies we engaged were almost two times more likely to establish emissions reduction targets than those we did not engage. Those changes cannot be solely attributed to our active ownership strategy, but we are encouraged by the effect of our efforts to date.

3. Innovate: take a solutions approach to net zero

We want to give our clients the solutions they need to hit their own sustainability targets. To support this, we are expanding the climate solutions we have available, launching products that contribute to environmental or nature-based solutions as well as those that look to reduce GHG emissions.

In the summer of 2022, we announced the launch of Akaria Natural Capital, in collaboration with Conservation International, to accelerate nature-based investment in South East Asia.

To help navigate our sustainable and impact investment strategies, we launched our Sustainable and Impact Product Framework. This is designed to provide clients with clarity on the sustainability and impact characteristics of the strategies we offer.

Our approach in Private Assets

Launched in 2021, Schroders Capital is our private assets business, consisting of five segments: private equity, private debt, real estate, infrastructure and alternatives. The inherent diversity of each of these business lines means that a tailored approach to measuring climate-related risks and opportunities is required. Though we will seek to leverage our Climate Analytics Framework, we strive to use the best data available to enable the assessment of climate-related risks and opportunities. Real Estate, for instance, use the Carbon Risk Real Estate Monitor (CRREM) as this provides better coverage specific to Real Estate for asset level decarbonisation.

Global engagement programme

737

companies engaged on climate and net zero topics

Companies engaged on climate

almost 2x

more likely to set a 'below 2°C' target (since 2021)



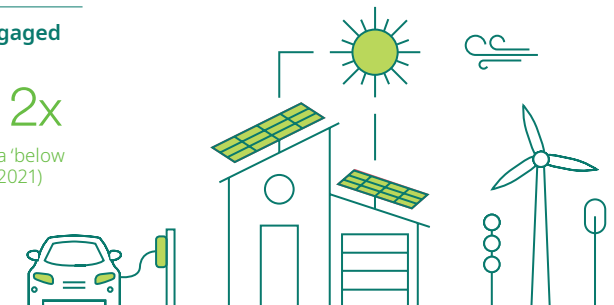
Engaging with our investee companies is our main lever to drive transition in the investments we manage.



Further information

For our Climate Analytics Framework, see page 29.

In 2022, Schroders Capital completed its acquisition of Greencoat Capital, now Schroders Greencoat, strengthening its exposure to the renewable infrastructure market. It also launched a number of climate-focused propositions, including InsuResilience; facilitating the transition to net zero through climate mitigation, adaptation and nature-based solutions; and driving technology enabling access and affordability of climate insurance, respectively.





The TCFD framework continued

Cazenove Capital engagement with 21 external managers

67%

have made net zero commitments

Scope 1 and 2

34%

decrease in GHG emissions compared to our 2019 base year

Business travel

60%

decrease in GHG emissions compared to our 2019 base year

Scope 3 supply chain engagement

25%

of suppliers in scope¹ (by GHG emissions) have set a science-based target

Our approach in Wealth Management

Our Wealth Management business with offices across the world has four franchises: Cazenove Capital and Benchmark Capital in the UK; Schroders Wealth Management in Continental Europe and Asia Pacific; and Schroders Personal Wealth, our joint venture with Lloyds Banking Group in the UK.

In 2022, Cazenove Capital's investment manager engagement activity focused on a number of climate-related topics, including asking 21 external managers about their climate commitments, decarbonisation targets and approach to the fossil fuels sector. We found 67% of these 3rd party managers have a net zero commitment and that the majority have used the IIGCC's Net Zero Investment Framework for target setting. Cazenove Capital also launched the Sustainable Diversified Alternative Assets strategy that targets a 50% allocation to organisations tackling the UN Sustainable Development Goals, including affordable and clean energy, and climate action.

4. Inspire: transition our own operations to net zero

In the same way that we engage with investee companies on their sustainability and emissions targets, we aim to lead by example by delivering on our own ambitious science-based targets and actions.

We start by identifying climate and nature-related risks and opportunities for our own business, assessing the policy and legal, market, technology and reputational transition risks and making sure that we have the appropriate governance and accountability to monitor and address them. We also assess physical climate risks to our owned and leased offices.

Our operational climate change strategy focuses on reducing GHG emissions and resource use across our operations. We are doing this by decreasing energy demand, increasing energy

efficiency and switching to low carbon electricity sources. We are also reducing our business travel and engaging with our supply chain to set their own science-based targets.

We are developing site-specific net zero action plans for our offices, supported by decarbonisation audits to continue to reduce our emissions. This means taking further energy efficiency measures, building on best practice, and taking advantage of emerging technologies to continue to reduce emissions. The continuing roll out of ISO 14001 Environmental Management Systems now collectively covers 76% of our building-related Scope 1 and 2 emissions. Our total Scope 1 and 2 GHG emissions decreased by 34% from our 2019 base year, which is a 24% decrease compared to 2021. Some 95% of the electricity we used in 2022 was from renewable sources compared with 84% in 2021.

Our GHG emissions from business travel have increased in 2022. This was due to the relaxation of COVID-19 restrictions around the world, which saw travel, particularly by air, increase. However, we still achieved a reduction of 60% in business travel emissions compared to 2019 levels. We manage our business travel emissions through our Travel Policy and we are developing better data transparency for our teams, through travel reporting software developments, to allow us to make more informed travel decisions.

Taking a similar approach to our active ownership programme with investee companies, we have a supplier engagement plan. In 2022, we contacted more than 200 suppliers to understand their existing sustainability targets and commitments, as well as stating our climate expectations. Many of our suppliers are not large organisations with the resources and know-how on sustainability, so as well as putting sustainability procurement standards in place, we want to support and collaborate with them.

In 2022, 25% of suppliers in scope¹ (by GHG emissions) have set a science-based target, compared to 10% in 2021.



We need to lead by example by delivering on our own ambitious science-based targets and actions.

Climate neutral operations and the role of carbon offsetting

While our primary focus is on our decarbonisation plan, which uses our own actions and influence to reduce emissions, we believe that there is a role for carbon offsetting as we go through with this transition. We have been operating our business on a climate neutral basis since 2019, and will continue to do so.

In practice, this means we have offset our Scope 1, 2 and all relevant and reported operational Scope 3 emissions. The only exclusions are emissions associated with suppliers and our investments, where we have engagement programmes in place. As a result of this, we have met and exceeded the requirements for Climate Impact Partners' CarbonNeutral[®] company certification. This follows the CarbonNeutral Protocol, which we consider the gold standard framework for clear, credible, and transparent carbon neutral programmes.²



Further information

For the Strategy for our own operations, see pages 43-50.





The TCFD framework

continued

Risk management

Climate change, and the steps needed to transition to a net zero economy, will raise risks and opportunities for our business and the investments we manage. We have embedded climate change risk management into our established processes.

Given the importance of climate-related risks to our business, 'ESG risk including climate change' has been identified as one of our key risks. For 2022, the risk was owned by the Global Head of Sustainable Investment, who is responsible for the actions underway to address it and that it is ultimately mitigated effectively. It also means it has a risk appetite statement, approved by the Board, which enables us to provide an assessment of risk position versus our risk appetite on an annual basis, while monitoring performance of this risk throughout the year.

Climate-related risks are managed in accordance with the same three lines of defence model we use for all risks. The heads of each business area take the lead role in identifying, assessing and managing risks; independent monitoring is then carried out by the second line of defence; and Internal Audit provides independent assurance over the operation of controls. We recognise that climate change is a pervasive risk across many of our key risk types. Heads of business areas across the Group are responsible for identifying these climate-related risks and assessing the impacts to their business areas in line with their functional responsibilities.

We analyse potential climate-related risks through the lens of both physical and transition risks over the short, medium and long term and via the range of proprietary tools and metrics we have developed. Many of our key processes have been adapted to enable the incorporation of climate-related risks; these processes include our approach to investment research and decision-making, product development, active ownership and engagement with our investee companies, and ongoing assessment and monitoring of our own operations.

 **Further information**
For Risk management, see pages 51-58.

Metrics and targets

We use a number of metrics and targets to track progress against our climate change strategy to ensure that we are responding appropriately to the climate-related risks and opportunities facing our business.

 **Further information**
For Metrics and targets, see pages 59-69.



The investments we manage: 2022 key metrics

22.9 MtCO₂e

Financed Scope 1 and 2 carbon emissions

59.1 tCO₂e/\$m invested

Financed Scope 1 and 2 carbon footprint

2.6°C

Temperature score for Scope 1 and 2 carbon emissions at portfolio level



Our own operations: 2022 key metrics

789 tCO₂e

Scope 1 GHG emissions

3,711 tCO₂e

Scope 2 location-based GHG emissions

95%

Percentage of global renewable electricity consumption

8,675 tCO₂e

Scope 3 business travel GHG emissions

25%

Percentage of suppliers (by GHG emissions) with a science-based target

Governance

The Board's oversight and activities	14
Our climate and nature governance structure and management's role	15
Remuneration	19
Regulated entity approach	19



The Board's oversight and activities

The Board is responsible for approving the Group's strategy. This includes our strategy for sustainability including climate and nature-related risks and opportunities. The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further whilst retaining overall responsibility for the delivery of our strategy. In discharging its responsibilities, the Board takes appropriate account of the interests of our stakeholders including clients and wider society. Our governance framework enables the Board to have oversight of the climate and nature-related risks and opportunities impacting our business.

The Chair is responsible for setting the Board agenda which primarily focuses on strategy, performance, value creation, culture and conduct, accountability and risk management. Sustainability matters, including those related to climate and nature, form part of many elements of the Group's strategy and are integrated into the agenda-setting process. The Chair determines the timing for agenda items to ensure appropriate time is allocated, particularly for strategic issues.


The Group's corporate sustainability strategy, which includes climate and nature-related issues, is formally reviewed by the Board annually. At the July Board meeting, there was a briefing session on sustainability delivered by the Global Head of Sustainable Investment and Global Head of Corporate Sustainability. At this briefing session, the Board was updated on how sustainability trends were shaping our industry, including climate and nature-related risks and opportunities. This covered the trends, impacts and how the business was responding for both the investments we manage and our own operations. The Board was also updated on progress in our priority areas, which included climate change and biodiversity. As part of this, the Board were presented with an update on the partnership with Conservation International to accelerate investment in natural


climate solutions in South-East Asia. In order to support the ongoing monitoring of our targets, a climate management dashboard was presented to the Board which showed how the business tracks climate-related metrics.

Our November Board meeting is devoted to the Group's strategy. At this meeting, the Board discussed sustainability as part of the Group Chief Executive's strategy paper. The Board also received an update on the publication of the '2022 Status Report' on TCFD that was published by the Financial Stability Board. The Board noted the key findings of the 2022 Status Report were being assessed by the business. The Board also noted the business was considering the outcomes of the Financial Reporting Council's report on net zero disclosures.

The Group has a well-developed risk management framework to identify risks and opportunities. At Board level this oversight is through the Board Audit and Risk Committee (BARC), which receives quarterly reports on key risks impacting the business, one of which is 'Environmental, social and governance (ESG) risk including climate change'. The BARC provides an update to the Board after each meeting on matters discussed. The BARC considers the Group's key risks twice a year in July and November. In November, the BARC received an update on 'ESG risk including climate change' which included information on physical and transition risks.

In November, the BARC received an update from the Global Head of Corporate Sustainability, the Global Head of Sustainable Investment and the Head of Corporate Reporting. This update covered feedback received on our 2021 climate reporting and enhancements planned for the 2022 reporting season, new regulatory requirements for entity level reporting, the methodologies used for our Scope 1, 2 and 3 emissions reporting and how we assure our data.

 **Further information**
For more detail on how we assure our data, see page 60.

 **Further information**
For how climate and nature-related issues are considered in financial planning for the Group, see page 23.

Finally, this Report has been formally approved by the Board.

Board training on climate-related issues

The Group Company Secretary supports the Chair and Group Chief Executive in providing a personalised induction programme to all new Directors. This helps to familiarise newly appointed Directors with their duties and the Group's culture and values, strategy, business model, businesses, operations, risks and governance arrangements. The induction process for newly appointed Directors is reviewed on a regular basis and is updated and tailored to ensure it remains appropriate. Induction and briefing meetings are generally opened up to all Directors to attend on an optional basis.

As part of their induction programme, Dame Elizabeth Corley, as Chair, and Paul Edgecliffe-Johnson, as an independent non-executive Director, received a briefing on our sustainability strategy. This included an overview of our commitments, progress and key actions taken by the Group, allowing the Directors to gain an understanding of our sustainability strategy and key points of differentiation.

Committee-specific inductions are also arranged when Committee membership changes. These induction processes are tailored to the skills and knowledge of the individual and the forthcoming Committee agenda items.

 **Further information**
For more detail on awareness, training and engagement of our employees, see page 24.



Our climate and nature governance structure and management's role

Climate and nature-related risks and opportunities are embedded within our business strategy. The Board delegates specific responsibilities to Board Committees and to the Group Chief Executive who has the authority to delegate further. Our governance structure for climate and nature-related issues is shown to the right. We believe that clear policies are key to tackling climate and nature-related issues.

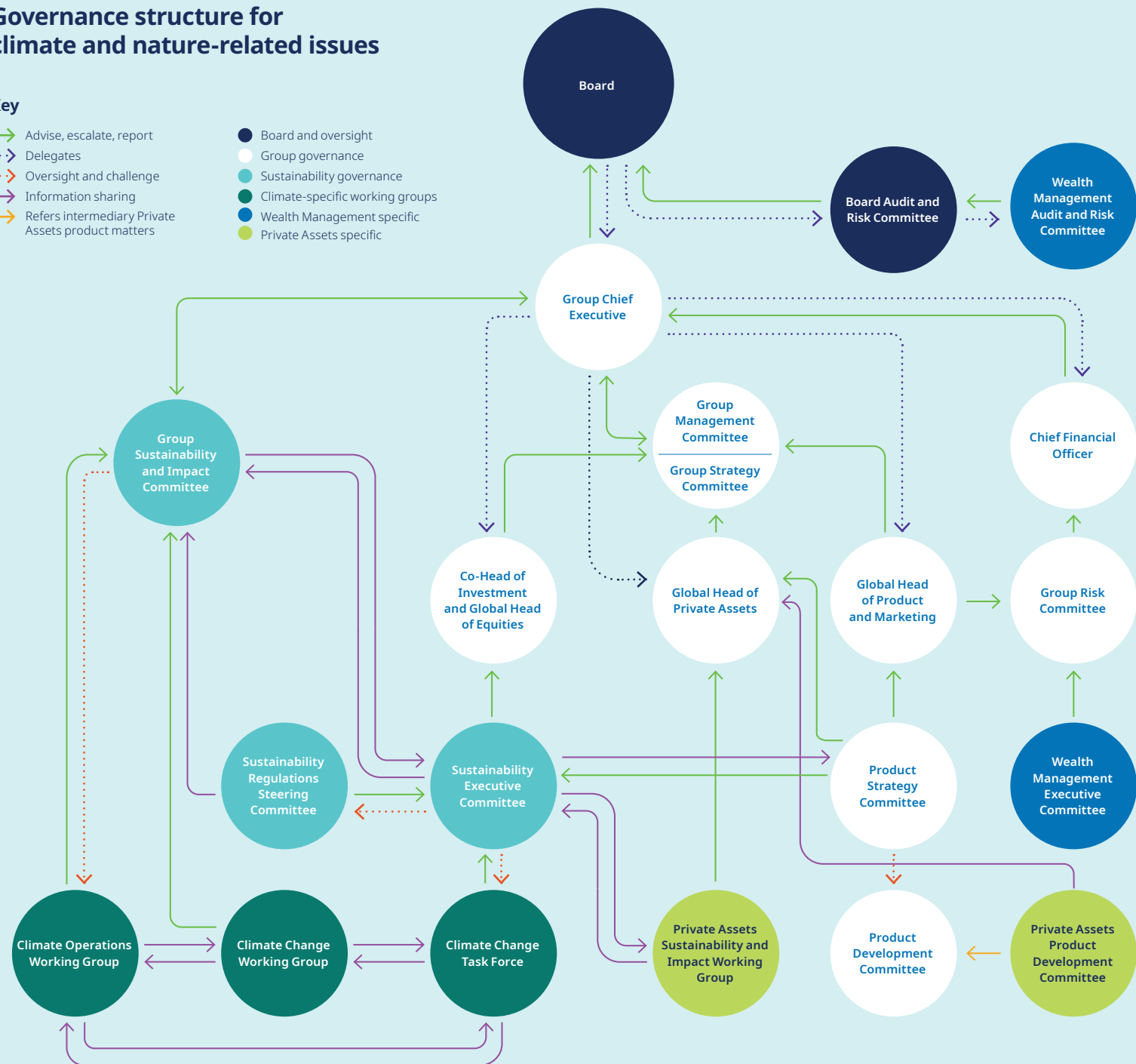
Further information
For policies, position statements and key documents, see Appendix 2.

Our governance structure will continue to adapt where needed in accordance with our business strategy.

Governance structure for climate and nature-related issues

Key

- Advise, escalate, report
- ... Delegates
- ... Oversight and challenge
- ... Information sharing
- ... Refers intermediary Private Assets product matters
- Board and oversight
- Group governance
- Sustainability governance
- Climate-specific working groups
- Wealth Management specific
- Private Assets specific





Governance

continued

Key

● Board and oversight

○ Group governance

● Sustainability governance

● Climate-specific working groups

● Wealth Management specific

● Private Assets specific

Forum	Information	Description	2022 activities on climate and nature
<p>Board Audit and Risk Committee (BARC)</p>	<p>Chair: Schroders plc independent non-executive Director</p> <p>Membership: Independent non-executive Directors of Schroders plc</p> <p>Meetings: 5</p>	<p>The BARC is a Board Committee and is responsible for overseeing financial reporting, risk management and internal controls, internal and external audit. The BARC receives reports from management on key risks to ensure they are considered at Board level. Oversight of key risks is essential to the delivery of the Group's overall strategy, and the BARC provides an update to the Board quarterly.</p>	<ul style="list-style-type: none"> As 'ESG risk including climate change' is identified as a key business risk, the BARC received information quarterly in order to assess how it is being managed Consideration and discussion of external reporting requirements for climate-related disclosures
<p>Group Management Committee (GMC)</p> <p>Group Strategy Committee (GSC)</p>	<p>Chair: Group Chief Executive</p> <p>Membership: Senior management from across the Group</p> <p>GMC Meetings: 11</p> <p>GSC Meetings: 15</p>	<p>The GMC comprises the wider senior management team and is an advisory committee to the Group Chief Executive on the day-to-day running of the Group's business.</p> <p>The GSC comprises the senior management team who have primary responsibility for the development and delivery of the Group's strategy. It is an advisory committee to the Group Chief Executive.</p>	<ul style="list-style-type: none"> The GMC considered the Group's strategy and key risks, including climate, ahead of submission to the Board The GMC reviewed the sustainability annual update which included how sustainability trends were shaping our industry and the progress in our priority areas which included climate change and biodiversity The GSC discussed climate and nature-related issues as part of the delivery of the Group's strategy
<p>Group Risk Committee (GRC)</p>	<p>Chair: Chief Financial Officer (CFO)</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 10</p>	<p>The GRC assists the CFO in discharging his responsibilities in respect of risk and controls. The executive oversight of risk is delegated by the Group Chief Executive to the CFO. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and developments to our internal key risks, one of which is 'ESG risk including climate change'.</p>	<ul style="list-style-type: none"> Reviewed the description and framework of 'ESG risk including climate change' and an assessment of risk position versus risk appetite for this risk Reviewed the following topics: Sustainability and Impact frameworks across Private Assets, Internal Audit ESG Framework, ESG integration for counterparty selection
<p>Group Sustainability and Impact Committee (GSI Committee)</p>	<p>Chair: Group Chief Executive</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 6</p>	<p>The GSI Committee provides advice to the Group Chief Executive to assist him in discharging his responsibilities regarding sustainability and impact. The Committee considers, reviews and recommends the overall global sustainability and impact strategy, including key initiatives, new commitments and policies to the Group Chief Executive for approval. The Global Head of Corporate Sustainability and Global Head of Sustainable Investment are members of the Committee and report annually to the GMC and the Board. The GSI Committee monitors progress towards our goals, including progress towards our science-based targets.</p>	<ul style="list-style-type: none"> Reviewed the progress against our climate change strategy and delivery plans for our science-based targets, including climate engagement for investee companies, operational action plan and supply chain engagement strategy Discussed and reviewed our CDP 2022 response Discussed and recommended for approval our Group Climate Change Position Statement and Group Nature and Biodiversity Position Statement
<p>Sustainability Executive Committee (ExCo)</p>	<p>Chair: Co-Head of Investment and Global Head of Equities</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 24</p>	<p>The ExCo develops and oversees the delivery of our Group level investment management sustainability strategy. The ExCo has senior representation from across the business including Sustainable Investment, Client Group, Product, Wealth, Private Assets and Corporate Sustainability to enable co-ordination and alignment across the business.</p>	<p>The ExCo has oversight over investment management climate aims to:</p> <ul style="list-style-type: none"> Manage climate risks to portfolios and identify opportunities to generate alpha Support our clients; looking beyond carbon exposure to the connection with investment risk and opportunity Meet our ambitions to decarbonise portfolios at a pace consistent with global goals from an investment management perspective



Governance

continued

Key

● Board and oversight






○ Group governance

● Sustainability governance

● Climate-specific working groups

● Wealth Management specific

● Private Assets specific

Forum	Information	Description	2022 activities on climate and nature
	<p>Chair: Global Head of Product Development and Governance</p> <p>Membership: Senior representatives from across the Group</p> <p>Meetings: 12</p>	The Sustainability Regulations Steering Committee oversees the progress of in-flight sustainability regulatory change programmes, as well as monitoring emergent sustainability regulations and determining their high-level impact on our Group sustainability strategy and supporting operations. The Sustainability Regulations Steering Committee receives input on forthcoming climate-related regulation from our in-house Public Policy team.	<ul style="list-style-type: none"> Discussed and reviewed our responses to regulatory consultations for emerging climate-related regulations Provided a second line of oversight to the development of climate-related tooling and carbon reporting in order to meet regulatory requirements Supervised the development of product level sustainability disclosures Identified regulatory risks and confirmed that they are factored into the strategy setting and implementation planning activities of the appropriate Product, Sustainability and climate-related committees
	<p>Chair: Global Head of Product and Marketing</p> <p>Membership: Group Chief Executive, Divisional Heads including Investment and Client Group, and leaders from the Product team</p> <p>Meetings: 6</p>	The PSC identifies, prioritises and reviews the Group's overall product strategy globally. This includes consideration of climate-related opportunities to shape the development of new products.	<ul style="list-style-type: none"> Reviewed demand for sustainability-oriented thematic strategies, and undertook to conduct more advanced research into approaches for helping clients to mitigate the impacts of climate change and nature degradation Agreed cross-functional support for delivering portfolios which contribute to clients' environmental and social goals
	<p>Chair: Head of Product Development – UK and Europe</p> <p>Membership: Senior representatives from Investment, Client Group, Operations, Compliance, Legal and Governance</p> <p>Meetings: 15</p>	The PDC reviews and recommends detailed product proposals, including climate-focused strategies and assessment of climate and sustainability related portfolio measures as relevant.	<ul style="list-style-type: none"> Continued engagement with the Commission de Surveillance du Secteur Financier (Luxembourg Regulator) to gain approval for the launch of carbon offset shares Climate+ LTAF (the Fund), the first sub-fund of the new Schroders Capital Long Term Asset Fund vehicle, was recommended for approval at a meeting of the joint PDC and Private Assets PDC
	<p>Co-Chairs: Head of Private Assets Legal and Head of Product Management Private Equity</p> <p>Membership: Senior representatives of the Schroders Capital business, including Investment, Product and Client Group teams</p> <p>Meetings: 13</p>	The Private Assets PDC is responsible for the development and lifecycle of all private assets products, except those targeting (or made available to) intermediary investors, where an initial business case recommendation is provided by the Private Assets PDC, with further consideration of these products then given by the PDC.	<ul style="list-style-type: none"> The Committee considered various proposals for the launch of products with climate-related features, including a fund specifically targeted at climate impact investing
	<p>Chair: Head of Sustainability and Impact for Private Assets</p> <p>Membership: Representatives from across the Group</p> <p>Meetings: 20</p>	The Working Group oversees the implementation of the Sustainability and Impact (S&I) ambition, strategy, policy and practices, across Schroders Capital. The Working Group reviews S&I processes and recommends improvements, oversees the implementation of the S&I policy for both existing and new investment strategies.	<ul style="list-style-type: none"> Discussed and planned development of climate data requirements and reporting to support ongoing climate-related analysis Discussed and reviewed private market methodologies for the Partnership for Carbon Accounting Financials and Science Based Targets initiative (SBTi)



Governance

continued

Key

● Board and oversight

○ Group governance

● Sustainability governance

● Climate-specific working groups

● Wealth Management specific

● Private Assets specific

Forum	Information	Description	2022 activities on climate and nature
<p>Wealth Management Audit and Risk Committee (WMARC)</p>	<p>Chair: Schroder & Co. Limited independent non-executive director</p> <p>Director Membership: Independent non-executive directors of Schroder & Co. Limited</p> <p>Meetings: 8</p>	<p>The WMARC is responsible for overseeing financial reporting, risk management and internal controls, internal and external audit within the Group's Wealth Management business. The WMARC receives reports from management on key risks within Wealth Management. Oversight of key risks is essential to the delivery of the Group's overall strategy, and the WMARC's minutes are provided to the BARC and the WMARC Chair presents an annual update on that Committee's activities to the BARC.</p>	<ul style="list-style-type: none"> The WMARC considered Schroder & Co. Limited's plan for publishing its climate-related financial disclosures and the financial risks of climate change on the Wealth Management business
<p>Wealth Management Executive Committee (WMEC)</p>	<p>Chair: Global Head of Wealth Management</p> <p>Membership: Senior executives within the Group's Wealth Management business</p> <p>Meetings: 11</p>	<p>The WMEC meets monthly to assist the Global Head of Wealth Management in discharging their responsibilities in managing Wealth Management including in respect of strategy, policy, finance, people, systems, conflicts of interest risk and controls. One of the WMEC's roles is to review new products and investment offerings for the Group's Wealth Management business.</p>	<ul style="list-style-type: none"> The WMEC considered the new MiFID II sustainability preference assessment, its impact and how the Wealth Management business will comply with the requirements
<p>Climate Change Working Group</p>	<p>Chair: Global Head of Corporate Sustainability</p> <p>Membership: Representatives across the Group to ensure input and alignment from operational and investment stakeholders</p> <p>Meetings: 5</p>	<p>The Climate Change Working Group discusses and recommends our approach and action to Group-wide commitments on climate change to the GSI Committee. There is a focus on targets, such as our science-based targets, disclosures such as CDP, communications and employee engagement.</p>	<ul style="list-style-type: none"> Developed and supported the submission of climate-related disclosures, such as CDP, and climate-related reporting framework consultations Discussed and reviewed SBTi progress Discussed and reviewed our carbon offsetting approach and projects portfolio for the next few years Discussed internal climate engagement campaigns and external communications plans, such as Earth Day, COP27 and COP15
<p>Climate Change Task Force (CCTF)</p>	<p>Chair: Climate Change Strategist</p> <p>Membership: Representatives from Sustainable Investment team</p> <p>Meetings: 44</p>	<p>The CCTF drives climate workstreams from an investment perspective, including climate analytics, engagement, reporting, integration and research. The CCTF aims to improve coordination, consistency and innovation, in order to meet our climate goals. The CCTF consults with the Climate Planning Investor Group, a subset of investors with experience integrating climate-related considerations to test and refine climate planning and proposals.</p>	<ul style="list-style-type: none"> Discussed and planned the development of new tools to support climate analytics, including data sources and visualisation outputs Monitored progress on climate engagement targets and insights derived from engagements Discussed updates to the client and internal climate training curriculum, including feedback from sessions
<p>Climate Operations Working Group</p>	<p>Chair: Global Head of Corporate Sustainability</p> <p>Membership: Representatives from Corporate Sustainability, Workplace Services, Group Procurement, Group Finance, Sustainable Investment and Communications</p> <p>Meetings: 10</p>	<p>The Climate Operations Working Group was set up in 2022 to help facilitate and monitor the delivery of our operational science-based targets. There is a focus on data, accounting processes, progress reporting and action plans.</p>	<ul style="list-style-type: none"> Discussed and reviewed the operational emissions reporting for internal committees Discussed and reviewed the operational emissions assurance process Discussed and reviewed the emissions recalculation process for financed and operational emissions



Further information

For our operational emissions reporting, see pages 60, 68.

Remuneration

The strategic importance of climate-related issues is reflected in our remuneration structures. For a number of years, our executive Directors have had sustainability-related measures included within their annual bonus scorecard.

The measures are reviewed by the Remuneration Committee each year to align with our key priorities. For 2022, the determination of the annual bonus awards for the executive Directors included a measure relating to engagement with investee companies that fall in scope of our science-based targets, using our influence as an asset manager to drive quantification of a reduction in emissions. The 2022 annual bonus scorecard also took into account our objective to put into place climate voting principles as part of the launch of our Engagement Blueprint.

In addition to continuing to include sustainability measures in the executive Directors annual bonus scorecard, from 2022 our commitment to climate action was also reflected in our Long-Term Incentive Plan (LTIP). The 2022 LTIP incorporated a climate metric relating to the percentage of

renewable electricity used across our global offices. For the 2023 grant, the climate measure will evolve towards the temperature alignment of our assets under management (AUM) to the target net zero pathway. This change to a quantitative, investment-focused metric, aligns to our interim target of aligning our portfolios to 2.2°C by 2030, on the way to 1.5°C by 2040. In order to achieve payout from either climate metric (2022 and 2023 LTIP), we must also maintain a leadership position on climate change in every year of performance measurement, as assessed independently by CDP.

The use of remuneration structures to align employee interests to sustainability-related issues relevant to their areas of responsibility is also reflected across the wider organisation. Performance against sustainability goals forms part of the annual performance review and in turn compensation outcomes for those with roles able to influence our investment and business operations, including members of the GMC, all fund managers, and corporate staff such as Workplace Services and Procurement.

Further information
For remuneration and climate metrics, see from page 76 of our Annual Report and Accounts.

Regulated entity approach

A number of the Group's UK regulated entities are required to publish their own separate TCFD-related reports pursuant to the FCA's ESG Sourcebook rules.

Further information
For more detail on these requirements, see page 1.

These Group entities have adopted the Group governance approach set out in this Report. This section outlines additional governance arrangements and board reporting for these entities that took place during 2022.

The entities received a report on how the entity-level requirements of the TCFD recommendations would be met. In addition, they received a briefing outlining the Group's actions and plans relating to sustainability.

In addition, Schroder Real Estate Investment Management Limited (SREIM) has put a number of additional governance arrangements in place, reflecting that it typically invests in real property assets. The SREIM board receives regular reporting from the Head of Sustainability and Impact

Investment, Real Estate on matters such as the overall Schroders Capital Real Estate annual Sustainability Policy, including progress towards climate-related targets.

The SREIM board has established several committees charged with reviewing ESG and climate-related matters. ESG and climate-related matters have been reviewed prior to the acquisition of any property asset. This review also takes place annually on a fund-by-fund basis, taking into account performance against GRESB (the global ESG benchmark for real estate funds and companies) and asset and fund level energy and carbon reduction targets.

Reporting to relevant Group regulated entity boards will continue to evolve in 2023.



Strategy

Accelerating positive change with our climate change strategy	21
Our climate change strategy	22
Embedding climate risks and opportunities into our business strategy and financial planning	23
Building employee expertise and awareness	24
The investments we manage	25
Our targets	25
Measure and manage exposure in our clients' investment portfolios	27
• Risks and opportunities	27
• Integration of our climate change strategy across our managed assets	28
• Our approach in Asset Management: our Climate Analytics Framework	29
• Our approach to climate scenario analysis	30
Track and hold investee companies to account	35
• Climate Engagement and Escalation Framework	35
• Climate-focused engagement and voting activity	37
A solutions approach to net zero	39
Our approach in Private Assets	40
Our approach in Wealth Management	42
Our own operations	43
Identifying risks and opportunities	43
Risks and opportunities	43
Our operational targets and climate change strategy	45
Climate neutral operations and the role of carbon offsetting	50



Accelerating positive change with our climate change strategy

The ways of doing business that have driven corporate success in the past will not necessarily drive success in the future. Today, environmental, social and governance (ESG) factors are an important consideration for all companies.

We believe that by recognising and embracing this change we can deliver long-term value for our clients, shareholders and wider stakeholders. We achieve this by embedding sustainability within our business – through our approach to sustainable investment; by responsibly managing our corporate impact; and in promoting a positive culture where people can thrive.

We want our influence and actions to accelerate positive change in the world. We want to lead the transition to a low-carbon economy through our investment activities and the action that we take within our own operations. Our validated science-based targets will put us on a 1.5°C emissions reduction pathway and help us reach net zero across our value chain by 2050, or sooner.

We recognise that the vast majority of our greenhouse gas (GHG) emissions exposure comes from the investments we manage on behalf of our clients. These are more than 5,000 times greater¹ than those from our own business operations. How we manage the climate risks within our portfolios, and influence the transition of the companies in which we invest to a sustainable future, will be integral to ensuring our continued success. Despite our primary lever of influence and impact being the transition of our clients' investments, we also believe we should lead by example through our own operations with ambitious targets and actions.

Our transition plan has four key pillars of action across the business: our **insights**, our **influence**, our **innovation** and our ability to use our position to **inspire** others. A description of these levers of change can be found on the following page, with more detail of the actions we are taking under each pillar, covered in turn, in this Strategy section.

We play an active role in coalitions and initiatives that can not only help us to achieve our goals but also help to drive the change needed across our industry and beyond. These include initiatives to improve transparency and disclosure around climate data, collaborate on company engagement, drive emissions reductions and mobilise capital for natural capital opportunities.



Further information

For a list of the initiatives and organisations we work with and summary of our 2022 activity, see Appendix 3.

1. Based on 2021 Scope 1 and 2 emissions of investee companies (mandatory in-scope asset classes for SBTi, which represents over 60% of AUM) compared to Schroders' own Scope 1 and 2 emissions.



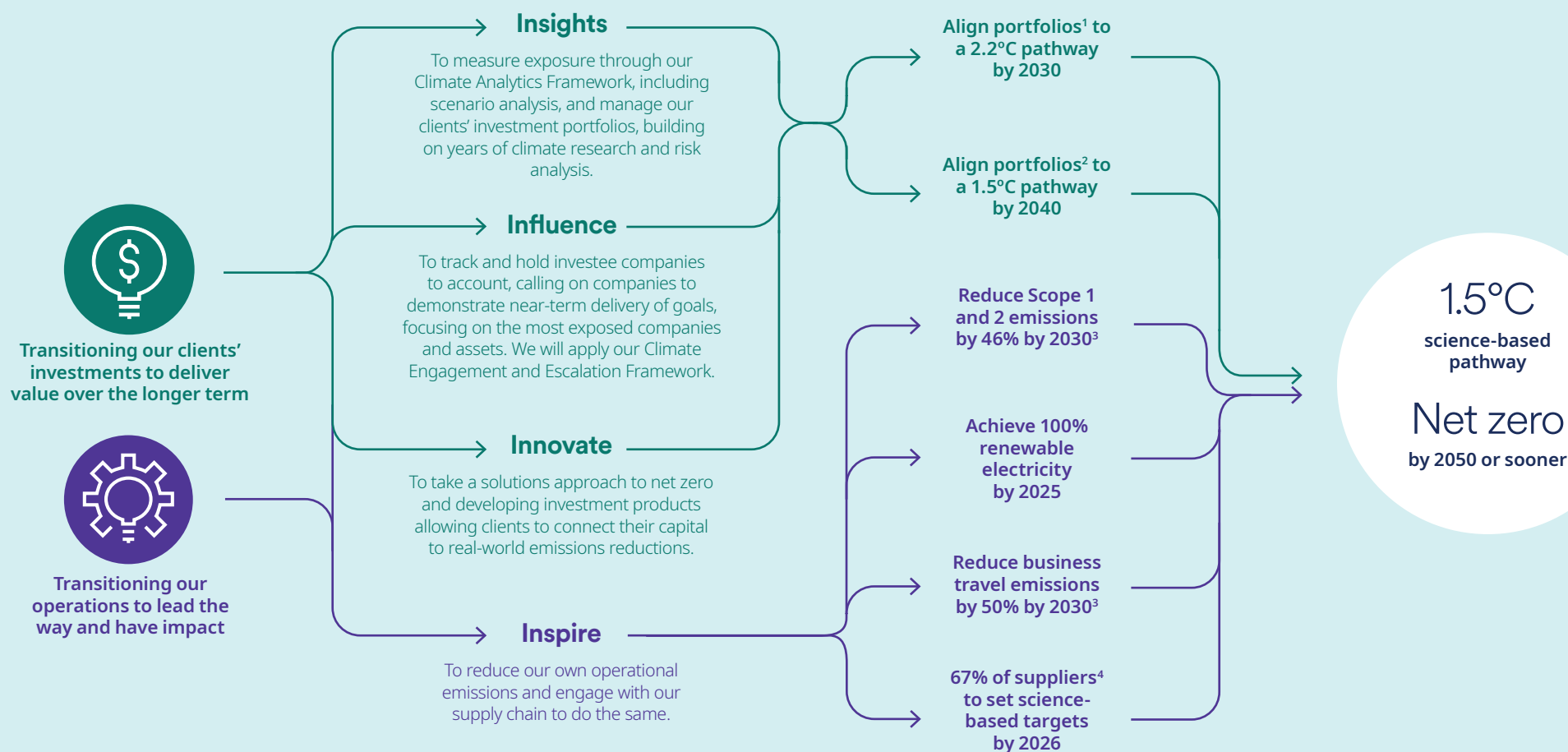
Our climate change strategy

Strategy

Four key pillars of action

Targets

Science-based pathway by 2050 or sooner



1. Includes Scope 1 and 2 financed emissions
2. Includes Scope 1, 2 and 3 financed emissions
3. From a 2019 base year
4. By greenhouse gas emissions

Our climate change strategy

continued

Embedding climate risks and opportunities into our business strategy and financial planning

Sustainability is a core part of our strategy, and is therefore considered during the strategic and financial planning processes. These processes include a review of the key planning assumptions for a five-year period. The review is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams.

The business planning process considers both the risks and potential opportunities that may materially impact the Group and assesses the need for business model changes to respond to these risks and opportunities. Examples of business model changes made as a result of the identification of climate-related risks and opportunities include increased capital expenditure on our proprietary sustainability tools.

Our revenue assumptions consider forecasted assets under management (AUM) and what impact changes in client behaviour could have on total AUM. Due to the investor appetite for sustainability products, the number of these types of products on the market continues to grow rapidly. We have expanded our offering in this space, with the ambition of not only directing capital into sustainable channels, but also increasing revenues for the Group.

To better support the integration of climate-related risks and opportunities into Group strategy, research from Mercer (see page 26) was combined with the climate scenario analysis from our TCFD Report 2021.¹ This was to assess and understand:

1. the extent to which different asset classes are exposed to climate-related risks or opportunities under alternative climate scenarios, as an input into gauging the attractiveness of expansion in different asset classes; and
2. the extent to which the investments we manage are more or less exposed than average to those risks or opportunities, as an input to developing and targeting our risk management practices.

Our Group Head of Strategy and Solutions and other key internal decision-makers considered this analysis as an input into future corporate strategy and asset allocation decisions. This process will continue in line with the production of this Report.

Our Sustainable Investment team has more than doubled in the past two years to over 55 specialists, highlighting the value we place on developing our teams' capabilities to successfully navigate the climate and nature-related risks and opportunities we face as a business.

In 2022, we completed the acquisition of Greencoat Capital (now Schroders Greencoat), a leading European renewable infrastructure manager. This acquisition will not only help our clients to take advantage of the financial opportunities of the net zero transition, but also help us further our role by deploying capital towards a sustainable future.

Stress testing is performed on the Group's business plan and considers the impact of a number of the Group's key risks crystallising over the assessment period. The severe but plausible stress scenarios applied to the business plan include consideration of a number of factors. These include a deterioration in the value of our AUM as a result of a severe period of market stress, the impact of a material risk event which could lead to reputational damage and significant outflows of our AUM, and the potential for transition and physical risks to crystallise earlier than expected. For 2022, we incorporated the output from our investment scenario analysis (for more detail, see pages 30-34) to determine the potential impact of climate change on our AUM over the forecast period. The conclusions from these assessments form the basis of the Viability Statement as set out in the Annual Report and Accounts.

Further information
For our Viability Statement, see page 49 of our Annual Report and Accounts.

Sustainable investment specialists

>55

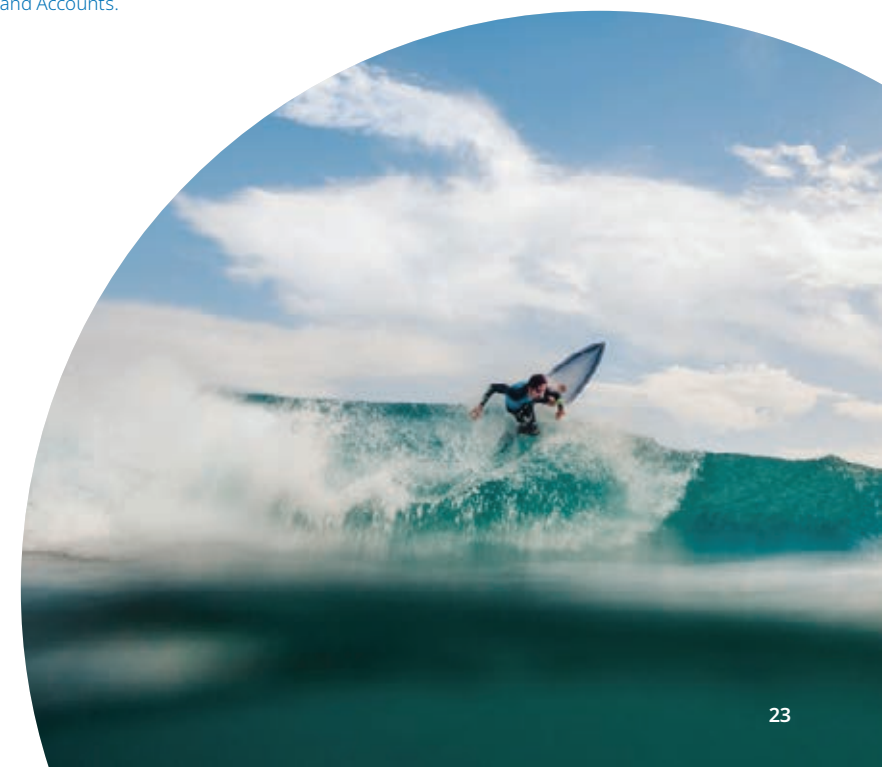
more than doubled
in the past two years

New acquisition

Schroders
Greencoat

a leading European renewable
infrastructure manager

1. [Schroders TCFD Report 2021](#).



Our climate change strategy continued

Spark training

1,000+

modules with a sustainability focus
completed by employees

Sales Excellence sustainability training

Mandatory

for all sales employees, globally

Earth Day

10

office locations organised
volunteering events and local
initiatives

Building employee expertise and awareness

Our employees are central to the success of our strategy. It is crucial that we continue to build their expertise and awareness of climate and nature-related risks and opportunities, to support closer relationships with our stakeholders. We all have a role to play in achieving our sustainability goals, whether that is as a trusted advisor to our clients, in applying analysis to our investments or contributing to our own operational endeavours.

Facilitating education amongst employees

All permanent and fixed-term employees globally¹ have access to our global learning management platform, Spark. Spark offers an extensive range of digital learning content across a variety of sustainability themes, including climate change and biodiversity. In 2022, employees completed over 1,000 modules that had a sustainability focus. These included modules related to physical risk, using our Carbon Value at Risk (Carbon VaR) proprietary model (for more detail, see page 29) and carbon capture and storage.

Role-specific training forms an essential part of our training programmes. Throughout the year, the Sustainable Investment team hosted a weekly teach-in for participants to learn about sustainability-related workstreams around the firm. For product and investment colleagues, the monthly briefing call, 'Sustainability for investors', keeps employees informed with our latest sustainability research, tools and product updates.

Sales Excellence is our dedicated sustainability training programme for our sales teams, who build and manage our client relationships. The Sales Excellence sustainability modules were mandatory for all sales employees, globally. In 2022 we ran modules on climate, active ownership and impact. The climate module covered our climate commitments, asset owner approaches to net zero, climate engagement case studies and an overview of our climate solutions.

Beyond internal training, we continue to support our employees through professional qualifications in relation to climate and nature, including the Chartered Financial Analyst (CFA) Institute Certificate in ESG Investing and the CFA UK Certificate in Climate and Investing.

Facilitating education amongst clients

Alongside our business and people, we offer technical support and guidance to clients, to help them on their own sustainability journey. We offer a bespoke training programme, Schroders School of Sustainability, to our global institutional and intermediary clients. From understanding the sustainability landscape, to effective ESG integration, active ownership and climate change, we support clients in building their knowledge and share our insights. In 2022, our Official Institutions team, who engage with government institutions, hosted a week-long sustainability training course for institutional investors at our London office, with sessions run by investors, data scientists and sustainability specialists across asset classes.

Enabling our people to be change-makers

In conjunction with training, employee engagement is a key component of our corporate sustainability strategy. We have a global podcast series that includes Making an Impact, a short digital digest designed to build understanding around sustainability-related topics, and 'In Conversation With...' where senior leaders cover strategic topics including our climate strategy and science-based targets. We also held three Sustainability Forums, where we invited all employees to hear about sustainability commitments and initiatives across the Group.

Following COP26 in 2021, we set up Planet Positive, an employee-led climate action movement to highlight steps to reduce personal carbon footprints. In 2022, Planet Positive hosted an event on urban farming and eating sustainably in Hong Kong, Singapore and Sydney. In London, we ran our first in-person event #TakeBackBlackFriday, which was led by an expert panel on the social and environmental impacts of fashion.

For Earth Day in April, over 100 employees volunteered more than 300 hours to support ten impact-led environmental events and initiatives. These activities included: tree planting in Tokyo, cleaning up woods, waterways and green spaces around the city of Schaffhausen in Switzerland, creating a vegetable garden for an inner-city school in London and hosting an Earth Day bazaar in Singapore. Later in the year, we called on our colleagues to #COPACT during COP27 and COP15, providing planet challenges for colleagues to take up and reduce their GHG emissions.



1. Excluding Schroders Greencoat, who will be onboarded to Spark in 2023.

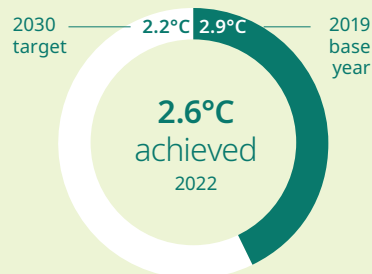


The investments we manage

Our target

Align portfolios to a 2.2°C pathway across Scope 1 and 2 emissions by 2030

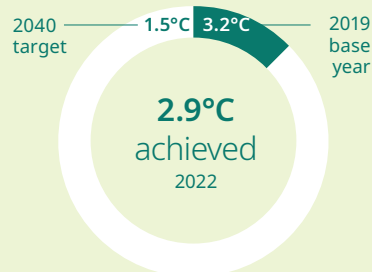
Progress against target



Our target

Align portfolios to a 1.5°C pathway across Scope 1, 2 and 3 emissions by 2040

Progress against target



Our targets

In 2021, Schroders committed to transitioning the implied temperature rise of its in-scope managed portfolios toward a 1.5°C aligned pathway.

At the point of validation in 2022, this includes all mandatory asset classes required by the Science Based Targets initiative (SBTi), which consist of our listed equity (our common and preferred stock exposure), corporate bond, real estate investment trust (REIT) and exchange-traded fund (ETF) exposure. Last year, the implied temperature rise was 2.8°C. This reduced to 2.6°C in 2022, and accounted for over 60% of our AUM. The 0.2°C reduction can be attributed to two main drivers:

1. increased target setting by investee companies, accounting for 85% of the change since 2022; and
2. investment behaviour, with 10% of the reduction attributable to increased exposure to companies with more ambitious targets.

We plan to extend this commitment to include our full range of managed assets in future years. Over the course of 2022 we have invested significant time and resource to explore and attempt to baseline additional asset classes' emissions. Our aim in 2023 is to continue this exploration; scoping methodologies for emissions estimates; assess and provide feedback on current decarbonisation pathway methodologies for target setting, amongst others. The three main asset classes explored in 2022 were:

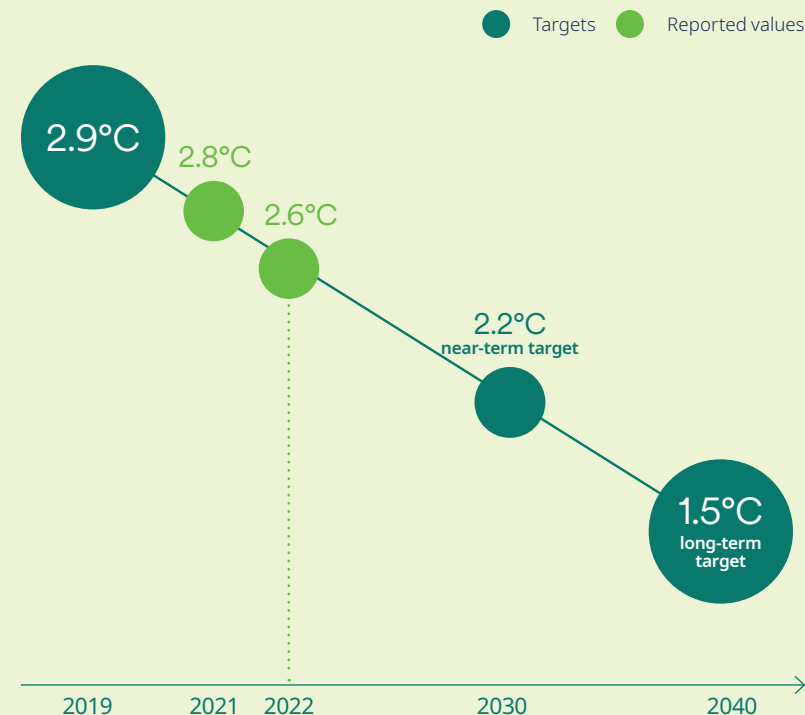
- Sovereign bonds
- Infrastructure
- Real Estate



Further information

For more detail on the process for ongoing monitoring and oversight of our net zero targets, see page 60.

Portfolio temperature score*



* Schroders temperature score is for illustrative purposes only as it includes the near-term target, which covers Scope 1 and 2 financed emissions, but the long-term target also includes Scope 3. Though both targets are managed, they are monitored separately.



The investments we manage continued

As an active investment manager, our main lever to instigate change is through effective stewardship of our investee companies. Our own transition plan is dependent on them setting and adhering to their commitments.

This forms the cornerstone of our current efforts for the consideration of climate-related risks and opportunities in the investment process, and is one of the four pillars of our strategy (for more detail, see page 22).

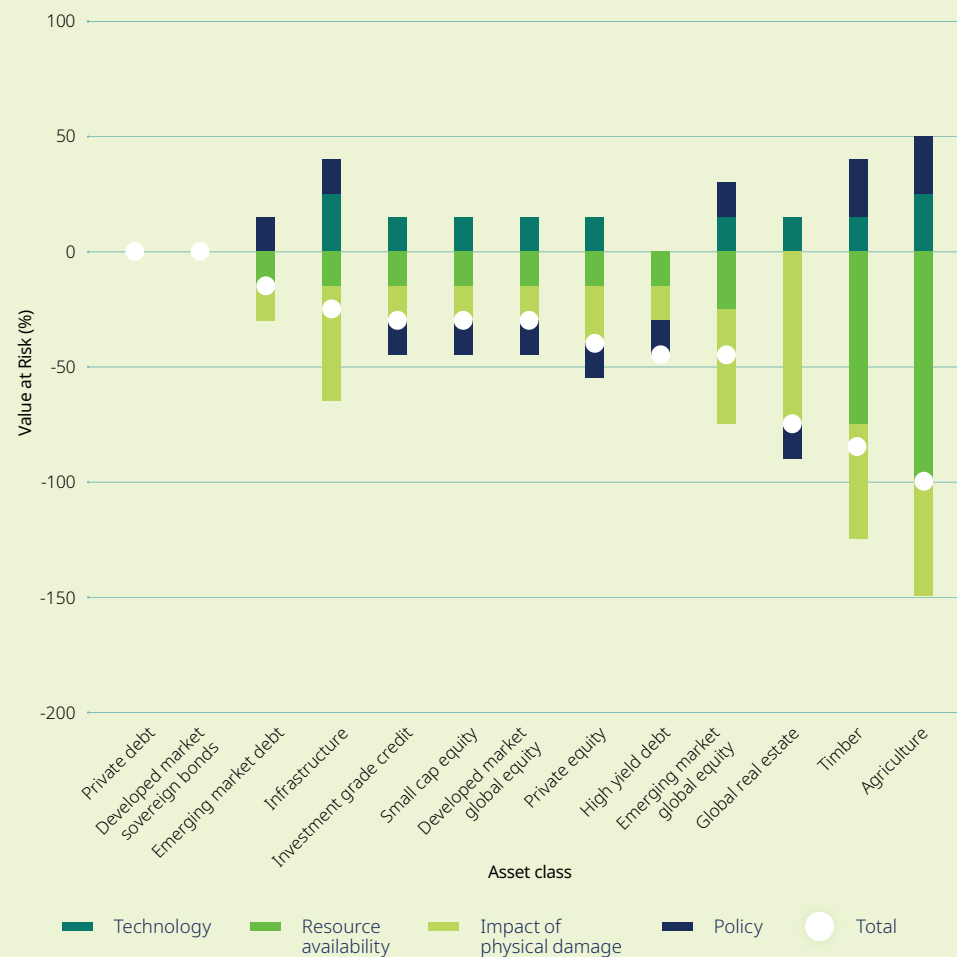
We cannot, however, take a 'one size fits all' approach on climate change. Although our Group climate change strategy, articulated in our Climate Transition Action Plan (CTAP)¹ and summarised in this Report, applies to the entire Group, we must take a nuanced approach to how different asset classes assess climate-related risks and opportunities.

1. [Schroders Climate Transition Action Plan](#).

There has been limited third party analysis comparing the exposures of different asset classes to climate risks or opportunities. To the right we summarise analysis published by Mercer, based on modelling developed by several economic consultancies, assessing the exposures of different asset classes to climate risks. The analysis presents more negative values, indicating higher risk exposure.

What we can conclude is that the type, scale and direction of impact is likely to vary across different asset classes. We have therefore provided more detail this year on how our different private asset and wealth management businesses consider climate-related risks and opportunities.

Sensitivities of key asset classes to different sources of climate risk



Source: Schroders analysis of Mercer report:

<https://www.divestinvest.org/wp-content/uploads/2017/09/Mercer-Feb-2017-responsible-investments-assessing-the-prospective-investment-impacts-of-a-low-carbon-economic-transition-mercier.pdf>

The investments we manage

continued

Measure and manage exposure in our clients' investment portfolios

Risks and opportunities

We consider a number of climate-related risks and opportunities through our Climate Analytics Framework (see page 29).

Depending on the industry, the risks and opportunities are likely to manifest across different time horizons and with different impacts.

We consider these risks and opportunities over the following time horizons:

Time frame

S Short term
0-5 years

M Medium term
>5-10 years

L Long term
10+ years



Further information

For more detail on how we identify, assess and manage climate-related risks in relation to our key risk types, see page 53. The table below focuses on our assessment of the risks categorised as per the TCFD recommended disclosures. For more detail on our chosen time horizons, see page 53.

Climate risks

Risk	Description	Impact on investees				Resulting impact to Schroders as an investment manager		
		Time frame	Impact	Rating ¹	Portfolio management approach	Primary time frame	Impact	Rating ²
Transition: Policy and legal	Changes to climate-related regulation that impacts our investee companies' operations or products	Sector dependent, for example: • Oil and gas S • IT L	<ul style="list-style-type: none"> Increased operating costs Decreased security valuations 	Industry dependent, for example: • Oil and gas – high • IT – low	Assessed through portfolio stress testing against different transition scenarios and SustainEx™	M	<ul style="list-style-type: none"> Lower AUM Decreased revenue 	High
Transition: Technology	Requirement to keep pace with technological advancements to effectively examine and manage climate risks and opportunities	Industry dependent, for example: • Automotive S • Cement L	<ul style="list-style-type: none"> Increased operating costs Decreased revenues Decreased security valuations 	Industry dependent, for example: • Automotive – high • Cement – low	Assessed through scenario analysis	M	<ul style="list-style-type: none"> Lower AUM Decreased revenue 	Medium
Transition: Market	Climate change impacting product demand through changing client behaviour	Industry dependent, for example: • Automotive S • IT L	<ul style="list-style-type: none"> Decreased revenues Decreased security valuations 	Industry dependent, for example: • Automotive – high • IT – low	Assessed through monitoring of climate expectations (for example, client surveys)	M	<ul style="list-style-type: none"> Lower AUM Decreased revenue 	High
Transition: Reputational	Perception of not having responded appropriately to climate challenges; greenwashing or perceived neglect of fiduciary focus	S M L	<ul style="list-style-type: none"> Decreased revenues Decreased security valuations 	Industry dependent, for example: • Financial services – high • IT – low	Assessed through horizon scanning, engagement and thorough due diligence, particularly on corporate governance	S	<ul style="list-style-type: none"> Lower AUM Decreased revenue 	High
Physical: Acute & chronic	The impact on physical operations from extreme weather events or changes in temperature	L	<ul style="list-style-type: none"> Increased capital expenditure Increased insurance costs Increased damage and disruption costs Decreased security valuations 	Industry dependent, for example: • Agriculture – high • Financial services – low	Assessed through the physical risk model	L	<ul style="list-style-type: none"> Lower AUM Decreased revenue 	Medium

1. Relative impact of the risk to investee companies.

2. Resulting impact to Schroders as an investment manager.



Insights



The investments we manage

continued



Time frame

S Short term
0-5 years

M Medium term
>5-10 years

L Long term
10+ years

Climate opportunities

Opportunity	Description	Time frame	Impact	Portfolio management approach
Resource efficiency	Investing in companies becoming more energy efficient	S	Increased revenue	CONTEXT framework Enables the assessment of multiple technological trends, such as carbon intensity of the energy mix and CDP performance band
Energy source	Investing in companies supporting the energy transition	M	Increased revenue	CONTEXT framework and SustainEx™ Enables the assessment of multiple environmental trends, such as the shift of capital from fossil fuel to clean energy
Products and services	Investing in companies able to provide products in response to climate opportunities	M	Increased revenue	CONTEXT framework Enables the assessment of multiple customer trends, such as investee product alignment with customer values, customer preference for product types, and preferred marketing and comms channels
Market	Adapting investment proposition to reflect client preferences	M	Better competitive position and increased revenue	Annual client investor surveys Questionnaire assessing our clients' views on key product themes and trends likely to influence their investment decisions
Resilience	Providing products to manage the impacts of climate change	S	Increased revenue	CONTEXT framework Enables the assessment of multiple environmental trends, such as more volatile resource prices, upward trends in extraction costs, and impact of emerging economies' resource demand

Integration of our climate change strategy across our managed assets

Our sustainability accreditation framework, proprietary tools and collaborative platforms help us to integrate the consideration of ESG factors across our portfolios of managed assets. While practical application may look different depending on the portfolio, our approach to sustainability is consistent across the firm. We launched the

Schroders sustainability accreditation framework in 2017 to drive and monitor ESG integration across our investment processes. Investment teams must seek re-accreditation on an annual basis. In 2022, we revised that accreditation framework to explicitly incorporate the assessment of climate-related risks and opportunities, which will be rolled out by the end of 2023.



Further information

For more detail on ESG integration, see page 76.

The investments we manage

continued

Our approach in Asset Management

We continue to increase the capability of our scenario models to help our investment teams better understand the threats from climate change, as well as to identify the opportunities from the

net zero transition. The Climate Analytics Framework below, aims to explore these specific risks and opportunities through different lenses to provide investment teams with a rounded view on the impacts to their investments.

Climate Analytics Framework

Risk and opportunity evaluation

SustainEx™


Estimates the potential environmental and social 'impacts' that issuers may create. With Scope 1, 2 and 3 emissions accounting for almost 50% of the modelled 'costs' to society, analysts and fund managers can use this to augment company valuations.

Carbon VaR

Our proprietary transition risk exposure model. Carbon VaR is a bottom-up microeconomic model which measures the change in earnings that could result from higher carbon prices and their consequences for product prices and demand.

Scenario analysis

Estimates the exposure of our holdings to physical and transition climate risks under a range of outcomes, aligning to an externally defined set of scenarios for transparency and interpretability. Scenario analysis is conducted using both proprietary and third party models to provide a comprehensive, objective and nuanced view.

 **Further information**
For more detail on the scenarios, see Appendix 4.

Outcome monitoring and risk mitigation

Net Zero Dashboard

Used to enable our investment teams to assess their portfolios' (funds and client mandates) financed emissions and implied temperature score in accordance with the Group's science-based targets. The model enables them to break exposure down by both sector and region.

CONTEXT

Provides a customisable qualitative framework where analysts and fund managers can weight the most material environmental indicators to assess the sustainability of a company's business model.

New: Climate Change Tracker (Beta)

Provides insight into the management of climate risks by companies from a number of perspectives, including markers of ambition, internal organisation, strategy and action. This equips investors with signals for how likely companies are to be successful in their decarbonisation plans.

New: Portfolio Emissions Pathway tool

Provides investment desks with an estimate of the predicted annualised reduction in portfolio emissions based on the emissions targets established by the companies within their portfolio. This enables investment desks to consider climate commitments within portfolio construction, and with the corresponding monitoring of company commitments over time.



Engagement tracking

New: ActiveIQ

Provides a platform to record, monitor and report on our engagement activity. Our Active Ownership team use the annual engagement activities documented, and augment this information with the outputs from the tools listed to the left to inform future climate engagement planning.



A spotlight on: ActiveIQ

ActiveIQ is our new engagement platform. It enables investment teams to set and track progress against the engagement goals they set for companies or other entities in their portfolios. Teams can create collaborative engagement plans, set SMART objectives, add milestones, and record insights and outcomes-driven events.

ActiveIQ features an analytics portal enabling users to monitor whether Key Performance Indicators are on track. In 2022, many portfolio managers and analysts were required to conduct 2-3 high quality engagements.

A spotlight on: Net Zero Dashboard

Our Net Zero Dashboard measures how well investment activity aligns with our science-based targets. Specifically, it estimates both the implied temperature rise and financed emissions for a snapshot of our investment holdings, so investment teams can track the pace of transition in individual portfolios.

We intend to assess portfolio progress over rolling three-year periods. This supports our investment teams to manage investment teams are able to manage the transition thoughtfully, as valuations of better placed companies rise and market-wide sector rotations present opportunities for our clients.

The investments we manage continued

Our approach to climate scenario analysis

We consider climate scenario analysis to be a valuable tool for better understanding a range of possible future states. It can inform investment decision-making and strategy for enhancing risk-adjusted returns, in light of expected climate-driven changes to the economy. We have analysed the exposure of our investment holdings to physical and transition climate risks under a range of climate scenarios.

This year, we improved the capability of our proprietary climate tools to support a deeper assessment of climate-related policy risks and associated technological opportunities. An overview of how this analysis assesses a selection of our strategies can be found on page 34, whilst pages 31-33 use third-party data, similar to 2021.¹

Climate scenario analysis overview²

For the analysis shown on the following pages, we have used Morgan Stanley Capital International's (MSCI) aggregated Climate VaR analysis that combines physical and transition impacts under three representative temperature pathways:



- Net zero 1.5°C
- Below 2.0°C
- Above 3.0°C ('hot house world')

The scenarios used are not intended to be predictions of the future, but rather highlight the risks and opportunities from different possible outcomes. The models assume no change or adaptation from companies over time. Furthermore, this analysis is based on a snapshot of current holdings and does not consider action to mitigate risk, such as engagement or asset reallocation.

The analysis is based on the exposure to investments in publicly listed equity and corporate bonds. They are referred to here as 'covered investments'.

Physical risks

Physical risks reflect the risks associated with long-term changes in the climate and with more extreme weather events which may impact future business activities; the value of investments; risks to our businesses and property assets, and those of our suppliers and other partners.

We assess exposure to approximately ten different climate-related hazards. These are grouped under 'Average' and 'Aggressive' scenarios and aggregated to an overall 'Extreme Weather Climate VaR'.³

Transition risks

Transition risks reflect the risks stemming from changes in the economy that will be required to limit long-run temperature rises, including changes in demand for goods and services, costs to companies, sectors or asset classes. These may result from new or enhanced corporate climate change laws and regulations, changes in demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

We align our choice of scenarios to the externally defined set of reference scenarios provided by the Network for Greening the Financial System (NGFS). Some scenarios assume stringent carbon policies and rapid decarbonisation, while others assume slow and uncoordinated policy action. These scenarios cover multiple transition risk stressors such as carbon price, fossil fuel prices and demand, energy mix evolution and emissions pathways.

i Further information
For more detail on the physical and transition risk scenarios, see Appendix 4.

1. Data provided by MSCI Climate Value at Risk (VaR) methodology.
2. Climate exposure data is mapped to investment holdings. Aside from the time series analysis or where stated otherwise, climate risk exposure is assessed from present to end of century, with values expressed in present terms as a proportion of current market value. Note, the underlying models do not take into account investee responses to climate-specific actions.
3. Some underlying hazards based on the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) 8.5. Scenarios are selected from different points on the modelled probability distribution of costs. Some of the underlying probability distributions are driven by climate model outputs, while others are based on the statistical extrapolation of historical data.

The investments we manage

continued

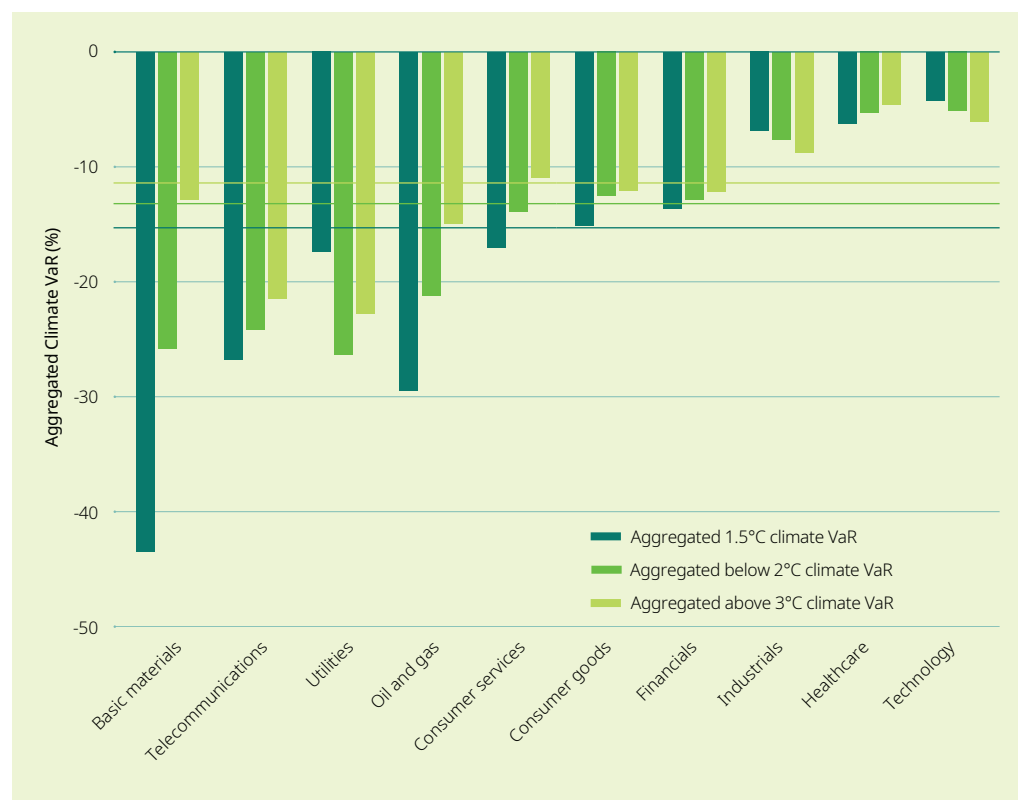
Scenario analysis findings

Exposure of listed securities to aggregated climate-related risks

Under the lens of aggregated climate VaR in Figure 1, our holdings are most exposed to climate risks under a 1.5°C scenario, with a potential impact of -15.3% of current market value. This impact diminishes slightly under 2°C (-13.2%) and 3°C (-11.4%) scenarios. In general, the model shows that transition risks are bigger than physical risks.

The horizontal lines in Figure 1 represent the aggregated climate VaR of the chosen listed securities, while the columns represent the value for each individual sector. There are marked differences in the profiles of different sectors of the economy, with aggregated climate risk becoming progressively more concentrated in sectors like basic materials and oil and gas under more aggressive transition scenarios.

Fig. 1 Exposure of chosen listed securities to aggregated climate risk, broken down by sector¹



Sources: 1. Schroders' aggregated sectoral climate risk analysis using MSCI Climate VaR.

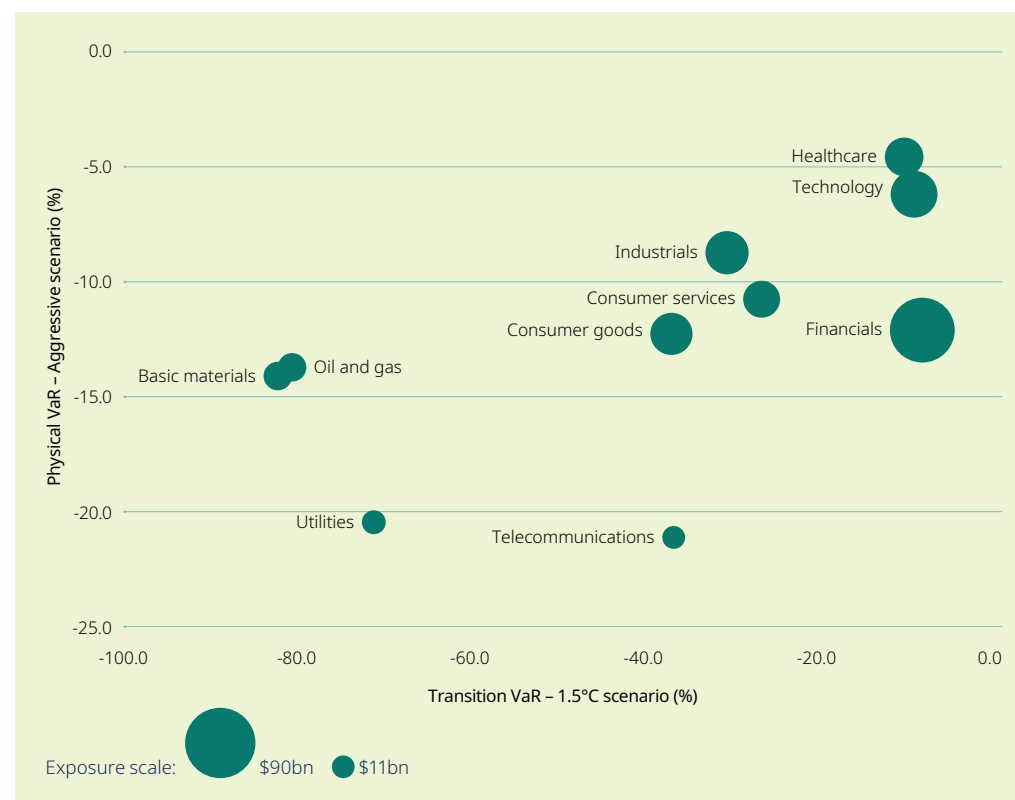
2. Schroders' sectoral analysis of extreme physical and transition risk scenarios using MSCI Climate VaR.

Exposure of listed securities to physical and transition risk

Analysing the exposure of holdings to physical and transition risk separately, it is clear that the negative implications of physical climate impacts are outweighed by the transition risk impacts under the stringent policy scenario that will be needed to deliver global climate goals.

The chart in Figure 2 below summarises the sector exposures in a high-risk scenario for both physical and transition risks. The size of the bubbles represents the share of our AUM invested in that sector.

Fig. 2 Chosen listed securities' physical and transition risk exposure broken down by sector²



The investments we manage

continued

We have also examined climate risks facing the investments we manage on a regional and sectoral basis.

On physical risk, the distribution is more homogenous across different sectors of the economy, as Figure 3 shows.

The regional variance is more noticeable, reflecting how different parts of the world will be affected by extreme weather events, and that locations closer to the tropics will be more exposed to changes in climate extremes including heat stress and heavy precipitation events.

Conversely for transition risk, the analysis in Figure 4 shows there to be less regional variance in the level of exposure within sectors, even for some of the most exposed sectors like oil and gas, utilities and basic materials. This indicates that regardless of the operational footprints of companies in these inherently carbon-intensive industries, transition risks will be prominent.

It is worth reiterating that the models' conclusions are one view of the world, with its estimates relatively skewed towards transition risk versus physical risk. All conclusions may be subject to change as the data and the assumptions underpinning the models improve.

Fig. 3 Chosen listed securities' region-sector exposure under the aggressive physical risk scenario¹

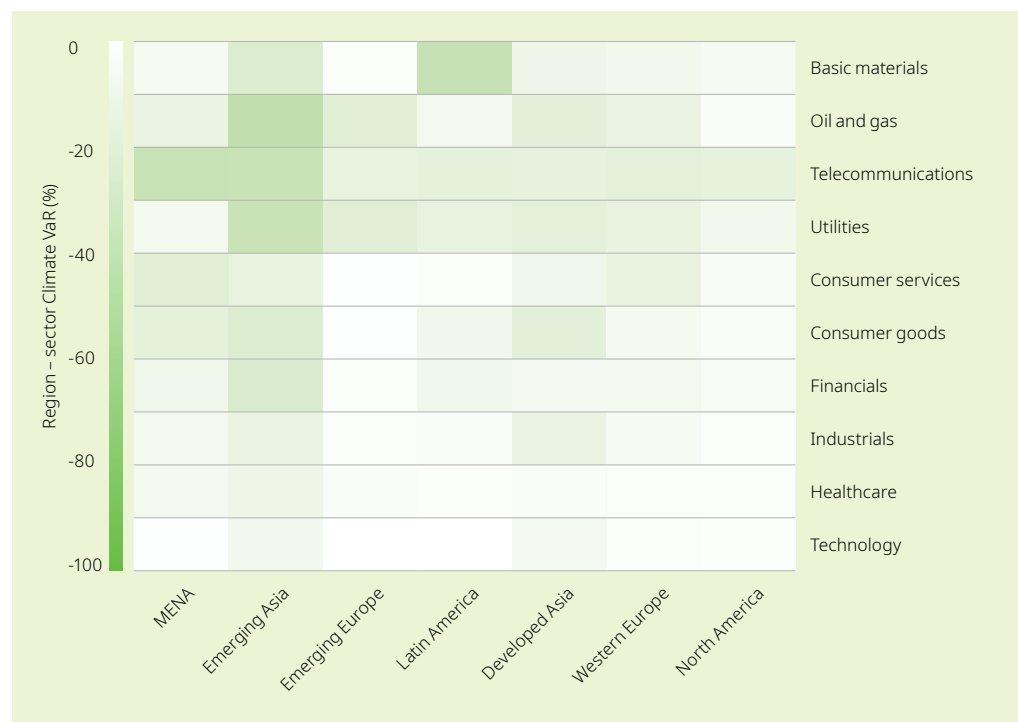
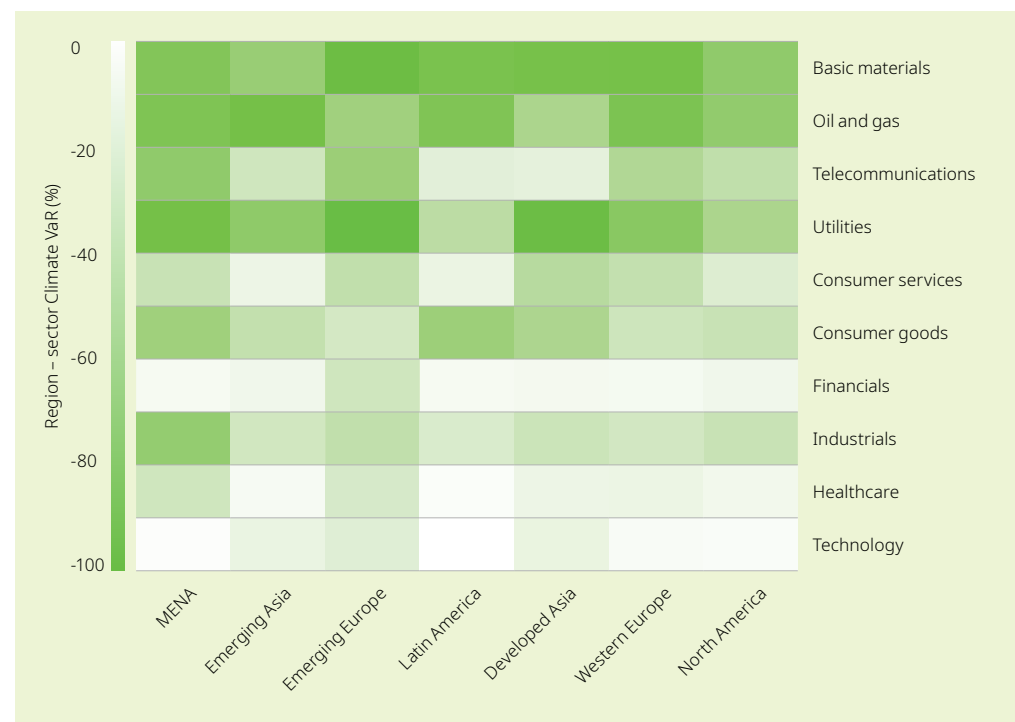


Fig. 4 Chosen listed securities' region-sector exposure under the 1.5°C disorderly transition scenario²



Sources: 1. Schroders' sectoral analysis of transition risk using MSCI Climate VaR.

2. Schroders' sectoral analysis of physical risk using MSCI Climate VaR.



Insights



The investments we manage

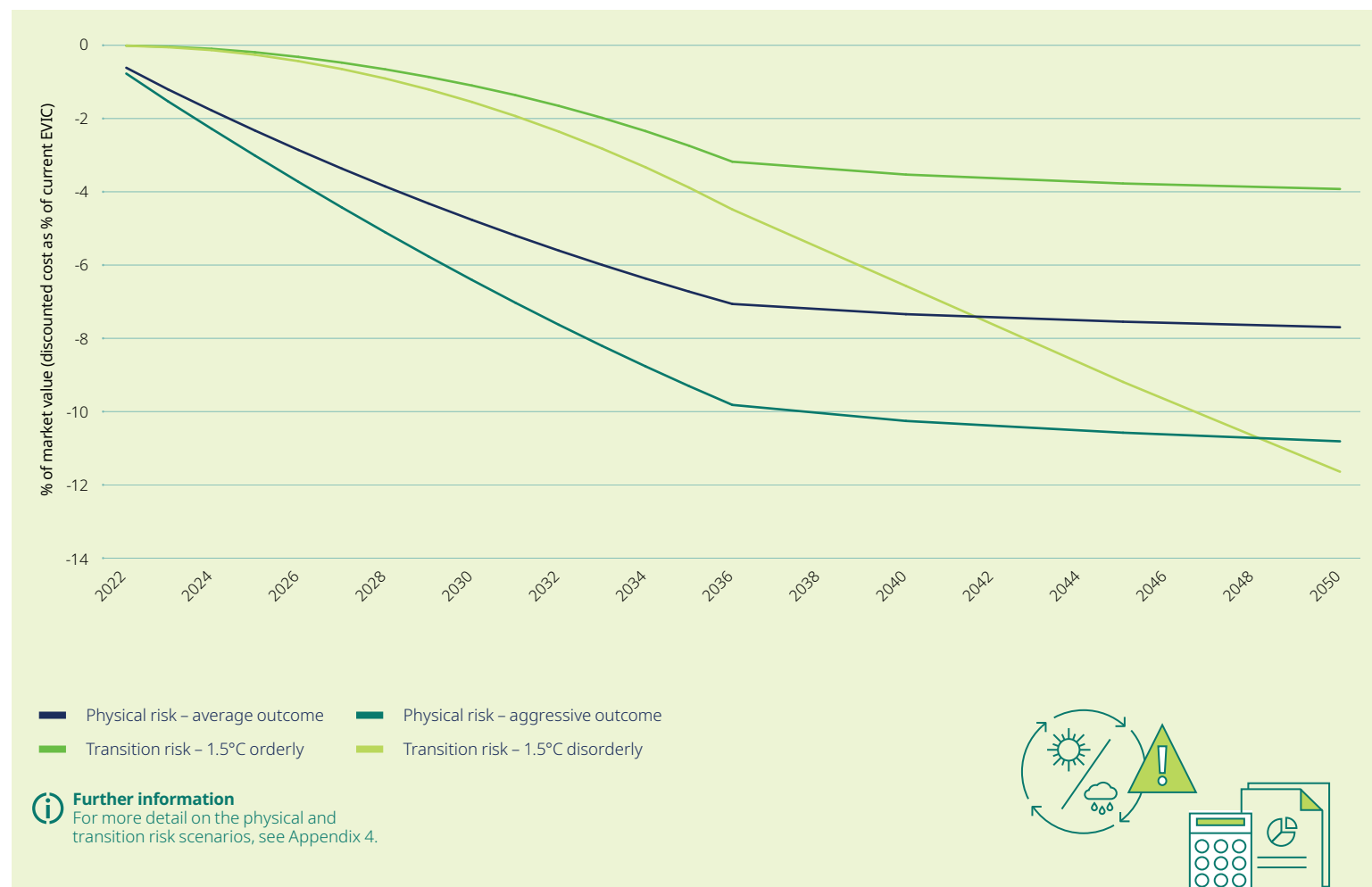
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Exposure of listed securities to climate risk over time

Figure 5 shows how the risk to the valuation of the in-scope equity and credit investments we manage could change over time. Costs associated with chronic and acute physical risks are more prominent over the next 15 years. After about 10 years, however, transition risk exposure under the 1.5°C disorderly scenario quickly accelerates and becomes the biggest potential source of downside risk to our holdings by mid-century. This scenario assumes that initially there will be a slow and uncoordinated effort to implement carbon policies, before a rapid roll-out of stringent policies force a fast-paced change in technologies.

The modelled costs companies face due to the low carbon transition typically peak by mid-century and then taper off as the world moves towards net zero. Conversely, modelled costs associated with physical climate impacts continue to grow in either scenario until the end of the 21st century. We can infer from this model that a coordinated and orderly policy response to reaching net zero, which mitigates the most severe physical impacts of climate change, is likely to reduce risks to investments.

Fig. 5 Time series assessment of the modelled costs associated from different physical and transition risk climate scenarios



Source: Schroders' time series analysis of climate-related risk using MSCI Climate VaR. Modelled costs represented as an annualised Net Present Value (NPV).

The investments we manage

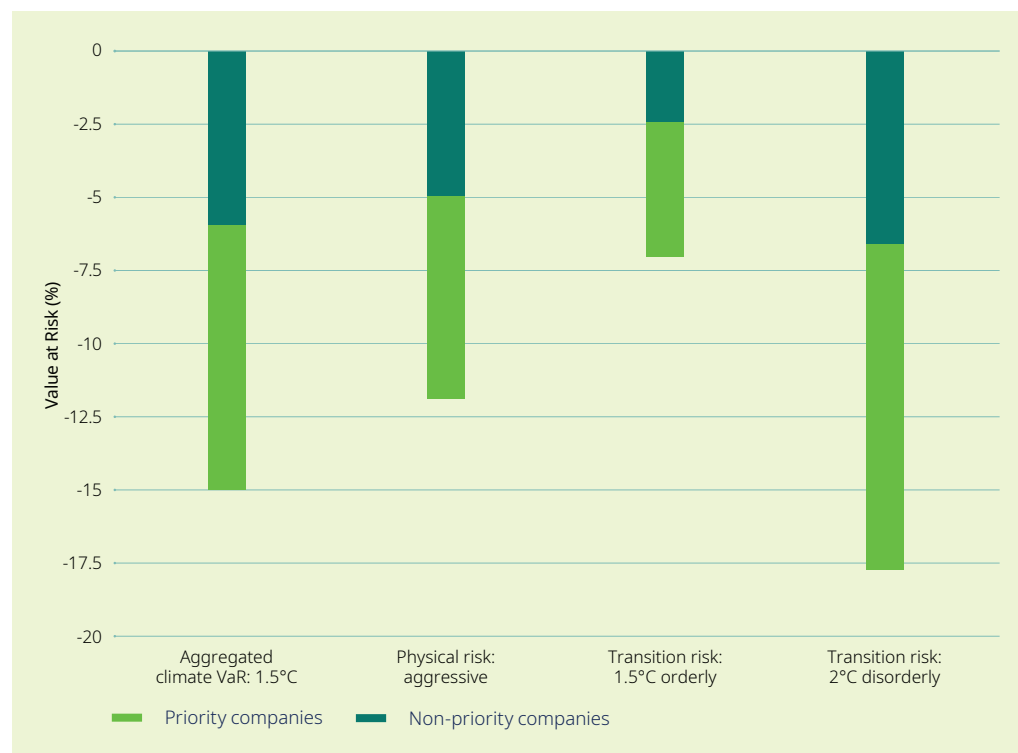
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Using these results to inform actions

In 2022, we initiated an ambitious global engagement programme. Given the size of our AUM and the number of companies in which our clients are invested in, it is necessary to prioritise engagements to concentrate our efforts on the highest emitting companies lacking ambition to transition. For more detail on this prioritisation approach, [see page 35](#).

An analysis of our transition risk exposure in Figure 6 under MSCI's Climate VaR demonstrates the effectiveness of this prioritisation. The companies we prioritised for climate engagements represent only about 10% of our investee companies. These companies in turn represent 46% of our Group corporate equity and debt exposure, but 66% of our Group transition risk exposure.

Fig. 6 Climate risk exposure: contribution to Group climate risk from priority engagement targets



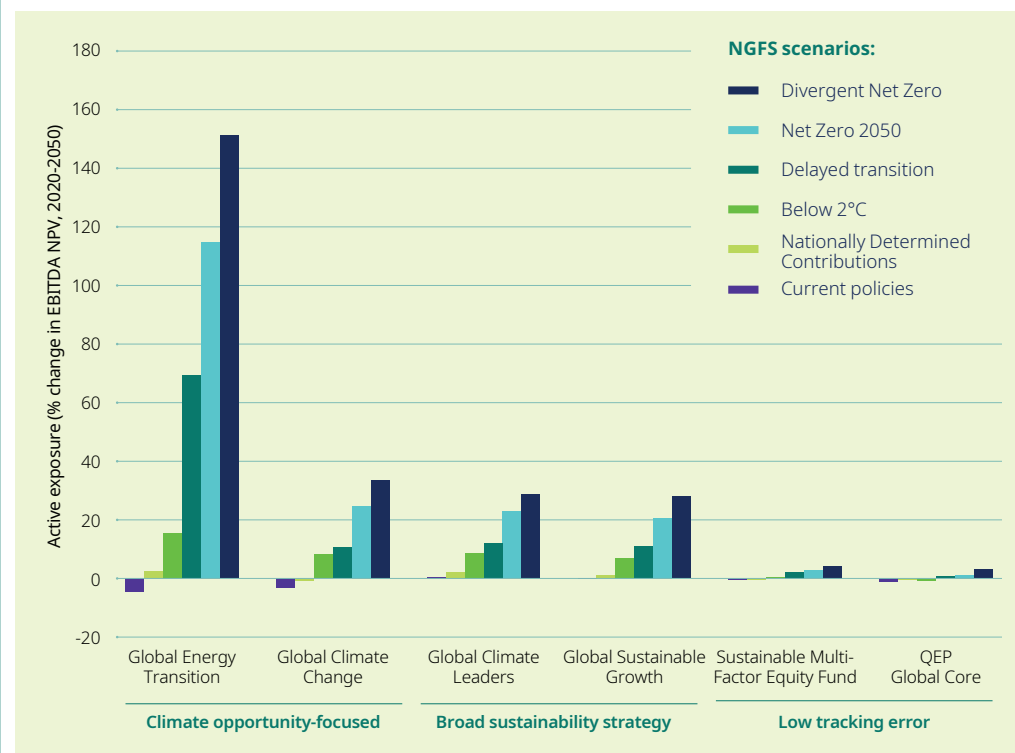
Source: Schroders' assessment of portfolio engagement companies exposure to climate risk using MSCI Climate VaR.

Our proprietary climate scenario analysis

We have dedicated considerable time and resources in our climate research, engagement and to the improvement of our proprietary models. Our Carbon VaR model is one such example (for more detail, see page 29). It provides investors with a different lens on climate-related risks and opportunities to third party analyses.

Unlike most analyses, Carbon VaR directly models company profit and loss as a result of different carbon prices to estimate the impact on company earnings. In addition, it includes estimates of price elasticity of demand, and integrates industry cost curves. This is of particular use for our climate-focused strategies, to identify opportunities emerging from the net zero transition, and for strategies focused on avoiding the companies most exposed to climate risk. See Figure 7, below, for this analysis.

Fig. 7 Range of Schroders strategies under our proprietary Carbon VaR analysis versus respective benchmark



Source: Schroders' proprietary Carbon VaR model.

The investments we manage

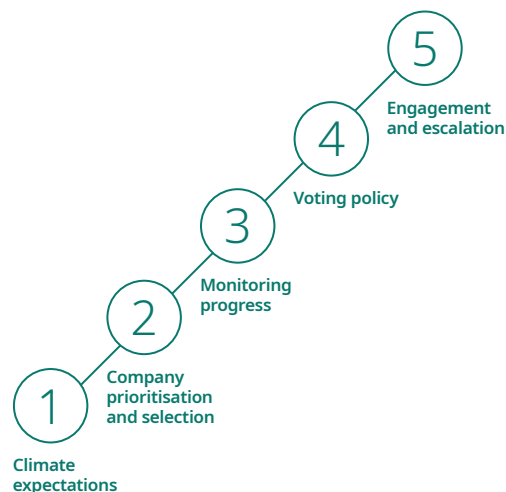
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Track and hold investee companies to account

We believe that the way we can most effectively manage climate exposure is by tracking and holding companies to account, and engaging with the most material carbon emitters in our clients' portfolios to encourage change. We do not believe that divestment is the best starting point for investors to decarbonise portfolios. We apply this mindset across both listed equities and corporate bond investments.

Climate Engagement and Escalation Framework

We have a history of engagement on climate topics with investee companies, and where relevant voting in support of positive initiatives. Our Climate Engagement and Escalation Framework sets out how we will use our influence. For more information on the original strategy, please review our CTAP.¹



1



Climate expectations

We have four climate objectives we expect large and medium-sized companies to adopt:²

1. Commit to decarbonise business models towards net zero around mid-century.
2. Set long, medium and short-term targets covering Scope 1, 2 and relevant Scope 3 emissions.
3. Publish a detailed transition plan explaining how they will deliver that transition and meet those targets.
4. Publish their performance and progress annually.

In addition, we expect companies to report annually on their climate-related risks, and the steps they are taking to manage these risks.

1. [Climate Transition Action Plan](#).
2. We recognise that smaller companies face greater resource and financial constraints than larger companies. As a general rule, we consider the largest 80% of companies we hold via listed equity or corporate bonds as in-scope of our Climate Engagement and Escalation Framework (by market cap or enterprise value). We plan to include other types of issuers (for example, sovereign bonds) in the future.

2



Company prioritisation and selection

We focus engagement efforts on companies contributing the most to our financed emissions, and where our influence is greatest. Our modelling suggests that in the period until 2030, we will need to focus activity on over 1,000 of the 10,000+ in-scope companies we invest in. We review engagement priorities annually, taking into account the progress and objectives established in previous years.

How we prioritise our engagements

Group priority companies

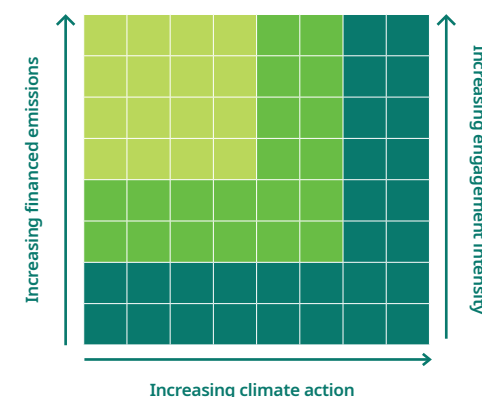
Our Sustainable Investment team lead the engagements with around 100 of the most exposed companies, working closely with investment desks (portfolio managers and analysts) and climate specialists within the firm.

Example engagement activities: Communication of our climate expectations, tailored to reflect the company's sector, region and progress to date; regular company meetings starting from 2022; close monitoring for voting and escalation purposes; participation in collaborative initiatives where appropriate.

Fund priority companies

Investment teams lead engagements for the remaining priority companies, supported by our Sustainable Investment team and climate specialists.

Example engagement activities: Communication of our climate expectations, tailored to reflect the company's sector, region and progress to date; regular company meetings starting from 2022; close monitoring for voting and escalation purposes.



Other companies

We communicate our expectations to, and monitor progress of, other companies.

Example engagement activities: Communication of our climate expectations; make information on our policies and expectations available to investee companies on our company website; ad hoc meetings; ongoing monitoring for voting and escalation purposes.

The investments we manage

continued

3



Monitoring progress

We use a data-driven approach to monitor progress against our expectations and measure the impact of our engagements. ActiveIQ and other proprietary tools allow us to track this at a company and fund level. We use a wide range of metrics to track company performance, including:

- **Ambition** to reduce emissions, such as climate commitments and emissions targets
- **Organisation** changes to facilitate transition, such as board member responsibility, remuneration
- **Action** taken to reduce emissions, such as climate policies and renewable energy use
- **Progress** in decarbonising its business model, such as reduced emissions intensity and change in absolute emissions

4



Our voting policy

In line with best practice, we adhere to a 'support or explain' approach to resolutions, aiming to vote in favour of resolutions where they align with our sustainability ambitions. This includes the following:

- **Shareholder resolutions** – In 2022, climate-related shareholder resolutions represented over 25% of shareholder resolutions at companies we invest in. We will continue to support resolutions that align with our climate expectations
- **'Say on Climate' resolutions** – These give shareholders a say to approve a company's climate targets, policy or transition plan. We only support these resolutions where we believe they are ambitious and align with our climate expectations
- **Votes against boards** – Use our vote to drive change, for example through voting against board directors in those companies significantly exposed and trailing on climate commitments

5



Our escalation policy

Where Schroders have engaged repeatedly and seen no meaningful progress, we will escalate our concerns through these methods.



Meeting or otherwise communicating with non-executive directors or the Chair of the Board



Expressing our concerns via company advisers or brokers



Collaborative intervention with other institutional investors



Withholding support or voting against the board's recommendations



Publicly stating our concerns



Submitting resolutions at general meetings

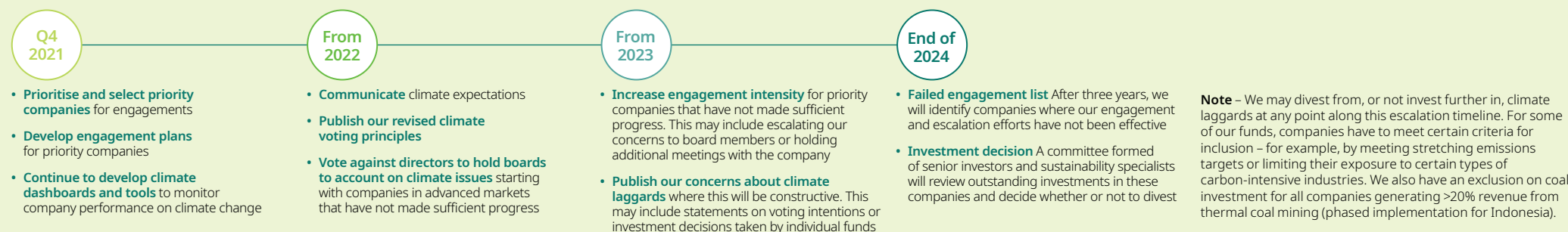


Requisitioning shareholder meetings



Divesting, which may mean a full or partial exit

Escalation timeline



The investments we manage

continued

Climate-focused engagement and voting activity

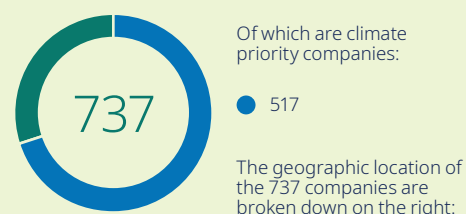
We undertook our first recorded climate engagement in 2002; since then, the scale has risen significantly. Similarly, as the number of shareholder resolutions has risen, so has the extent of our voting.

The increase in activity in 2022 has been driven further by the implementation of our climate engagement strategy outlined above. Of the more than 1,000 companies we believed would be necessary to engage with by 2030 to reach our climate commitments, we engaged with 737 companies in 2022. We identified 517 of these to be priority companies (see page 35).

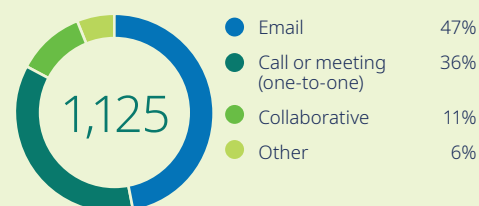
We operate on a two to three year engagement cycle starting with clear articulation of engagement objectives with priority companies. Over time, we will continue to engage and monitor company progress towards a net zero aligned business model.

Climate-related engagements¹

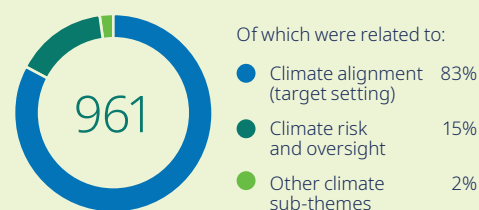
Companies engaged



Engagement event format



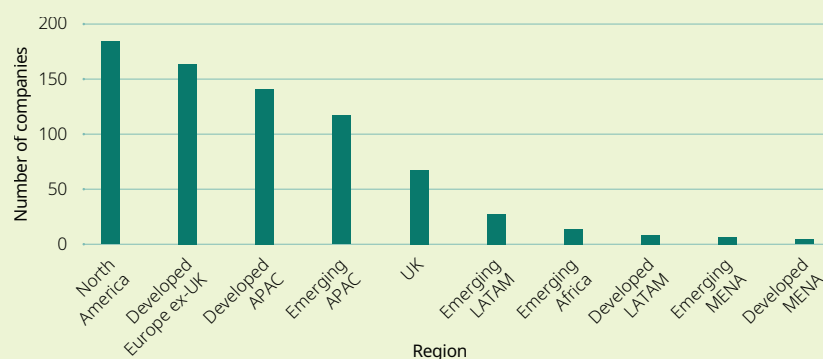
Objectives set



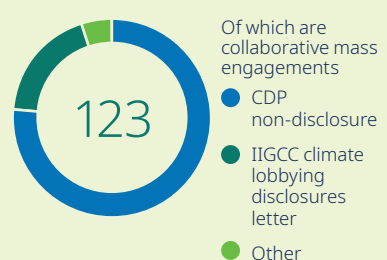
Source: [Schroders Climate Transition Action Plan](#).

1. 2022 data extracted from ActiveIQ.

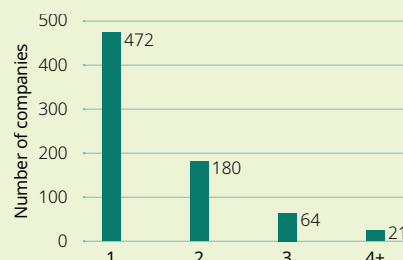
Companies engaged by region



Collaborative engagement events



Engagements per company



Outcomes

Companies engaged on climate since 2021 were almost two times more likely to set a below 2°C target

Climate-related voting and escalation

Shareholder resolutions (supported)

69%

'Say on Climate' resolutions

76%

Participation in co-filing opportunities

2

Company flagged and public statement made

1

Votes against directors (directors)

66

Votes against directors (companies)

46

Pre-declarations

3



The investments we manage

continued



Encouraging climate leadership
at a North American bank



1

We have been engaging with a North American bank since January 2021, both unilaterally and collaboratively with other institutional investors via the Institutional Investors Group on Climate Change (IIGCC). In 2021, we set three climate-related objectives:

1. To set interim milestones and science-based targets relating to the bank's net zero commitment
2. To produce a comprehensive fossil fuel lending policy, including how the bank plans to address misaligned activities
3. To report on Scope 3 Category 15 emissions

2

These three objectives were partially met over the course of the year (e.g. a policy covering thermal coal rather than all fossil fuels was introduced), resulting in further engagement in 2022, by raising three issues ahead of our voting decision:

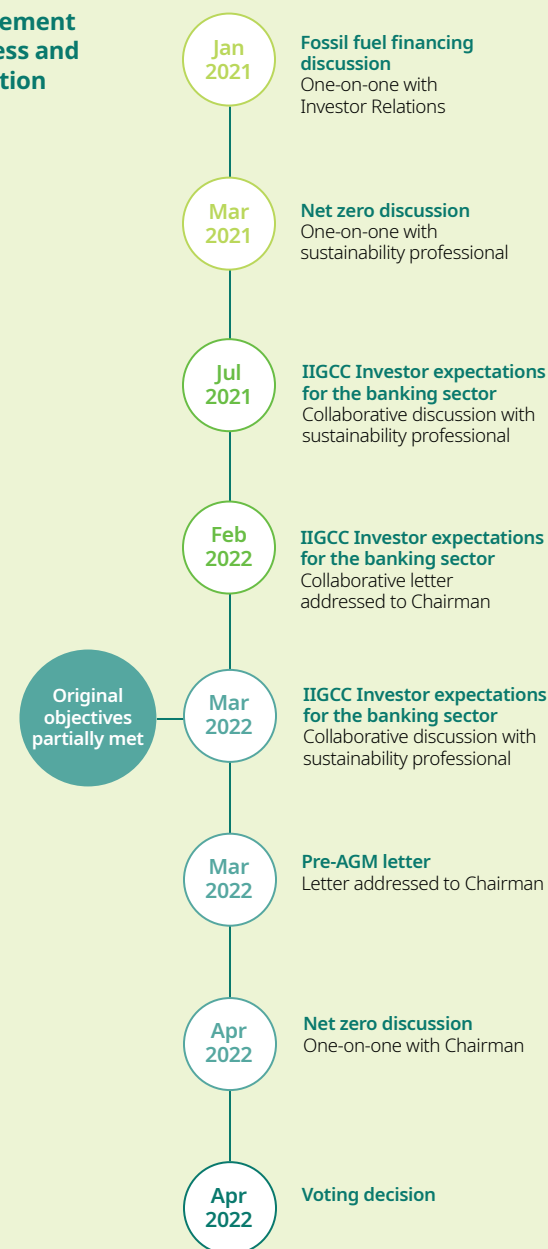
- We challenged the bank to set absolute financed emissions targets in addition to intensity-based targets for relevant sectors
- We sought validation of the bank's targets via an independent party
- We requested the bank to expand its thermal coal financing policy to cover existing clients as well as new clients, and to establish policies for other sensitive industries

3

Voting outcome:
We had the opportunity to further escalate our engagement activity through our voting rights.

- We took the decision to:
1. Vote against the Chair of the Board
 2. Support one climate-related shareholder resolution
 3. Not to support another climate-related shareholder resolution

Engagement progress and escalation



The investments we manage

continued

A solutions approach to net zero

We understand that our clients are all at different stages of their net zero transition journey and have different views of the climate challenge. This is why we are building out our three-tiered approach to our climate solutions, expanding the options available to our clients, ensuring we provide products that not only look to reduce carbon emissions but also products that contribute to environmental or nature-based solutions.

To help navigate our sustainable and impact investment strategies, we launched our Sustainable and Impact Product Framework. This is designed to provide clients with clarity on the sustainability and impact characteristics of the strategies we offer. Our climate-related strategies are typically characterised as Sustainable Thematic and Impact Driven.

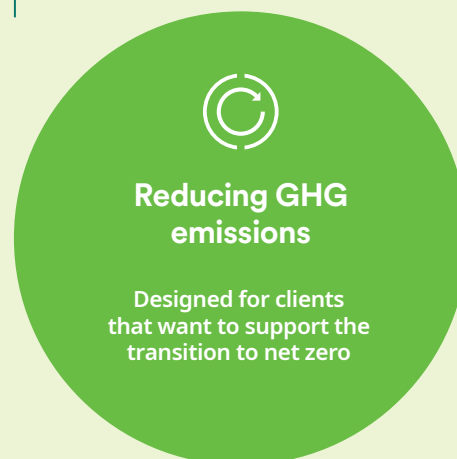
We launched the Global Climate Change (GCC) strategy in 2007 and since then have launched a range of investment strategies focused on the climate challenge. As of December 2022, we managed over £5 billion in assets across our thematic climate strategies.

We have established a solutions framework, to the right, to help our clients tackle the climate challenge.

Each of these strategies is included in our science-based targets (for more detail, see page 25). Though the aim will be for all Schroders strategies to align to our near and long-term targets, given their unique investment approach, their trajectories will vary and not always be linear.

A solutions approach to net zero

Our solutions



These solutions invest in companies who are actively transitioning to a lower carbon business model and are reducing their exposure to GHG emissions.

Comprises strategies from our Sustainable Thematic range such as Carbon Neutral Credit, Global Climate Change and Global Climate Leaders.



We do this by investing in companies that have products and services that actively contribute to specific climate-related outcomes through technological development and innovation.

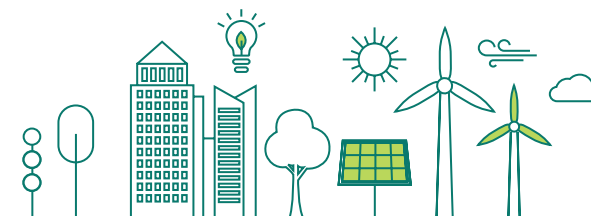
Includes strategies from both our Sustainable Thematic and Impact Driven ranges such as Global Energy Transition and BlueOrchard Emerging Market Climate Bond.

Area for future innovation



We recognise the important role natural capital will play in mitigating climate risk. We focus on analysing natural capital assets and identify the best way to maximise carbon capture and sequestration.

Comprises our investment in natcap research and Akaria Natural Capital where our aim is to provide access to conservation projects through high-quality carbon credits that benefit local communities.



The investments we manage

continued

Our approach in Private Assets

Private markets are very important to climate-related investments, with a significant portion of both climate solutions and emissions within private ownership. Schroders Capital focuses on five business segments: private equity, private debt, real estate, infrastructure and alternatives. Each requires different approaches and exposure to climate change.

The analysis on page 26 demonstrates how individual business segments of Schroders Capital are exposed to types of climate risk. Sensitivity analysis helps to highlight and prioritise the risks from climate change within different asset classes. Our ambition is to continue to develop innovative ways to capture sustainability and impact investing opportunities at scale, across a comprehensive range of sustainability challenges; within this, climate stands as a key pillar.

A first Partnership for Carbon Accounting Financials¹ aligned reporting cycle took place in 2021 for specific asset classes, to understand our baseline emissions. We aim to expand the coverage of this assessment and set science-based targets in future years, in accordance with the SBTi.

Our Real Estate business is further ahead in this journey. Recognising the built environment's contribution to global carbon emissions, the team is a signatory to the Better Buildings Partnership Member Climate Change Commitment. Complementing this, in December 2020 our real estate business published its Net Zero Pathway² and has started to establish net zero pathways. New energy and carbon targets aligned to 1.5°C using Carbon Risk Real Estate Monitor pathways for assets and funds were finalised in 2022.

Within our infrastructure business, we recognise the importance of providing infrastructure dedicated towards the energy transition, along with the increased focus of clients to achieve net zero investment obligations. 2022 saw the completion of an acquisition of a majority shareholding in Greencoat Capital, now Schroders Greencoat, a leading European renewable infrastructure manager.³

Our investment process

In common with the wider group, Schroders Capital integrates⁴ the consideration of ESG factors as part of its investment process and has adopted the Group's sustainability accreditation framework (see page 28) that establishes the approach for incorporating ESG into the investment process for different strategies. While climate change has long been considered within these ESG factors, 2023 marks the first year where there will be specific integration requirements for climate change, further embedding components of climate change within all investment desks.

Where possible, Schroders Capital uses the Group's Climate Analytics Framework to identify climate-related risks and opportunities within investment portfolios. Due to data availability constraints and asset specific considerations, some analysis of exposure is limited to listed securities. We will continue to expand the coverage as data improves, and at the same time look to alternative models with better coverage for certain asset classes. For example, real estate forward-looking net zero carbon pathways are examined using the Carbon Risk Real Estate Monitor (CRREM).

Our integrated investment process seeks to contribute to climate change through a range of strategies and themes, including climate mitigation and adaptation, and natural capital solutions.

Further information
For more detail on ESG integration, see page 76.

1. PCAF Global GHG Accounting and Reporting Standard for the Financial Industry <https://carbonaccountingfinancials.com/standard>
2. [Schroders Real Estate Net Zero Pathway](#)
3. <https://www.schroders.com/en/global/media-relations/media-centre/schroders-completes-acquisition-of-majority-shareholding-in-greencoat-capital/>
4. Excluding Schroders Greencoat, who will aim for accreditation in 2024.



The investments we manage continued

Our product range

One of the main focuses within Schroders Capital is developing innovative products and funds with a clear focus on sustainability and impact outcomes. As of 30th June 2022, one-third of the Schroders Capital portfolio was held in sustainable or impact investing strategies, and around 80% of the product pipeline (conceptual and development stage) was in strategies with sustainable or impact investing characteristics.

2022 saw the new Climate+ LTAF (the Fund) submitted to the FCA for regulatory approval. The Fund is a multi-private asset impact portfolio targeting negative carbon emissions. There are three key pillars to the strategy, each targeting a component of the climate issue: mitigation, adaptation and capture, through nature-based solutions. The year also marked the launch of the second vintage of BlueOrchard's InsuResilience Investment Private Equity Fund, focusing on technology to drive access and affordability of climate insurance. Both of these launches demonstrate the depth and breadth of our climate change considerations.

Our climate change assessment expands beyond the traditional areas, encompassing new areas such as natural capital. In 2022, with the establishment of Akaria Natural Capital to accelerate investment in natural climate solutions, we began embedding natural capital within specific strategies, such as Climate+. We also explored the social dimension of climate, such as just transition and climate justice, and worked with the Impact Investing Institute to provide feedback on their evolving just transition framework, while also continuing to consider its inclusion within investment analysis and our impact product range.

Impact is a growing focus within Schroders Capital. With it comes a focus on climate impact as part of the assessment with strategies aimed at, or incorporating, climate considerations and evidence-based impact. Our impact investing framework is aligned with the Operating Principles for Impact Management to which Schroders is a signatory.¹ Climate+ will be one example where climate impact is the main objective.



A spotlight on Schroders Greencoat

Schroders Greencoat is a leading European renewable infrastructure manager; across wind, solar and bioenergy and heat infrastructure. The ambition is to become a global leader within this sector; providing vital capital to the energy transition, key in accelerating efforts towards net zero in numerous geographies.



1. <https://www.impactprinciples.org/>

The investments we manage continued



Our reporting package for all clients includes the carbon emissions of their own equity portfolio.

Our approach in Wealth Management Driving change and investing in solutions

Wealth management is a core business and strategic priority within the Group. Together, we look after £98 billion¹ of assets for our clients worldwide.

Our Wealth Management business with offices across the world has four franchises: Cazenove Capital and Benchmark Capital in the UK; Schroders Wealth Management in Continental Europe and Asia Pacific; and Schroders Personal Wealth, our joint venture with Lloyds Banking Group.

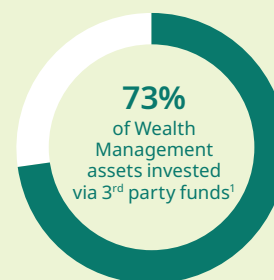
Insights

We consider climate risks both within the investment strategies and the managers we invest in. For example, we ask managers how they assess the carbon footprint of their portfolios, how they engage on potential stranded asset risk, and how they vote against directors on climate as a form of escalation.

Our standard reporting package for all clients includes the carbon emissions of their own equity portfolio compared to a benchmark.

1. As at 31 December 2022. The stated AUM includes Cazenove Capital, Benchmark Capital and Schroders Wealth Management. The % invested in funds is based on Cazenove Capital and Schroders Wealth Management portfolios.
2. Example investments are not a recommendation to buy or sell.

Case study: Insights Annual manager ESG survey



185
managers representing over

£50trillion
of assets under management

18
climate specific questions

Key findings

- Number of net zero pledges continues to rise
- 80% of managers with net zero commitments have set decarbonisation targets, but these mainly focus on Scope 1 and 2 emissions and long-term time frames
- Of those with targets, only half have published a climate action plan to explain how targets will be met
- Only 20% of managers have a coal phase out policy in place, and most of these only apply to sustainable ranges

Case study: Influence Targeted climate engagement

We engaged with 21 managers representing £27 trillion of AUM selected on the basis of materiality

Aiming to understand:

- Manager climate commitments
- Decarbonisation targets, methodology and tools to measure progress
- Approach to coal, oil and gas sectors
- Active ownership policies, engagement and voting activity and industry collaboration

Key findings

- 67% of these managers have made a net zero commitment
- Most used methodology is IIGCC's Net Zero Investment Framework, followed by SBTi
- Most engagement programmes focus on high emitting sectors
- Voting practice varies, often with a lack of integration of climate policy or evidence of escalation

Case study: Innovate Investing in climate solutions

Schroders' Sustainable Diversified Alternative Assets Fund
Launched: March 2022 | AUM: £185m

30
investments

50%
tackling climate change

Example investments²

ThomasLloyd Energy Impact Trust:

- **Negros Island Solar Power:** Investing in a 32MW and 48MW photovoltaic solar plant, increasing the proportion of clean energy in the Philippines' energy mix and displacing fossil fuel sources

HydrogenOne Capital Growth:

- **Bramble Energy:** Manufacturing equipment for the production and use of hydrogen including a printed circuit board fuel cell solution



Our own operations

We are committed to reducing the environmental impact of our own operations and have set an ambitious strategy to manage and improve our environmental performance. In the process, we are engaging our people and suppliers to support our goals.

This section outlines how we identify and manage the climate risks and opportunities for our own operations, our targets, actions we are taking to meet them and progress.

Identifying risks and opportunities

We carry out an annual inventory of all relevant GHG emissions within our financial control boundary, which follows our financial accounting consolidation approach. This helps us understand where the risks and opportunities are in our direct and indirect operational activities. Our key operational risks and opportunities are managed by the business functions. For example, the physical risks and transition opportunities for our offices are managed by Workplace Services; our company car fleet is managed by Human Resources (HR); and our supplier due diligence is managed by Procurement and relationship managers within the business. These business functions are supported by the Corporate Sustainability team. The Group Sustainability and Impact (GSI) Committee recommends the overall strategy and monitors the progress against our targets.

Further information
For our full operational GHG emissions data, including our reporting boundary, see page 68.

Risks and opportunities

The decarbonisation of the global economy poses a number of risks and opportunities to our own operations. We consider these over the following time horizons:

Time frame

S Short term
0-5 years

M Medium term
>5-10 years

L Long term
10+ years

Risk	Description	Time frame	Impact	Rating ¹	Operational management approach
Climate risks					
Transition: Policy & legal	Increased carbon pricing on our own emissions	L	Increased costs	Low	Monitoring by the Policy, Regulatory and Compliance teams. Supported by Corporate Sustainability, Sustainable Investment and Sustainability Regulatory Steering Committee.
Transition: Policy & legal	Increased regulatory requirements	S	Increased costs	Medium	Monitoring by the Policy, Regulatory and Compliance teams. Supported by Corporate Sustainability, Sustainable Investment and Sustainability Regulatory Steering Committee.
Transition: Technology	Costs to transition to lower emissions technology for own emissions	M	Increased costs	Medium	Feasibility studies and modelling at property level. Specific initiatives dependent on technology (for example, Building Management System upgrades, onsite renewables, electric car charging points).
Transition: Market	Increased volatility in energy prices due to supply chain disruptions	S	Increased costs	Medium	Energy contracts are monitored at property level. Where we procure directly, we carry out energy market analysis and a tender process to achieve a competitive price. RE100 compliant contracts are prioritised.

Further information
For more detail on how we identify, assess and manage climate and nature-related risks and how these processes are integrated into the wider risk management framework, see page 57.

1. Relative impact of the risk on Schroders' own operations.



Our own operations

continued

Risk	Description	Time frame	Impact	Rating ¹	Operational management approach
Climate risks continued					
Transition: Reputation	Perception of not having responded appropriately to climate challenges	S	Decreased revenue	High	Monitoring of external benchmarks and emerging best practice by internal teams (for example, Corporate Sustainability). Use of indicators and external benchmarks (for example, CDP) to improve performance. Ongoing monitoring and discussion at relevant Committee (for example, GSI Committee).
Physical: Acute & chronic	The impact on physical operations of extreme weather events or changes in temperature	L	Increased business disruption, capital expenditure and insurance costs	Medium	Real estate climate risk model (provided by Verisk Maplecroft). Risk assessment of our office locations evaluating 23 individual acute (for example, drought, flood, severe storm) and chronic (for example, heat stress, water stress, air quality) risk indicators. Review of insurance premiums.
Climate opportunities					
Resource efficiency	Increase energy efficiency of property portfolio	S	Decreased GHG emissions and costs		Implement ISO 14001 Environmental Management System (EMS) certification. Feasibility studies and modelling at property level. Specific initiatives dependent on measure, for example, Building Management System upgrades.
Energy source	Lower emission sources and increased resilience of energy for offices and car fleet	S	Decreased GHG emissions. Short term increase in costs		Feasibility studies and modelling at property and fleet level. Specific initiative dependent on measure (for example, onsite renewables, hybrid/electric company cars).

Time frame



Short term
0-5 years



Medium term
>5-10 years



Long term
10+ years



Further information

For more detail on why we have chosen these time frames, see page 53.

1. Relative impact of the risk on Schroders' own operations.

Our own operations

continued

Our operational climate change strategy

Our operational climate change strategy focuses on reducing our environmental impact by decreasing energy demand, increasing energy efficiency and switching to low-carbon sources of energy. We also engage with our suppliers to request and support them in setting their own science-based targets.

Direct activities: offices and fleet

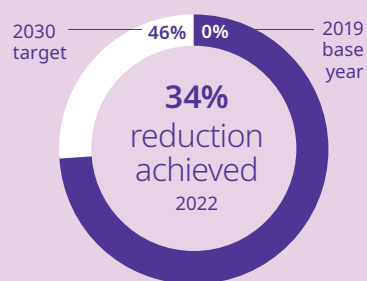
Reducing our greenhouse gas emissions



Our target

Reduce Scope 1 and 2 (location-based) emissions by 46% by 2030 from a 2019 base year

Progress against target

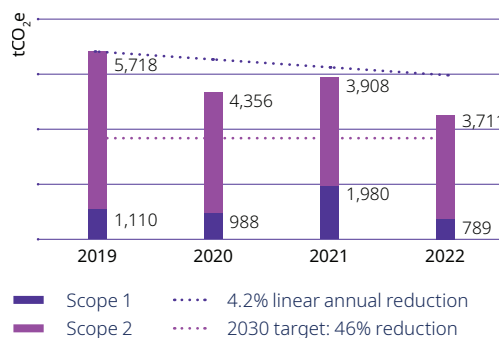


Our progress

In 2022, our total Scope 1 and 2 GHG emissions decreased by 34% from the 2019 base year and decreased by 24% compared to 2021. Specifically, our total Scope 1 GHG emissions decreased by 29% from the 2019 base year and decreased by 60% compared to 2021, and our total Scope 2 GHG emissions decreased by 35% from the 2019 base year and decreased by 5% compared to 2021. The SBTi defines a 4.2% reduction in GHG emissions in linear annual terms, to be in line with a 1.5°C trajectory. This means that our 2022 Scope 1 and 2 GHG emissions should represent a minimum of 12.6% reduction against our 2019 base year emissions, to which we achieved a 34% reduction. Although we recognise our progress will not be linear, we are currently on track with a 1.5°C aligned science-based pathway.

A main cause of reduction to our Scope 1 GHG emissions was the decrease in fugitive emissions in our London headquarters. We also saw a significant reduction in company car emissions since 2019 due to less business miles being recorded and an increased uptake of hybrid and electric vehicles. The ongoing decarbonisation of national electricity grids acts as a significant contributor to our Scope 2 electricity emissions reducing over time. This, combined with the implementation of energy efficiency measures, led to the reduction in our

Scope 1 and 2 emissions performance



Scope 2 emissions. Despite a 16% increase in employees, Scope 1 and 2 emissions per employee have decreased from 1.27 tCO₂e in 2019 to 0.73 tCO₂e in 2022.

Our actions

Reducing energy consumption in our offices

We are developing site-specific net zero action plans to continue to reduce our emissions and meet our science-based emissions reduction targets. These include energy efficiency measures, building on best practice, and taking advantage of emerging technologies. To date, we have developed net zero action plans for our London headquarters and Horsham estate in the UK for implementation in 2023 and beyond. These sites represent 59% of our Scope 1 and 2 emissions and are therefore a significant focus of our emissions reduction strategy. These action plans have been supported by decarbonisation audits, which included an assessment of how existing plant can be optimised and emissions reduced, as well as the viability for onsite renewables. As we look to electrify our buildings to reduce the use of fuel sources, including gas, our renewable electricity plan will become more important (for more detail, see page 46).

We have redefined our office sustainability selection criteria to align with our science-based targets commitment, and will apply these when considering new office locations and to support 'stay versus go' decisions. We have developed a methodology to estimate the impact on our Scope 1 and 2 emissions as a result of moving into a new office. GHG emissions impact and sustainability credentials are now key considerations of the Group Capital Committee property assessments. In addition, we continue to implement green lease clauses to require data provision and green electricity procurement and will review existing leases for opportunities to align with these criteria. These processes were recently applied to two of our European offices: one where we decided to relocate to a smaller, more energy efficient office and the other where new green lease principles

have been agreed by the landlord, which focus on the sharing of utility consumption data, improving energy efficiency and buying renewable electricity.

Implementing environmental management systems

We are certifying our largest office sites to the ISO 14001 EMS standard to address site-level environmental risks and to set appropriate targets. To date, our global headquarters in London (in 2020), New York and Hong Kong (in 2021) have achieved certification. In 2022, we certified our Horsham estate, Luxembourg and Singapore offices. Collectively, these buildings are responsible for 76% of our building-related Scope 1 and 2 emissions and cover the primary office location of 74% of our employees. We are audited by an independent consultancy and by an independent audit body each year to maintain our certification, holding us to account against our site-level targets and legislative requirements. These audits also provide recommendations for continual improvement. In 2023, we will commence ISO 14001 EMS implementation in our Frankfurt, Sydney and Schroders Greencoat London offices, which will cover a further 4% of our building-related Scope 1 and 2 emissions. We continue to align our smaller office locations with these ISO 14001 EMS principles and procedures.

Making our company car fleet more sustainable

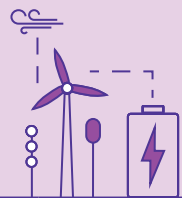
We have 112 leased cars across the world. Company car emissions contribute 15% to our Scope 1 emissions, which is why we have committed to transition our company car fleet to hybrid or fully electric by 2025 (with a strong preference for fully electric unless impractical) with the aim of being fully electric by 2030. In 2022, 56% of our fleet was hybrid or electric. We undertook an exercise to map all vehicle types against lease expiry dates to support the switch to low or zero emission cars. We recognise the global supply challenges impacting lead times, which means we are now considering earlier lease renewals.

Our own operations

continued

Direct activities: offices and fleet

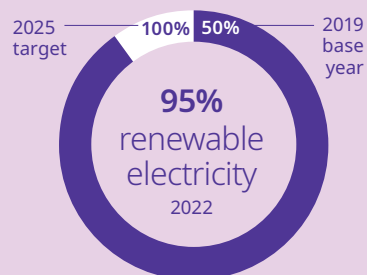
Increasing renewable power



Our target

To increase annual sourcing of renewable electricity to 100% by 2025¹

Progress against target



Electricity usage contributes 89% of our Scope 2 GHG emissions, which is why we are committed to using 100% renewable electricity for all our owned or leased offices globally. In 2019, we joined RE100, a global corporate renewable energy initiative bringing together the world's most influential businesses to help accelerate change towards zero carbon electricity grids at scale.

Our progress

In 2022, we increased the annual sourcing of renewable electricity to 95%² compared to 84% in 2021. Our 2022 figures are in line with the RE100

criteria, which will be assessed and verified in our CDP 2023 submission (with results published in December 2023). This 11% increase in renewable electricity was primarily due to the purchase of renewable electricity certificates for our global locations, where we could not directly influence the electricity supply.

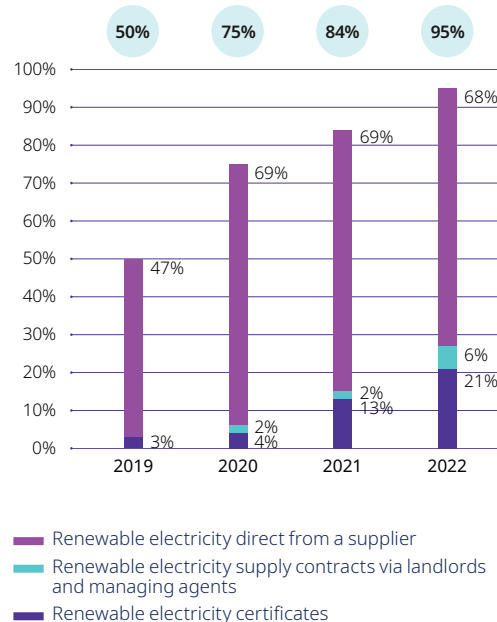
Our actions

Site-level action plans are being developed to look at the opportunities to install onsite renewables, switch to green electricity tariffs or buy renewable electricity certificates. We will continue to pursue

the highest impact strategies for consuming and purchasing renewable electricity (see below) and look to diversify our procurement profile, to source not just through indirect methods but also direct methods such as renewable electricity generation. We will review our approach annually to align with the recommendations and criteria set by RE100.

1. For all offices owned or leased by Schroders (to cover the boundary of all Scope 2 emissions within our financial control as defined by the GHG Protocol).
2. Progress towards our RE100 target is verified as part of our annual CDP submission.

Renewable electricity consumption (RE100 progress)



Best practice renewable electricity procurement

1. Install renewable electricity

Installing and generating renewable electricity. This provides a high level of control and transparency of renewable electricity claims. It also directly reduces Scope 2 GHG emissions.

We will assess the feasibility for onsite renewable electricity installations at offices we own or control and review opportunities for owned off-site installations.

2. Buy renewable electricity from a supplier

Buying an electricity supply directly from the energy supplier where all renewable sources are known and verified. The control of supply terms and contract length is beneficial given the current uncertainty in the energy market.

Currently, our green contracts are procured from retail providers; however, we will review opportunities for direct Power Purchase Agreements with renewable electricity generators.

3. Obtain renewable electricity supply contracts via landlords and managing agents

Engaging with landlords and managing agents to buy renewable electricity contracts for offices where we do not control the supply.

When leases are up for review or new offices are acquired, green lease clauses are included where feasible, to support the provision of an RE100-compliant renewable electricity contract.

4. Buy renewable electricity certificates

Buying renewable electricity certificates (also known as energy attribute certificates) guarantees that the amount of electricity we consume from the grid is generated and returned into the same grid from renewable sources. This route is used when we are unable to influence the electricity supply, for example when our electricity is procured by a landlord or service provider.

Currently 21% of our electricity consumption is supported by renewable energy certificates; our goal is to reduce this proportion and shift more of the consumption into the other three methods listed above.

Our own operations

continued

Direct activities and value chain: flexible working, waste and water

Establishing flexible working and supporting our employees with their own emissions

Since 2020, we have calculated employee homeworking emissions to better understand the impact of flexible working, prompted by the impacts of COVID-19 and our Flexible Working Charter. Based on an open source homeworking carbon calculation methodology from EcoAct¹, we surveyed our people to understand average working habits and used various industry sources to estimate the emissions associated with the additional heating and cooling, lighting and use of technology from working from home. Each year our methodology is reviewed to include up-to-date emissions factors and industry insights.

Further information
For our policies, position statements and key documents, see Appendix 2.

We received a total of 3,179 responses, representing 51% of our global workforce. In 2022, the number of days working from home, on average, reduced compared to 2021, however, our homeworking GHG emissions increased by 46% to 699 tCO₂e. The increase in emissions was due to our employee headcount increasing by 10% compared to 2021 and an improvement in our methodology, such as applying country-specific emissions factors. We will continue to develop and monitor this emerging category of GHG emissions reporting.

Through the same annual survey, we also collect data to measure GHG emissions from employee commuting. In 2022, we launched a new Ultra-Low Emissions Vehicle salary sacrifice scheme for employees in the UK to incentivise the switch to an electric vehicle. This is being supported by reviewing the potential for additional electric charging facilities at our UK offices. Where relevant, this will support a reduction in commuting emissions.

Reducing our waste disposal and water consumption

Moving towards a more circular economy that limits waste and pollution and promotes reuse and recycling is good for climate and nature. We want to reduce resource consumption and improve waste management in our offices around the world.

Waste

We are taking steps to manage our waste effectively through waste avoidance and reduction and by improving our recycling rates. Our commitment to this is supported by our ISO 14001 EMS through which our waste management operations (including waste electrical and electronic equipment (WEEE) and other hazardous wastes) are audited to be in line with best practice.

In 2022, we produced 494 tonnes of waste globally, of which 65% was recycled. In our London headquarters, our total waste produced decreased by 38% from 2019 levels and increased by 40% compared to 2021. Despite average monthly occupancy nearing 2019 levels at our London headquarters in 2022, waste produced remained low, due to the impacts of waste reduction initiatives. For example, we separate, weigh and analyse our waste daily into 11 waste disposal streams to maximise recycling efficacy and identify areas for improvement. This has resulted in recycling rates improving from 69% in 2021 to 82% in 2022. Where recycling is not possible, waste is converted to energy. For example, food waste is sent to an anaerobic digestion plant, which breaks it down into fertiliser and biogas, which in turn is converted into a clean supply of electricity and heat.

Further information
For our operational GHG emissions, see page 68. For our waste and water data, see page 69.



We are taking steps to make sure we monitor and manage our waste and water effectively.

Water

In 2022, we increased our water use monitoring across our global operations and verified consumption data for 83% of our office operations. In 2022, our global water use was 9 m³ per employee. This is in line with the latest Real Estate Environmental Benchmark (REEB) typical practice water use benchmark.² This new global data will be reviewed alongside the outcomes of our Verisk Maplecroft analysis to better understand water consumption in areas of water scarcity and inform future environmental management strategy. We have previous year comparisons for our London headquarters, which shows the total water consumed increased by 44% from 2019 levels and increased by 53% compared to 2021. This was due to an increase in building occupancy as well as a decrease in rainfall, resulting in increased consumption of mains water and less availability from our greywater system.

Further information
For more detail on our Verisk Maplecroft analysis, see page 57.



1. <https://info.eco-act.com/en/homeworking-emissions-whitepaper-2020>
2. https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/2020%20Real%20Estate%20Environmental%20Benchmarks_2.pdf



Our own operations

continued

Value chain: business travel and supply chain

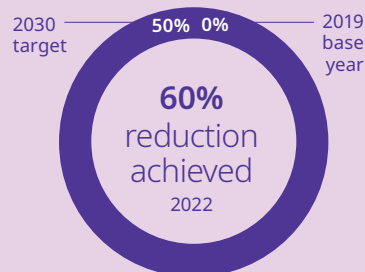
Reducing business travel



Target

**To reduce absolute business travel
GHG emissions by 50% by 2030
from a 2019 base year**

Progress against target

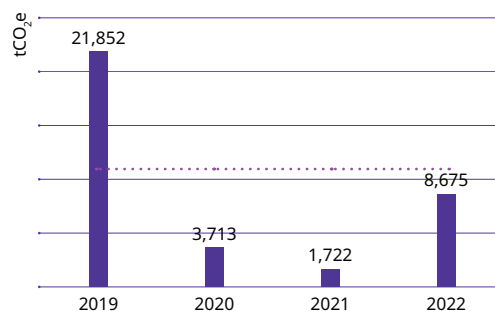


Our operational Scope 3 value chain emissions (excluding our financed emissions) are about 26 times larger than our Scope 1 and 2 emissions. As 96% of these Scope 3 emissions relate to business travel and supply chain, we have chosen to set additional targets for these areas.

Our progress

Our business travel GHG emissions have decreased by 60% from the 2019 base year, but have increased by 404% compared to 2021. The ongoing impact of COVID-19, particularly in the first half of 2022, has resulted in a significant reduction in business travel emissions compared to 2019 levels. However, as travel restrictions continue to be relaxed globally, we have seen an increase in our emissions, with business travel (particularly air travel) increasing quarter-on-quarter in 2022.

Scope 3 business travel emissions performance



..... 2030 target: 50% reduction

Our employee headcount increased from 5,650 in 2021 to 6,196 in 2022 and our business travel GHG emissions per person also increased. They were 1.4 tCO₂e per full time equivalent (FTE) employee compared to 0.3 tCO₂e per FTE in 2021.

Our actions

Re-setting business travel behaviour

Business travel is a necessary part of the way we work and collaborate. At times we need to meet in person with clients, stakeholders and each other. However, we continue to challenge ourselves on the purpose, frequency and mode of travel. This is endorsed by our Travel Policy which encourages business travel to be kept to a minimum by requiring a clearly defined business purpose for each journey. It also promotes the use of more sustainable transport methods where appropriate.

So that our employees can meet and collaborate effectively online, we will continue to invest in communication technologies. For example, we are exploring the use of hologram technology to connect with clients; in 2022, we rented a holographic display device for four events in

our New York City office. This allowed some of our London-based colleagues, including our Group Chief Executive, to see, hear and interact with attendees in real time and in life-size.

We have started working on a project to develop our travel reporting software. To be launched in 2023, this will improve our sustainability reporting capabilities, allowing us to better analyse the data and make more climate-conscious decisions on travel.



Further information

For our policies, position statements and key documents, see Appendix 2.

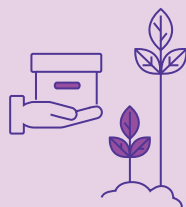


Our own operations

continued

Value chain: business travel and supply chain

Supply chain and engagement



Our target

Work with our suppliers so that 67% of suppliers in scope¹ (by GHG emissions) will have science-based targets by 2026.

Progress against target



Our progress

In 2022, 25% of our suppliers in scope¹ (by GHG emissions) have set a science-based target. This compared to 10% in 2021 and 1% in 2019. This 25% of suppliers represented 22% of our total supply chain spend. A further 2% of suppliers (by GHG emissions) have committed to set a target within the next two years.

We consider targets to be science-based if they are validated by the SBTi or are aligned with the SBTi criteria. Our assessment reviews target year, absolute annual emissions reduction and coverage criteria and is also aligned with CDP's approach to assessing science-based targets. We accept other frameworks and certifications that meet SBTi criteria including The Carbon Trust Route to Net Zero Standard (Advancing) and the SME Climate Commitment. We will continue to adjust our methodology to acknowledge other emerging frameworks and certifications aligned with the SBTi criteria.

Our supplier engagement plan has been designed so that it can be applied across our supply chain over multiple years:



Our actions

Taking a similar approach to our active ownership programme with investee companies, we have a supplier engagement plan to help achieve our target. We recognise this is an ambitious target for a company like ours with a large and diverse supplier base. However, we are committed to doing what we can, as well as to working with others across the industry and beyond, to influence this change through our supply chain. In addition to putting sustainability procurement standards in place, we want to support and collaborate with our suppliers, as we recognise that many are not large organisations with the resources or know-how to be able to measure, commit, act and report on climate.

In 2022, we contacted more than 200 suppliers to state our climate expectations, understand their existing sustainability commitments and climate targets, and provide links to useful resources. Our engagement approach will be based upon the maturity level of the supplier's sustainability commitments. This will enable us to provide the greatest support to those suppliers who need it most.

In June 2022, we provided funding for five of our UK based small and medium-sized enterprises (SMEs), who had not yet set science-based targets, to participate in a 12-month 'Foundations for Responsible Business' programme delivered by the charity Heart of the City. Encompassing three modules – environment, people and community – the programme aims to enable each SME to create and implement a sustainability strategy and includes access to a comprehensive Climate Action Toolkit. In 2023, we intend to launch a platform that will help our suppliers measure their own carbon footprint, and provide guidance on how to reduce this, as well as access to resources that will help them through the process of setting a science-based target. We are also exploring ways in which we can collaborate with peers across industries so that we can work together to deliver solutions for our suppliers in support of our individual and collective corporate sustainability goals.

From an operational standpoint, all material suppliers (those that have the most significant impact on our Group's operations and value generation) and new suppliers (with spend in excess of £50,000) need to annually attest to our Supplier Code of Conduct². This requires suppliers to have environmental policies and processes in place. Sustainability criteria are also now a mandatory part of our due diligence processes when onboarding and monitoring all material suppliers. The sourcing of new suppliers includes analysis of their sustainability commitments. The evaluation scorecard includes weighting for climate credentials with a higher score given to those who have set science-based targets or have committed to do so. New suppliers that fall in scope are asked to commit to setting a science-based target by 2026, as are existing suppliers of any long-term contractual commitment beyond 2023. Where possible, we are including a contractual obligation within standard terms to set a science-based target by 2026 in both new and multi-year renewal third-party contracts over a minimum spend threshold.

We will continue to work collaboratively with our incumbent suppliers, providing guidance and support to help them navigate the process of setting a science-based target. Should an incumbent supplier repeatedly fail to make a commitment, despite our support, we will reassess the relationship.

We will gather and track suppliers' Scope 1 and 2 emissions data to improve the accuracy in calculating our supplier GHG emissions. This will help in setting a future supplier emissions reduction target post 2026.

1. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.

2. <https://www.schroders.com/en/sustainability/corporate-responsibility/supplier-code-of-conduct/>

Our own operations

continued

Climate neutral operations and the role of carbon offsetting

Our primary focus is on our decarbonisation plan, leveraging our own actions and influence to reduce GHG emissions. We also believe that, as we go through our net zero transition, there is a role for carbon offsetting. This is both to compensate for emissions that will still be released on our transition pathway and to neutralise residual emissions through carbon removals at the point of net zero.

There is a limited carbon budget to prevent global warming of 1.5°C above pre-industrial levels and carbon offsetting helps preserve and extend this budget. The voluntary carbon market helps direct financing to climate action projects in emerging and developing economies and these often have additional benefits such as biodiversity protection, pollution prevention, public health improvements and job creation. Carbon credits also support investment into the innovation required to lower the cost of emerging climate technologies.

Since 2019, we have been operating our business on a climate neutral basis and intend to continue to do so in the future. This means we have offset our Scope 1, 2 and all relevant and reported operational Scope 3 emissions (for example, emissions from business travel, employee commuting and homeworking) with Climate Impact Partners. The only exclusions are emissions associated with suppliers and our investments, where we have engagement programmes in place. As a result of these actions, we have met and exceeded the requirements of Climate Impact Partners' CarbonNeutral® company certification, which is achieved in accordance with The CarbonNeutral Protocol¹, which we consider the gold standard framework for clear, credible, and transparent carbon neutral programmes.

Further information
For our operational GHG emissions, see page 68.

In 2022, we expanded our global offsetting project portfolio to support our future offsetting needs. The portfolio includes six projects, five of which (69% by volume) are nature-based solutions projects focused on forest protection and reforestation. The projects we support are designed to protect and enhance biodiversity by avoiding and reducing emissions through nature conservation or removing emissions through nature restoration.

As the voluntary carbon market continues to grow and develop, we will seek to adopt the Oxford Principles for Net Zero Aligned Carbon Offsetting² to support the ongoing integrity of our approach. As well as adhering to current best practice in sustainable development integrity and

transparency, over time we will increase the proportion of carbon removal projects in our portfolio, over emissions reduction projects, and support the longer-term development of the net zero offset market. 55% of our current project portfolio are removals projects, up from 10% in 2021.

The Climate Impact Partners' carbon finance projects we support are verified to an International Carbon Reduction and Offset Alliance approved international certification standard and have passed Climate Impact Partners' proprietary enhanced due diligence process. Three of the five nature-based solutions projects are also recognised under Verra's Climate, Community and Biodiversity (CCB) standard.



Our carbon offsetting project portfolio



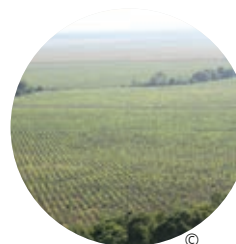
Global

Renewable energy portfolio



Canada

Darkwoods forest conservation



USA

Mississippi Valley restoration

©GreenTrees



China

Karst mountain afforestation



Ghana

Community reforestation



Sierra Leone

Gola rainforest REDD+

1. <https://carbonneutral.com/the-carbonneutral-protocol/5-steps-to-achieving-carbonneutral-certification>

2. <https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf>



Risk management

Building a robust framework	52
Risk appetite	52
Risk management life cycle	53
Management of our investment risks	55
Management of our operational risks	57
The impact of climate on our Group's key risks	58



Building a robust framework

The Board of Schroders plc (the Board) has the collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. Non-executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Board Audit and Risk Committee (BARC). Risks associated with climate change are embedded in the Group's risk management processes.

Respective business areas are responsible for identifying, monitoring and reporting on relevant risks and controls. The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer (CFO). The CFO has responsibility for the risk and control framework of the Group.

The first line of defence against undesirable outcomes is the business functions themselves and the line managers across the Group. Heads of each business area take the lead role with respect to identifying potential risks in their area, including those relating to climate change, and implementing and maintaining appropriate controls to manage these risks, including through the Risk and Control Assessment (RCA) process. Line management is supplemented by oversight functions, including Risk, Compliance, Legal, Governance, Finance, Tax and HR, which constitute the second line of defence. The compliance assurance team reviews the effective operation of relevant key processes against regulatory requirements.

Our investment risk framework is a good example of the lines of defence in operation in respect of climate change. Investment desks use a variety of tools and metrics to determine appropriate investment decisions. The second line Investment Risk teams perform independent review and where appropriate, challenge climate risks within portfolios on a regular basis. Any conclusions or action points from this independent oversight

and review are discussed with the relevant investment teams as well as the appropriate Asset Class Risk and Performance Committees, where climate risk is a key part of the agenda. The independent Investment Risk function also review investment portfolio compliance, with any binding commitments related to climate risk described on investment process documents and policies disclosed to investors. Quantitative Risk Analysts within Investment Risk independently review the climate models and tools used by investment teams.

Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme reviews the key risks to the Group, including climate change, and provides recommendations to improve the control environment. The team also carries out thematic compliance monitoring work.

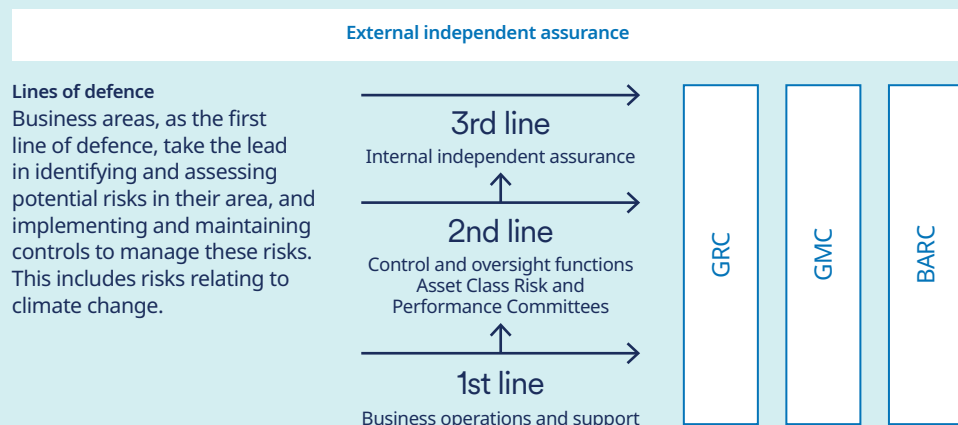
Risk appetite

For each of our key risks (excluding strategic risks, as these risks mainly comprise factors that are external to our operating model), risk appetite statements are approved by the Board, and apply to the Group. Our risk appetite in respect of 'ESG risk including climate change' focuses on: firm-wide exposure to physical and transition risks and our science-based targets; ongoing development of investment tools to help fund managers to better measure and manage the risks facing their investments; development of client-friendly products and engagement with clients on their requirements and with investee companies and policymakers.

Each risk appetite statement is supported by a number of measures to quantify risk appetite and to enable us to provide an assessment of risk position against risk appetite. Risk position versus appetite is formally assessed on an annual basis and is reviewed and challenged by the Group Risk Committee (GRC), Group Management Committee (GMC) and BARC prior to the Board.

In addition to the Group Risk appetite statement, we have a number of entity level statements and measures to quantify the entity risk position against appetite. These are for each of the applicable key risks and these are approved by their respective Boards, this includes 'ESG risk including climate change'.

Lines of defence overview

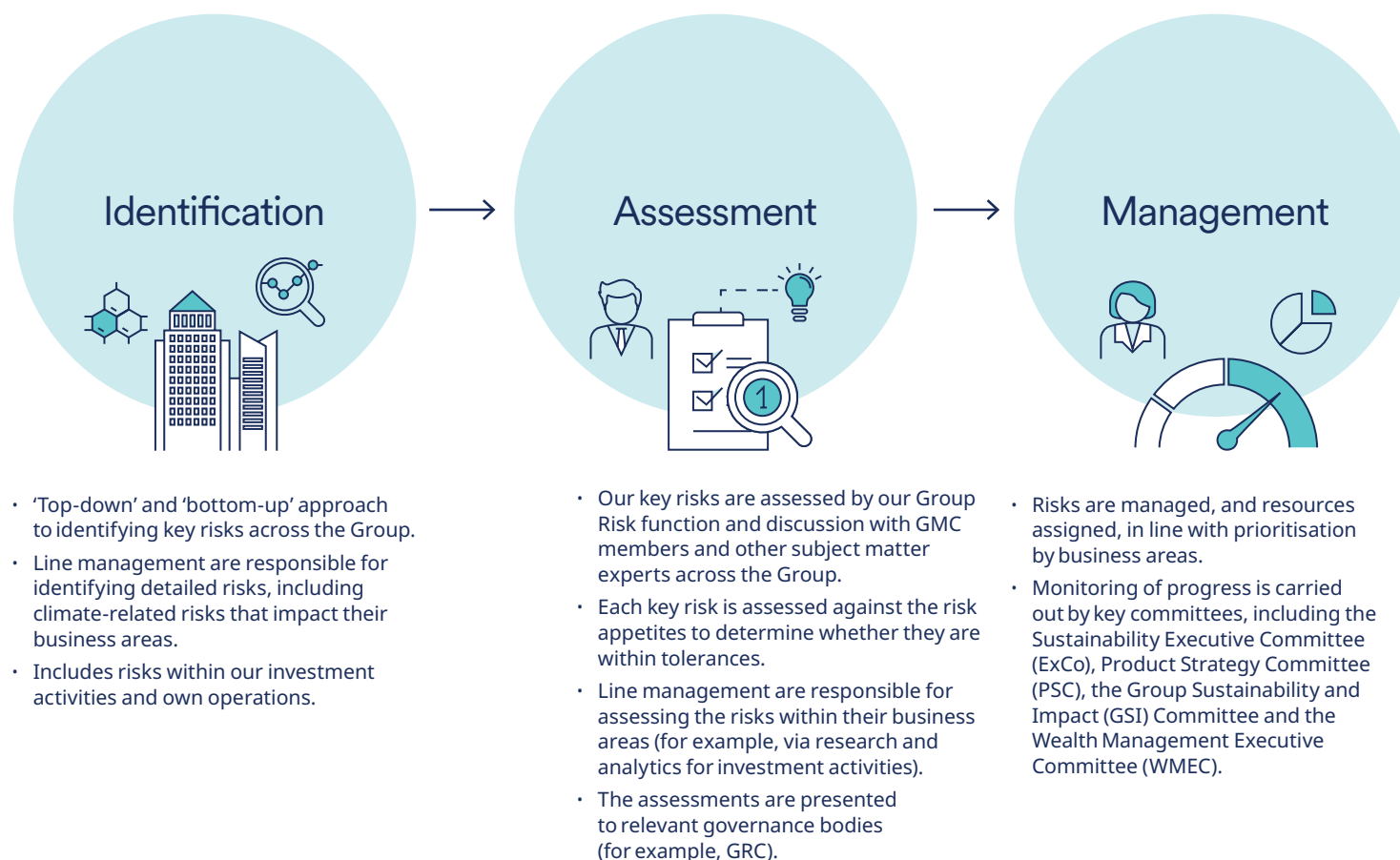


Building a robust framework

continued

Risk management life cycle

The risk management life cycle is relevant for our own business operations, and for the investment management business we perform, regardless of product types or investment strategy.



Climate change risk types

In line with industry best practice and regulatory expectations we consider climate risks through the lens of physical risks and transition risks.



Further information

For the definitions of **physical risks** and **transition risks**, see page 30.

We consider these risks in the context of the following time frames:

0-5 years

Short term

0-5 years is the approximate time for which our clients hold their investments with us. This time horizon is in line with our RCA methodology, which states that business areas identify and assess risks that may crystallise in the next five years. For example, our physical climate risk assessments for our offices are aligned with our RCA methodology. This time horizon is also used for financial planning purposes, in order to maintain outcomes accuracy and validity.

>5-10 years

Medium term

This time horizon is defined as ‘near term’ by the Science Based Targets initiative (SBTi) so can be used interchangeably. This is the time frame over which we would expect to see the effects of our engagement with management teams result in material changes in the climate exposures of investee companies, and that failure to do so should lead us to conclude that those engagements are not delivering the targeted outcomes.

10+ years

Long term

In periods longer than 10 years, the physical impacts of climate change will become particularly pronounced and the strength of political action to tackle climate change will have become clearer. Currently, different climate scenarios can have varying implications for our business.

Building a robust framework continued

How we identify and assess risk

We periodically assess the risks faced by our business using a 'top-down' and 'bottom-up' approach. The 'top-down' approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. Emerging risks are identified and assessed and trends in existing risks are reviewed in light of the current internal and external environment, geopolitical factors, market conditions, changing client demand and regulatory sentiment. The objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. The 'bottom-up' approach uses the results from RCAs, trends in risk events and high-impact issues logged in our operational risk database. The results of these assessments are used to inform our internal key risks, which are presented to the GRC prior to the GMC, BARC and Board.

As part of this process, we specifically highlight 'ESG risk including climate change', as a key business risk. We define this risk as the failure to understand, accurately assess and manage investment risk associated with ESG factors within assets and portfolios, and to appropriately represent the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate ESG products or to meet our clients' expectations, impacting our performance, brand and reputation. During 2022, this risk was owned by the Global Head of Sustainable Investment.

However, climate change is a pervasive risk across many of our key risk types, and we detail in the table at the end of this section how climate change impacts these risks.

At a more granular level, we expect individuals with functional responsibilities to identify potential climate change related risks and address them for their areas of responsibility. These risks are identified through a variety of different mechanisms, including regular strategic reviews of our business and product offerings, detailed RCAs carried out across the Group and ongoing monitoring of the regulatory landscape. Risks within the companies in which we invest may be identified through detailed research and analytics. The identification process is supplemented by second line functions, including Risk, Compliance, Legal, Governance, Finance, Tax and HR, who provide insight on relevant risks across the Group, external risks and regulatory requirements. Review and prioritisation of these risks, based on their impacts, are with the ExCo for investment, the PSC for products, the Private Assets Product Development Committee and investment committees for private asset products, the WMEC for Wealth Management and GSI Committee for our own operations, taking into account our risk appetite where relevant.



Regulatory landscape

The Sustainability Regulations Steering Committee oversees the process pursuant to which proposed laws and regulations are identified and monitored as they progress through their consultation phase and into implementation. These are assessed for their high-level impact on our investment management, our business' climate strategy, and on the existing operational practices and tools that are in place. Once the business implications of new legal and regulatory requirements are defined, the necessary change to our business operations is delivered via relevant sustainability regulations programme workstreams. The progress of these workstreams, including the monitoring and mitigation of associated risks and issues, are overseen by the Sustainability Regulations Steering

Committee. Where necessary, risks and key issues from the Sustainability Regulations Steering Committee are escalated to the ExCo for resolution.

Once new regulations, including climate regulations, are embedded in the business, relevant risks and issues related to maintaining compliance are logged in our operational risk management tool. This tool holds key operational risks, risk events (for example, errors and breaches), issues and associated actions. Group Risk own the framework for operating this tool and oversee the resolution of the matters logged. Group Compliance actively reviews compliance-related risk events and issues and reports on substantive concerns to each meeting of the GRC and quarterly to the BARC.

In the UK, the Prudential Regulation Authority (PRA) have issued guidelines related to how banks and insurers manage the financial risks from climate change. This includes guidance on how firms should approach governance, risk management, scenario analysis and disclosure of the financial risks from climate change. The WMEC are responsible for ensuring these requirements are met by Schroder & Co. Limited.



Management of our investment risks



Climate change risk has been embedded into our existing processes and controls across the Group, alongside specific ESG and climate-related governance and decision-making bodies. Key processes and how these have been further developed to integrate climate change risk are detailed to the right.

Investment research and decision-making

Our fund managers across our public asset focused investment desks, including Equities, Fixed Income and Multi-Asset, will make investment decisions based on detailed analysis (for example, of investee companies and macroeconomic views). In order to review climate-related risks within that investment analysis, we have developed a number of proprietary tools and metrics to support the assessment of each investment and each portfolio's aggregate exposure to climate-related risks and opportunities. Dashboards are used by both fund managers and oversight functions to provide users with access to the metrics, along with measures from external third-party ESG rating providers, to enable effective oversight and reporting. The reporting and oversight includes consideration of portfolio coverage. Coverage is defined as the proportion of assets (by value) within each portfolio that have been assigned a score by the tools. The analysis performed to date using proprietary tools and metrics has focused on listed equity, credit markets and sovereign bonds. These tools include Carbon Value at Risk (VaR), SustainEx™, our Net Zero Dashboard and Climate Change Tracker.



Further information

For our proprietary tools and metrics, see page 29.

The above proprietary quantitative tools are complemented by qualitative assessments which are recorded in our CONTEXT system, and are the result of proprietary insights, meetings and interviews. We also make use of external measures, such as Morgan Stanley Capital International (MSCI) Carbon Emissions and MSCI ESG analyses.

There are occasions where the assessment for private asset investments can employ the same proprietary tools described above, however, ESG metrics, such as Carbon VaR, and SustainEx™, do not generally provide adequate coverage across private assets. We have developed an Environmental Management System (EMS) for the asset management of our direct real estate in the UK and Europe (certified to ISO 14001) to manage sustainability and impact risks and opportunities, and to develop resilience and performance of our portfolios and assets. To complement, real estate specific tools such as Carbon Risk Real Estate Monitor (CRREM) and Verisk Maplecroft's Global Risk Dashboard help to utilise operational carbon and asset location data to understand specific transition and physical climate risks.

In 2022, Schroders developed a unified impact framework aligned to Operating Principals for Impact Management (Impact Principles) and the Impact Management Project that brings together the impact expertise from BlueOrchard, asset class-specific expertise from Schroders Capital and sustainability expertise from Schroders, and covers both public and private strategies. This is intended to ensure that a consistent approach to impact investing is used across the firm.

For private assets we have developed an umbrella framework inspired by the Impact Principles to align with market best practices. This means that sustainability and impact considerations are gradually embedded wherever relevant across our investment processes, and supports the consistent development of our ESG-integrated, sustainable and impact strategies, while accounting for each business' specificities.

Wealth Management integrates the consideration of ESG factors into its investment process. An initiative is underway to enhance the access to sustainability metrics within the Wealth Management investment process including employing the Group's sustainability data and dashboards where possible.



Management of our investment risks

continued



Investment risk oversight framework

To oversee the management of climate risks within our investment activities, we have embedded climate change into our second line oversight processes. Day-to-day dialogue, review and challenge of climate risk with the investment teams is complemented by more formal discussions, as part of the quarterly Asset Class Risk and Performance Committee meetings. These committees are attended by asset class heads within the investment division, senior members of their direct management team and independent Risk, Compliance and Product Governance teams' representatives.

The climate-related models and tools are covered by our Group Model Governance Policy, with the models subject to review by our Model Validation team within the central Group Risk function. This review is intended to ensure they are conceptually sound, implemented as intended, robust in terms of controls and appropriately understood by the user base.



Further information

For our policies, position statements and key documents, see Appendix 2.

In addition to the investments in portfolios, we also focus our oversight process on the counterparties we are transacting with. The ESG component of external credit ratings are one of the factors that our independent Group Credit Risk team takes into account when undertaking credit analysis. We use insights from our internal tools to facilitate the oversight and assessment. For example, internal ESG scores are assigned in our CONTEXT system using a methodology created by the central Sustainable Investment team; these are used for the assessment of our derivatives counterparties. Outliers result in further discussion with the investment teams and a clear business case must be made to justify continued use.

The risk oversight framework is also applied for the deployment of our own capital where we invest our balance sheet into new funds via our seed capital programme. We use our proprietary tools to analyse and assess the extent to which our own financial assets are exposed to climate-related risks and opportunities. Seed capital investments are recommended for approval by the Group Capital Committee, which is chaired by the CFO and attended by the Group Chief Executive. We have implemented a number of ESG measures and targets for our seed capital portfolio, which are reported to and reviewed by the Group Capital Committee.

Product development process

We assess our product range and client demand continually to ensure our offering effectively meets client needs in respect of climate change mitigation. As part of this activity, we monitor the strength and direction of asset flows into sustainable and climate-related funds, and look for opportunities to create products and solutions, which help clients meet their goals and obligations including mitigating climate change risk. This information and insight informs our product strategy which is discussed in whole or in part in a number of forums of which the Group Chief Executive is a member, including the PSC and the GMC, which he chairs.

To ensure that the marketing of our products is appropriate, we follow policies and guidelines regarding the development and dissemination of marketing materials and client communications to reflect applicable regulatory requirements. This includes the review and approval of materials by specialist staff and appropriate compliance training.

Company engagement

Active ownership and engagement with our investee companies is a fundamental part of our strategy to drive transition and also enhance our reputation as an investment manager. As investors of our clients' capital, we aim to take an active role in our investee companies' progress to decarbonise by focusing on the companies that contribute the largest amount to our Scope 3 financed emissions. Our active ownership efforts seek to encourage better disclosures from the companies in which we invest and to improve data availability to assess climate-related risks. We monitor and measure the impact of our engagement using a proprietary application called ActiveIQ. It caters to approximately 300 investors that have engagement requirements, in addition to the Sustainable Investment team. The system records and measures engagements, such as tracking activity by objective and measuring progress with milestones. In addition, as the number of climate-related resolutions has risen, we have refined and adapted our voting approach in this area. We aim to vote in favour of these resolutions where they align with our net zero commitments, having taken the specific circumstances of the company and the resolution's legal effect into account.



Further information

For more detail on our voting policy, see page 36.

Management of our operational risks



Our operations, in respect of our offices and third party providers, are managed by our Workplace Services and Procurement functions, reporting to the CFO, who have processes in place to mitigate and control the risks associated with climate change and nature. These functions are supported by the Corporate Sustainability team and the GSI Committee recommend the overall strategy.

Transition risk assessment

Individual business functions are responsible for identifying and assessing climate change transition risks that impact their business areas and functional responsibilities. The identification process is supplemented by second line functions, including Compliance, who provide insight on relevant risks and regulatory requirements. For example:

- Our Workplace Services, Global Technology and Procurement teams carry out first line assessment of technology and market risks and opportunities regarding capital goods or new technology for our offices and services from external suppliers

- Business-wide policy and legal risks are assessed and monitored by our second line Compliance team and Sustainability Regulations Steering Committee
- Business-wide reputational risks are monitored by our Corporate Sustainability, Sustainable Investment, Group Risk and Communications teams

Reflecting our ambition to be a leader in sustainability, we actively monitor emerging best practice across our sector and beyond. Current climate and nature-related initiatives (for example, pledges, commitments and memberships) across the Group are monitored, with relevant individuals assigned responsibility for ensuring voluntary commitments are met. New climate and nature commitments require an impact assessment and approval from the relevant business function as well as other key roles within the business (for example, Sustainable Investment, Corporate Sustainability and Communications), and depending on the profile or impact of the initiative, the GSI Committee.

Physical risk assessment

We carry out a strategic review of our offices on a periodic basis, which includes a detailed assessment of risks and opportunities associated with our existing offices. We are committed to certifying our largest offices to the ISO 14001 EMS standard. For the offices certified, risks and opportunities are identified and managed in line with this standard.

To measure the physical risk to our owned and leased offices, we undertake an annual mapping exercise to generate risk scores for each office location. We use data from Verisk Maplecroft (a research firm specialising in global risk analytics), in line with our Real Estate investment business, to assess physical risks against a set of 23 individual risk indicators, which review both acute shocks (for example, wildfire hazard) and chronic stress (for example, air quality).

The risk indicators have a high spatial resolution so that we can understand conditions on a very localised basis. The indicators primarily focus on risks our offices are currently exposed to; however, we have also selected several indicators to assess future risk exposure including average temperatures and heat stress. Annually, we determine what specific actions need to be taken in respect of this assessment, which are prioritised by the GMC, based on the degree of impact determined.

The outcome of our 2022 analysis demonstrates that on average indicators such as acute shocks have lower risk scores. However, we have higher risk scores associated with chronic stresses such as water scarcity. We will use the outcome of our assessment to inform our site-specific action plans and to prioritise areas of monitoring and measurement.

When reviewing new building office locations, detailed environmental assessments are carried out as part of the acquisition due diligence through third-party consultants. We assess the associated risks relating to the new building and its location,

including those that we believe will be impacted by current or emerging climate change related regulations and longer-term physical risks.

Should a physical event prevent our ability to operate, we have business continuity arrangements in place. Our key vendors are also subject to ongoing monitoring, annual due diligence reviews and incident management response planning. We will look to use the Verisk Maplecroft tool to complement our existing environmental risk assessment due diligence process, to inform decision-making. We will also assess the physical risks to offices that fall under our control due to an acquisition.



Further information


For our operational risks and opportunities, targets and climate change strategy, see pages 43-49.



The impact of climate on our Group's key risks

Given the importance of climate-related risks to our business, 'ESG risk including climate change' has been identified as one of our key risks and is monitored using our risk appetite metrics. The following table details our principal risks to the firm and the extent to which climate change impacts each of these, including their associated GMC risk owner during 2022.



Key risks considered to be high impact are highlighted by: 

Business model disruption (Group Chief Executive)

Climate change may drive the evolution of financial products and changes in regulation, resulting in transition risks that may impact our business model.

Investment performance risk (Co-Heads of Investment)

Investment performance may be impacted if the focus on sustainability leads to poorer performance outcomes. In addition, there is a risk that portfolios do not meet their sustainability outcomes, which may have a detrimental effect on our ability to retain assets under management (AUM).

Financial instrument risk (Chief Financial Officer)

We expect the value and liquidity of financial instruments to be significantly impacted by climate and nature risks, as investor and consumer sentiment on sustainability issues evolves, and businesses are required to transition to a lower carbon environment. Fundamental valuations will be impacted, as well as an increased capital flow into new financial products and instruments to finance the transition.

Operational process risk (Chief Risk Officer)

Operational processes are impacted by climate change and nature risks to the extent that they are new or need to be adapted in order to facilitate investment analysis, product development and reporting, amongst others. Errors within these processes may therefore impact our reputation, our regulatory compliance or require financial compensation.

Changing investor requirements (Group Chief Executive)

Climate change risk is expected, in the medium term, to materially impact client considerations when determining their investment strategies, and therefore, the need for our investment offerings to appropriately reflect that. Furthermore, clients may require that our own activities adhere to specific carbon footprint thresholds before engaging us as an investment manager. Our failure to meet these targets may have a detrimental reputational impact.

Reputational risk (Global Head of Marketing and Communications)

Our reputation with clients and shareholders may be impacted if: we are perceived as not responding appropriately to climate challenges, due to the complex nature of assessing the impact of our investee companies' operations on climate change; we fail to meet the science-based targets we are establishing; we fail to meet our commitment to carbon neutrality. We may also face the risk of clients feeling misled by the marketing of ESG and climate funds, should the ESG credentials of an investment or product be unintentionally exaggerated or misrepresented.

Information security and technology risks (Chief Technology Officer)

We do not envisage that climate change risks impact information security risk. However, our ability to assess and monitor climate change risk is dependent on the availability of appropriate technology (for example, the platforms that our analytical tools reside on).

Product strategy and management (Head of Europe)

Climate change risks materially impact our product strategy in order to ensure we offer clients the products that help them to achieve their investment objectives.

Fee attrition (Group Chief Executive)

We may suffer fee attrition if clients move to more passive products if they offer appropriate sustainability and climate change considerations when compared to active management.

Conduct and regulatory risk (Chief Risk Officer)

Numerous climate-related regulatory requirements continue to be implemented globally across the financial services industry. Our failure to meet these requirements may result in regulatory sanction and/or litigation.

Market returns (Group Chief Executive)

Market returns may be significantly impacted by climate change risks in the short to medium term, both physical and transition risks may impact market valuations and yields. Geopolitical risks may increase as greener economic policies are implemented worldwide in order to transition from fossil fuels.

People and employment practices risk (Global Head of Human Resources)

Employees may be harder to retain or attract if we do not actively address climate change risks.



Metrics and targets

Ongoing monitoring	60
The investments we manage	61
Our methodology and approach	61
Portfolio temperature score	62
Targets	63
2022 metrics	63
Our Real Estate business	65
• Ongoing monitoring	65
Our own operations	66
Our methodology and approach	66
Targets	67
2022 metrics	68



Ongoing monitoring

Our emissions reduction targets, progress and actions are covered in the Strategy section of this Report. We use a number of metrics to track the progress against our climate change strategy to make sure that we are responding appropriately to the climate-related risks and opportunities facing our business. The following section outlines the metrics we report on and methodologies used. These are all in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Science Based Target initiative (SBTi) approved methodologies.

Monitoring actions

Our investment desks are empowered to take a leading role in the implementation of our transition strategy, under a consistent approach, with common goals and central oversight. With the engagement plan developed by the Sustainable Investment team, investment teams can leverage their relationships with our target companies to push for ambitious decarbonisation commitments and transition plans.

ActiveIQ, our central database, allows the Sustainable Investment team to monitor and track engagements across Schroders to determine companies' progress against their climate commitments. This ensures the actions we take are consistent with the plan we have established.

Coupled with an assessment of climate risk and temperature alignment from our Climate Analytics Framework, insights from logged engagement activity help us to assess Group progress and to recalibrate where needed.

Further information
For our Climate Analytics Framework, see page 29.

Tracking transition

We recalculate the temperature alignment of Group assets every quarter, reflecting changes in holdings and company data.

For our operational data, we use an environmental accounting tool to collect and measure site-level performance data across energy, transport, waste, water and paper use on a monthly basis.

Outcome oversight

We developed an ESG Risk Dashboard to monitor financed emissions and portfolio risks. This is incorporated into the investment risk management processes, and includes a products carbon footprint Weighted Average Carbon Intensity (WACI) for Scope 1 and 2 emissions, and its carbon Value at Risk (VaR) calculated using our proprietary Carbon VaR tool, amongst other sustainability metrics.

Further information
For more detail on our investment risk management process, see page 55.

Our operational data is reviewed internally through the Workplace Services and the Group Finance teams. Through the environmental accounting tool we are able to log targets and track progress against them. We can also make sure that the most up-to-date, relevant emission factors are used in line with the Greenhouse Gas (GHG) Protocol. Our operational GHG emissions, waste and water data are externally assured by Incendium Consulting Ltd.

A range of assurance work took place on sustainability and climate themes in 2022 and will continue in 2023. Our Group Internal Audit team reviewed both the Climate Report production process as well as the controls to ensure data to measure progress against our SBTi targets are reliable.

Individual investment desk audits consider how ESG is embedded into the investment process and we will also review the Active Ownership team's engagement framework.

Performance dashboards detailing our key metrics are reported to various committees for oversight throughout the year, such as the Group Sustainability and Impact Committee, Group Management Committee, Board Audit and Risk Committee and the Board.

Further information
For more detail on embedding climate risks and opportunities into our business strategy and financial planning, see page 23.

Emissions recalculation process

SBTi requires that science-based targets are recalculated to reflect material changes in climate science and business context to ensure their continued relevance. SBTi stipulate that targets shall be reviewed, and if necessary, recalculated and revalidated every five years at a minimum. Our emissions recalculation process documents how and when we will restate or recalculate our data and targets. We review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to our company structure, methodology changes or errors. We define a significant change as one that has driven a cumulative increase or decrease in emissions in a particular Scope of greater than 10% of previously reported numbers.¹ Where a restatement or recalculation is performed, it will be clearly described in our annual reporting.

Data limitations

We recognise that emissions data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. We continue to work to make sure the data we use is as accurate as possible, but also stress that any outputs should be interpreted as approximate and not precise.

In 2022, we continued to invest in developing and updating the infrastructure around our sustainability data. This included launching a dedicated ESG database to provide us with a time series of the various sustainability-related metrics produced across the business.

1. We may also choose to adjust our base year or previously reported GHG data for changes which equate to less than a 10% impact.

Remuneration

The strategic importance of climate-related issues is reflected in our remuneration structures. Our executive Directors have climate metrics included within their annual bonus scorecard and Long-Term Incentive Plan. Performance against sustainability goals forms part of the annual performance review for other employees across the organisation too.

Further information
For more detail, see page 19.





The investments we manage

Our methodology and approach

In accordance with the recommendations made by the TCFD, we use the following metrics to report on our financed Scope 3 category 15 GHG emissions. This approach allows us to effectively assess and track our exposure over time.

In 2022, we extended our reporting capability in order to provide clients with TCFD-compliant metrics using the Investment Association's Carbon Emissions Template (CET). This is now available for all in-scope listed equity and credit strategies.

Investment metrics methodology

Metric	Methodology	Usage	Limitations
Total carbon emissions Establishes the total GHG emissions of a portfolio's investments.	$\text{MtCO}_2\text{e} = \sum \left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions} \right)$ <p>EVIC = Enterprise Value Including Cash</p>	Establishes the absolute volume of GHG emissions emitted by a portfolio.	Limited in terms of comparability or benchmarking due to its link to portfolio size.
Carbon footprint Measures a portfolio's GHG emissions normalised by its market value.	$\text{tCO}_2\text{e}/\$m \text{ invested} = \frac{\sum \left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions} \right)}{\text{Current portfolio value}}$	Intensity metric that enables comparison of different portfolio's emissions, irrespective of assets under management (AUM).	Sensitive to changes in portfolio value.
Weighted Average Carbon Intensity (WACI) Measures a portfolio's exposure to carbon-intensive companies.	$\text{tCO}_2\text{e}/\$m \text{ revenue} = \sum \left(\frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Issuer's GHG emissions}}{\text{Issuer's revenue}} \right)$ <p>Scope 1 and 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value) rather than the equity ownership approach.</p>	Enables easy comparison between a portfolio and a benchmark.	Can only be used with listed equity and corporate bonds.

We use the industry standard developed by the Partnership for Carbon Accounting Financials (PCAF)¹ to calculate total carbon emissions (equivalent to financed emissions Scope 3 category 15 under PCAF), carbon footprint (equivalent to economic emissions intensity under PCAF) and WACI.

1. PCAF Global GHG Accounting and Reporting Standard for the Financial Industry <https://carbonaccountingfinancials.com/standard>



The investments we manage continued

Portfolio temperature score

We have implemented the CDP-WWF temperature rating methodology¹ to assess the forward-looking climate ambition of our investment portfolios in accordance with our public commitments to the SBTi. This model calculates the implied temperature pathway of our holdings based on the level of ambition by corporate GHG emissions reduction targets set by our investee companies.

Temperature alignment methodology – worked example

“Absolute GHG reduction target of 30% between 2015 and 2030”

$$\text{LAR} = \frac{\% \text{ emissions reduction}}{\text{Target year} - \text{Base year}} = \frac{30\%}{15} = 2\%$$

Target Class	SR1.5 scenario variable / benchmark
Absolute GHG reduction	Emissions Kyoto Gases (AR5-GWP-100)
GHG Economic Intensity	Emissions Kyoto Gases (AR5-GWP-100)/ GDP PPP

Company discloses emissions reduction target

Target expressed as Linear Average Reduction (LAR)

Target type mapped to scenario-variable using CDP-WWF mapping

Aggregated to group level using EVIC emissions weighted temperature score (ECOTS)

Score aggregated across scopes to arrive at final company temperature score for each time frame

Appropriate regression model used with LAR to calculate temperature score for the given time frame

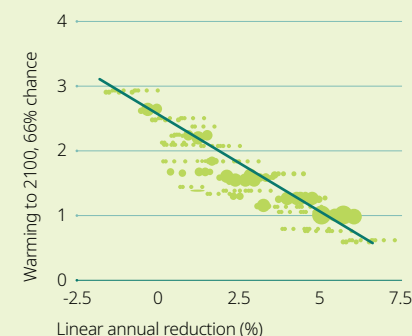
LAR → for example 2030 = 2.2°C

$$\sum_i \left(\left(\frac{\text{Investment value}_i}{\text{Company EV} + \text{Cash}} \times \text{company emissions}_i \right) \times \text{TS}_i \right) \times \text{TS}_i$$

TS = Temp score

	Short term 2021–2024	Mid term 2025–2034	Long term 2035–2050
Scope 1+2	Temp score	Temp score	Temp score
Scope 3	Temp score	Temp score	Temp score
Scope 1+2+3*	Temp score	Temp score	Temp score

Greenhouse gas emissions



* Calculated using a weighted average based on Scope 1 + 2 emissions and Scope 3 emissions only for companies required to report on Scope 3.

1. <https://www.cdp.net/en/investor/temperature-ratings/cdp-wwf-temperature-ratings-methodology>



The investments we manage

continued

Science-based targets

Align our in-scope AUM to a **2.2°C** pathway by 2030, across our financed Scope 1 and 2 emissions

2022 temperature score: **2.6°C**

Align our in-scope AUM to a **1.5°C** pathway by 2040, across financed Scope 1, 2 and 3 emissions

2022 temperature score: **2.9°C**



Further information

For more detail on our climate change strategy for the investments we manage and how we are progressing against our targets, see page 25.

2022 metrics

Metrics	Scope	2022	2021	2019 (base year)	Units
Total carbon emissions	Scope 1 and 2	22.9	34.2	39.1	MtCO ₂ e
	Scope 3	90.6	113.4	709.2	MtCO ₂ e
Carbon footprint	Scope 1 and 2	59.1	67.5	95.5	tCO ₂ e/\$m invested
	Scope 3 ¹	3,713.1	3,753.6	22,746.1	tCO ₂ e/\$m invested
Weighted average carbon intensity (WACI)	Scope 1 and 2	145.8	163.6	176.7	tCO ₂ e/\$m revenue
Portfolio temperature score	Scope 1 and 2	2.6	2.8	2.9	Celsius

This submission included an overview of our Scope 3 category 15 carbon emissions and the implied temperature rise of our entire portfolio across all in-scope asset classes (listed equities (common stock and preferred stock), corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs), which accounted for more than 60% of our total assets under management (AUM) (excluding associates and joint ventures) from a 2019 base year. It is important to note that, though our long-term target includes our investee companies' Scope 1, 2 and 3 emissions, the availability of Scope 3 data remains a challenge. It is, however, the single greatest source of carbon emissions for many of the highest emitting sectors, so PCAF have taken a phased approach to its reporting by financial institutions. Accordingly, as with our TCFD Report 2021² we have only included Scope 3 values for the basic materials and oil and gas sectors for the total carbon emissions and carbon footprint metrics. This will change next year as the remaining asset classes are coming into scope of PCAF guidance.

1. Requirement to report Scope 3 financed emissions is phased, see page 49 of the PCAF standard for more detail <https://carbonaccountingfinancials.com/standard>

2. [Schroders TCFD Report 2021](#).

Total carbon emissions and carbon footprint asset class breakdown

The tables below break down our reported Scope 3 category 15 financed emissions covered in our SBTi targets. Listed equities refers to common and preferred stock.

Total carbon emissions (MtCO ₂ e)	2022		2021		2019 (base year)	
	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3
Listed equities	15.6	77.8	21.9	91.8	28.7	596.8
Corporate bonds	6.9	12.8	11.8	21.6	9.8	112.4
REITs	0.1	N/A	0.1	N/A	0.1	N/A
ETFs	0.3	N/A	0.4	N/A	0.6	N/A
Total	22.9	90.6	34.2	113.4	39.1	709.2

Carbon footprint (tCO ₂ e/\$m invested)	2022		2021		2019 (base year)	
	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3
Listed equities	56.5	3,841.5	61.8	3,902.7	99.1	24,135.1
Corporate bonds	75.3	3,085.2	92.2	3,229.2	94.3	17,420.5
REITs	7.1	N/A	7.7	N/A	6.9	N/A
ETFs	56.8	N/A	59.8	N/A	97.2	N/A
Overall	59.1	3,713.1	67.5	3,753.6	95.5	22,746.1

We have restated the figures in these tables for 2021 and included WACI for 2019 to reflect our aim to use the highest quality data available. This has resulted in substantial changes relative to those reported previously. These updates are also reflected in the 'Carbon footprint sector breakdown' and 'Asset class data quality breakdown' tables on the following page. Changes in our data vendor's methodology for estimating emissions have had a significant impact on our calculations of financed emissions. Our vendor provides data for the Scope 1, 2 and 3 emissions of our portfolio companies. Although a sizeable proportion of global companies now disclose Scope 1 and 2 emissions, few report Scope 3 emissions. Despite improving transparency and availability of emissions data, the majority of the total carbon emissions of portfolio companies still rely on estimates. Where available, we use the estimates provided by our data vendor, and we use our own methodology, which is based on PCAF principles, where not. The objective of estimation is to provide as complete and representative a picture of portfolio emissions as we believe is possible, but alongside methodology updates and data revisions, this complicates comparisons and can require historical estimates to be restated.

The figures should be interpreted against this backdrop of changing assumptions and heavy reliance on estimates. We have followed PCAF principles in calculating our financed emissions, but recognise that the underlying data can change materially as reported data increases and estimation methodologies improve.

Our Climate Transition Action Plan focuses on aligning the portfolios of assets we manage for clients toward lower long-term temperature rises. We have found that those figures are more stable and less impacted by data restatements. Those temperature alignment figures are unchanged from previously reported values.



The investments we manage

continued

Carbon footprint sector breakdown

Carbon footprint (tCO ₂ e/\$m invested)	2022		2021		2019 (base year)	
	Scope 1,2	Scope 3	Scope 1,2	Scope 3	Scope 1,2	Scope 3
Financials	3.2	N/A	3.6	N/A	8.5	N/A
Miscellaneous	48.8	N/A	61.9	N/A	74.0	N/A
Technology	14.1	N/A	14.3	N/A	20.7	N/A
Consumer goods	23.2	N/A	23.4	N/A	29.1	N/A
Industrials	76.9	N/A	71.8	N/A	139.3	N/A
Consumer services	32.2	N/A	29.9	N/A	71.3	N/A
Healthcare	6.4	N/A	7.1	N/A	8.9	N/A
Basic materials	278.4	3,591.2	360.1	3,103.3	406.0	5,543.6
Oil and gas	247.3	3,795.8	339.6	4,157.5	346.7	31,444.1
Utilities	404.8	N/A	419.8	N/A	739.6	N/A
Telecommunications	21.3	N/A	19.0	N/A	29.5	N/A

Asset class data quality breakdown

Data quality score (weighted average)	2022			2021			2019 (base year)		
	Scope 1	Scope 2	Scope 3 ¹	Scope 1	Scope 2	Scope 3 ¹	Scope 1	Scope 2	Scope 3 ¹
Listed equities	2.5	2.5	3.5	2.5	2.6	3.1	2.8	2.8	3.3
Corporate bonds	2.8	2.9	3.8	2.8	2.9	3.5	3.0	3.0	3.7
REITs	4.2	4.2	N/A	4.2	4.2	N/A	4.2	4.1	N/A
ETFs	5.0	5.0	N/A	5.0	5.0	N/A	5.0	5.0	N/A

PCAF requires the reporting of data quality to provide transparency and clarity on the limitations of the data available, as well as to hold companies to account on ensuring this quality increases over time. Using a 1-5 score, with 1 being the highest (externally verified data), a weighted average of data quality can be established for different asset classes.

1. See page 103 of the PCAF standard for the detail of the data quality requirements
<https://carbonaccountingfinancials.com/standard>

Temperature score results by industry

Sector	2022			2021		
	Exposure (USD bn)	Scope 1, 2 mid score	Scope 1, 2, 3 long score	Exposure (USD bn)	Scope 1, 2 mid score	Scope 1, 2, 3 long score
Financials	88.2	2.6	3.1	104.0	2.9	3.2
Miscellaneous	60.3	3.0	3.2	84.0	3.1	3.2
Technology	46.0	2.3	3.0	73.2	3.0	3.1
Consumer goods	37.3	2.3	3.0	53.0	2.6	3.1
Industrials	39.2	2.9	3.0	52.0	3.1	2.9
Consumer services	28.6	2.2	3.1	35.3	2.6	3.1
Healthcare	31.4	2.3	3.0	35.4	2.5	3.2
Basic materials	17.1	2.5	3.1	21.5	3.0	3.1
Oil and gas	17.0	2.6	2.6	21.0	2.9	3.1
Utilities	12.0	2.3	2.3	14.8	2.3	2.8
Telecommunications	10.9	1.4	2.7	13.1	1.7	3.0

Mid score refers to medium-term temperature score (2019–2030). Long score refers to long-term temperature score (2019–2040).

Temperature score results by asset class

Asset class	2022			2021		
	Exposure (USD bn)	Scope 1, 2 mid score	Scope 1, 2, 3 long score	Exposure (USD bn)	Scope 1, 2 mid score	Scope 1, 2, 3 long score
Listed equities	276.0	2.5	2.9	355.0	2.8	2.9
Corporate bonds	91.6	2.6	2.9	128.0	2.8	3.1
ETFs and REITs	20.5	2.9	3.2	24.4	3.1	3.2



The investments we manage

continued

Target setting in practice

Our Real Estate business

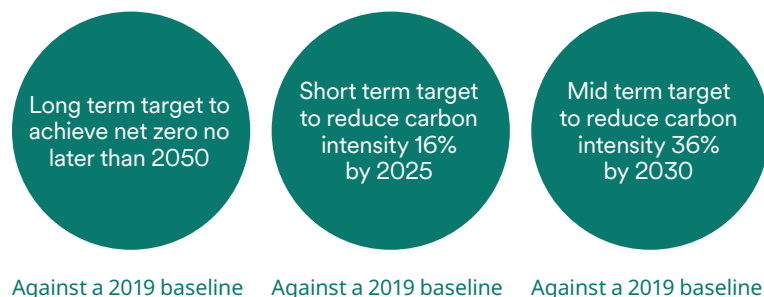
The Real Estate sustainability programme includes energy and carbon reduction targets for the direct real estate under our management. Schroders Capital Real Estate's energy and carbon targets expired in March 2021, allowing new targets to be set to support continuity of our approach and our net zero carbon commitment. New energy and carbon targets aligned to 1.5°C using Carbon Risk Real Estate Monitor (CRREM) pathways for assets and funds were finalised in 2022.

Net zero targets have been set across a number of our direct real estate investments (accounting for 51% of direct AUM). Due to the impact of COVID-19 and associated national lockdowns, targets were developed using a March 2019 baseline. Asset and fund-level interim targets for 2025 and 2030 were developed at fund-level in 2022, aligned with the CRREM 1.5°C pathway to net zero. Progress against these targets is under review, with updates expected in Q1 2023. These progress updates will account for active energy management of properties, and building-level initiatives in Impact and Sustainability Action Plans. They are, however, expected to reflect the changes in occupancy and usage patterns following COVID-19.

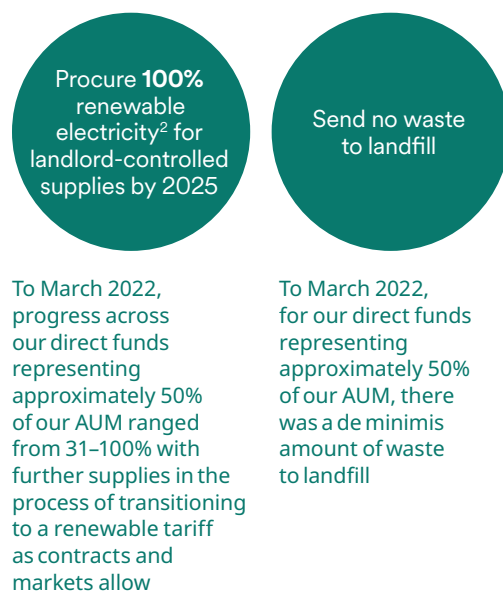
Ongoing monitoring

- The Head of Sustainability and Impact Investment for Schroders Capital Real Estate has overall responsibility for proposing and monitoring progress against targets for all Schroders Capital Real Estate AUM.
- The Schroders Capital Real Estate Direct Investment Committee is responsible for governance of fund targets which are approved annually.
- The fund managers are responsible for achieving targets set for their fund, which include the Schroders Capital Real Estate sustainability targets.
- The investment managers are responsible for implementing strategies at the asset level to support with achieving carbon reduction targets and with the aim that investments remain resilient to both transition and physical risks.
- Progress against targets is monitored for each direct real estate fund by the sustainability team and fund manager.
- This is reported both in the relevant entity's report and accounts, and as part of the fund's GRESB submission.

Targets across Direct Real Estate¹



Other targets include:



2022 metrics

Real Estate

£20.2bn

total AUM at 31 March 2022

We have emissions data for £10.0 billion of direct real estate AUM as at March 2022 as follows:

Total emissions

tCO₂e

Scope 1 11,132

Scope 2 56,363



1. These targets apply to a proportion of Schroders Capital Real Estate's directly invested UK and European discretionary mandates, and apply to Scope 1, Scope 2 and Scope 3 (tenant energy) emissions only. These targets are based on kgCO₂e/m² intensity metrics, as a weighted average of fund-level improvement targets aligned with the CRREM 1.5°C pathway to Net Zero by 2050. Prior to aggregation, the individual fund targets are adjusted for ownership share of assets. For landlord-controlled assets where no consumption data was available, benchmark consumption profiles from the CRREM 2019 model are used.
2. Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at the entity reporting date and only reflects renewable electricity procured under a 100% 'green tariff' (in other words, where generation is from 100% renewable source). The renewables percentage of standard (non 'green tariff') energy supplies are not known and not included within the number reported.



Our own operations

Our methodology and approach

We use a number of metrics to measure and monitor our environmental impact, which helps us determine what our targets should be. We use the GHG Protocol as our accounting methodology.

Scope	Methodology	Data used
Scope 1 Direct GHG emissions from sources that are owned or controlled by the Group.	$tCO_2e = \sum \left(\frac{\text{Total energy consumed (kWh)}}{1,000} \times \frac{\text{Relevant fuel energy type emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none"> • Activity data (for example, fuel consumption) • Fuel/energy type emissions factors
Scope 2 Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the Group.	$tCO_2e = \sum \left(\frac{\text{Total energy consumed (kWh)}}{1,000} \times \frac{\text{Relevant grid average emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none"> • Activity data (for example, electricity consumption) • National/state-level emissions factors
Scope 3 business travel Indirect GHG emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses and passenger cars.	$tCO_2e = \sum \left(\frac{\text{Total mileage travelled (miles or km)}}{1,000} \times \frac{\text{Relevant vehicle type emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none"> • Activity data: <ul style="list-style-type: none"> – Air travel: distance travelled; cabin or class – Sea travel: distanced travelled; passenger type – Land travel: distance travelled; vehicle type; fuel type • National emissions factors
Scope 3 supply chain emissions (categories 1, 2 and 4) GHG emissions from purchased goods and services (category 1), capital goods (category 2) and upstream transportation and distribution (category 4).	$tCO_2e = \sum \left(\frac{\frac{\text{Total spend GBP by product}}{\text{Supplier category by supplier}}}{1,000} \times \frac{\text{Relevant product category Environmentally Extended Input Output Data (EEIO) emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none"> • Activity data (for example, spend) • EEIO emissions factors

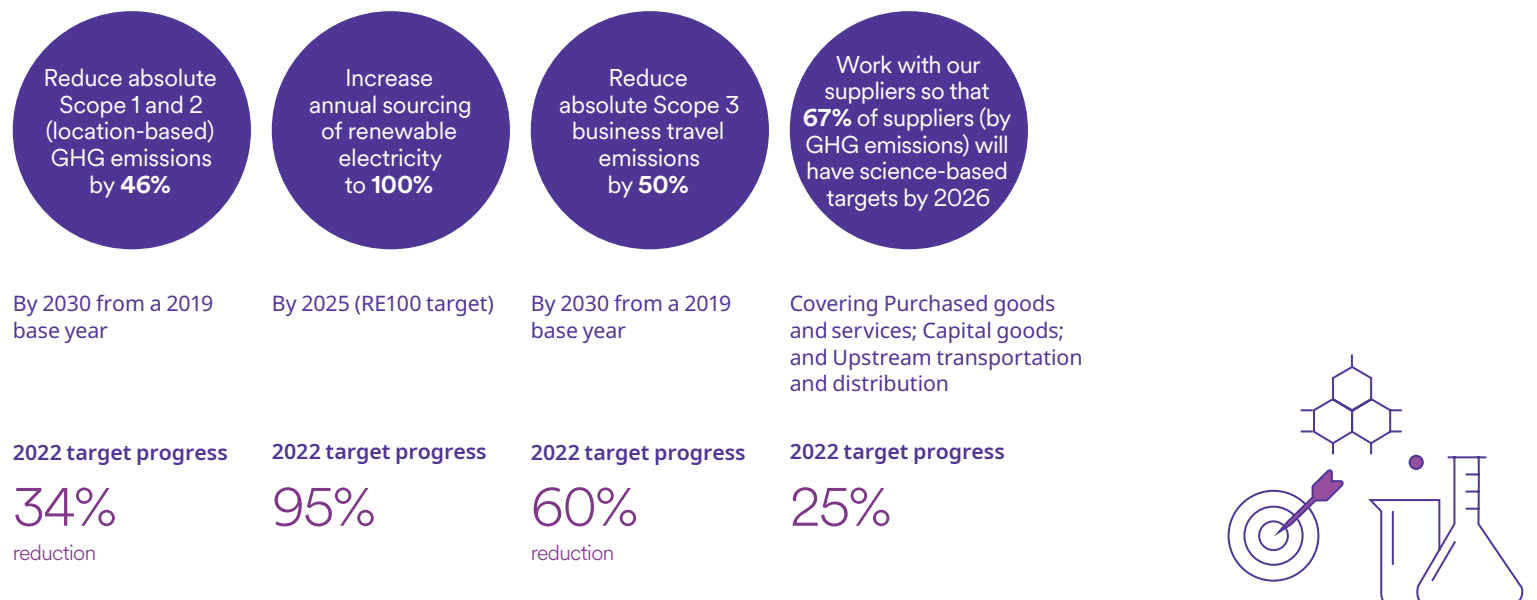


Our own operations

continued

Targets

Science-based targets



Further information

For our operational climate change strategy and details on how we are progressing against our targets, see pages 45-49.

Target ambition and boundary

Scope 1 and 2 target ambition

In line with SBTi guidance, we have chosen the most ambitious target for our Scope 2 emissions and have therefore set our target using the location-based methodology. Location-based targets are challenging because they are largely determined by the emissions intensity of the grid in that particular location, which is beyond our control. Our focus will be on reducing overall energy consumption and adopting energy efficiency measures across our office locations. We have additionally set a renewable energy procurement target, which is applicable to all offices which fall into our Scope 2 boundary, which we aim to achieve in 2025 ahead of our 2030 near-term target year.

Scope 1 and 2 target boundary

100% of Scope 1 and 2 emissions are covered by the target boundary. All acquisitions are included within the target boundary where they fall under our financial control. The target boundary is the same as our financial control reporting boundary with no exclusions.

RE100 target boundary

All properties owned or leased by Schroders (to cover all Scope 2 emissions within our financial control as defined by the GHG Protocol). There are no exclusions.

Business travel target boundary

100% of Scope 3 business travel emissions covered by the target boundary. There are no exclusions.

Scope 3 supply chain target boundary

100% of Scope 3 supplier emissions (categories 1, 2 and 4) are covered by the target boundary. There are no exclusions.



Our own operations

continued

2022 metrics

Our operational GHG emissions

Greenhouse gas emissions (tCO ₂ e)		2022	2021	2019 (base year)
Scope 1	Building-related gas and fuel	414	533	488
	Cars (company-owned or leased)	121	419	326
	Fugitive emissions	254	1,028	296
Total Scope 1 emissions		789	1,980	1,110
Scope 2	Electricity (location-based)	3,291	3,438	5,034
	Electricity (market-based)	297	593	2,571
	Purchased heat	420	470	684
Total Scope 2 emissions (location-based)		3,711	3,908	5,718
Total Scope 1 and 2 emissions (location-based)	UK operations	2,767	3,824	4,621
	Outside UK operations	1,733	2,064	2,207
	Total	4,500	5,888	6,828
Total Scope 1 and 2 emissions (market-based)	UK operations	809	1,723	2,408
	Outside UK operations	697	1,320	1,957
	Total	1,506	3,043	4,365
Energy consumption (kWh)				
	UK operations	13,410,123	13,206,057	18,495,195
	Outside UK operations	5,848,059	7,746,418	7,770,602
	Total energy consumed	19,258,182	20,952,475	26,265,797
Greenhouse gas emissions (tCO₂e)				
Scope 3 operational emissions ¹	Category 1: Purchased goods and services	97,982	85,605	75,202
	Category 2: Capital goods	5,930	5,080	12,867
	Category 3: Fuel and energy-related activities	1,233	1,308	1,340
	Category 4: Upstream transportation and distribution	78	60	21
	Category 5: Waste generated in operations	101	137	261
	Category 6: Business travel	8,675	1,722	21,852
	Category 7: Employee commuting	2,686	1,652	2,693
	Category 8: Upstream leased assets	731	849	803
	Category 13: Downstream leased assets	1	8	9
Total Scope 3 operational emissions		117,417	96,421	115,048
Total operational emissions (location-based)		121,917	102,309	121,876
Other metrics				
Scope 1 and 2 tCO₂e per employee		0.73	1.04	1.27
Renewable electricity consumption (RE100)		95%	84%	50%

Operational GHG emissions table notes

Reporting period

The reporting period is 1 January to 31 December inclusive.

Baseline year

We have chosen 2019 as our baseline year as the most recent representative year of our typical GHG profile, in accordance with SBTi criteria.

Reporting boundary

The financial control boundary approach has been applied to our greenhouse gas inventory, which follows our accounting consolidation approach. All acquisitions are included in our inventory when they fall into our financial control boundary. No category of emissions has been excluded from this boundary. Scope 3 categories 9 (Downstream transportation and distribution), 10 (Processing of sold products), 11 (Use of sold products), 12 (End-of-life treatment of sold products) and 14 (Franchises) have been assessed and are not relevant to our business. For our financed emissions from Scope 3 category 15 (Investments), see page 63.

Emissions factors

We have used a variety of greenhouse gas conversion factors for calculating our emissions. Emissions factors are determined by the emissions source and the emissions location so that the most accurate factor is applied. Sources of emissions factors used are: Defra, IEA, EPA, EPA eGRID, CCGI, NGA, Green-e.

Reporting methodology

We have reported on the emissions sources required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013. We followed the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulation. We report our global emissions inventory using the GHG Protocol Corporate Standard, the GHG Protocol Scope 3 Calculation guidance, the GHG Protocol Corporate Value Chain (Scope 3) Standard and the Global GHG Accounting and Reporting Standard for the Financial Services Industry.

Environmental accounting tool

In 2020, we rolled out an environmental accounting tool to improve the monitoring and measurement of our environmental impact across energy, transport, waste, water and paper use.

Through the use of this tool we collect and measure site-level performance data on a monthly basis, which is then verified internally, through a separate regional approver and finance verifier, quarterly. Through the tool we are able to log targets and track progress against them. We can also ensure that the most up-to-date, relevant emission factors are used in line with the GHG Protocol.

Metrics

We have used these metrics as they are common business metrics for our industry sector.

Average employees

The average number of employees for our reporting period are: 2022: 6,196; 2021: 5,650; and 2019: 5,359.

Data restatements

In line with our emissions recalculation process (see page 60), we have re-stated our supplier emissions (category 1: Purchased goods and services, category 2: Capital goods and category 4: Upstream transportation and distribution) from 2019 to 2021 due to the material updates that were made to the emissions factors published by Defra. This allows us to perform a meaningful emissions data comparison using a consistent data set over time.

Independent assurance

Incendium Consulting Ltd assured all of our operational emissions. This assurance was provided in accordance with AA1000AS (2008) Type 2 assessment.

1. Does not include emissions associated with employee homeworking (2022: 699 tCO₂e). These emissions are not a defined GHG emissions category as per the GHG Protocol, so we report on them separately (see page 47).



Our own operations

continued

Other metrics

Waste



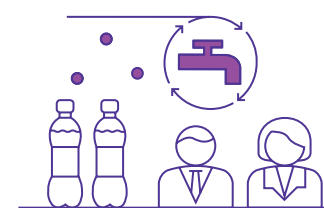
Global waste produced (tonnes)	2022
Mixed recyclables	322
Non-recyclables	172
Total waste produced (tonnes)	494
Total recycled	65%

Waste produced at London headquarters (tonnes)	2022	2021	2019 (base year)
General waste	43	55	96
Cardboard	14	7	Included in mixed recycling
Coffee waste	25	14	26
Food	42	44	77
Vegware™	19	10	12
Glass	20	9	18
Mixed recyclables	37	16	124
Paper	24	10	8
Confidential waste	20	9	30
Total waste produced (tonnes)	244	174	391

Waste treatment at London headquarters (%)			
Energy from waste	18%	31%	25%
Anaerobic digestion	17%	25%	20%
Recycled	65%	44%	55%
Total recycled (anaerobic digestion + recycled)	82%	69%	75%

Data includes all waste streams except for Waste from Electrical and Electronic Equipment (WEEE) waste and other hazardous waste. Global waste data is based on a sample size of 71% actual data from our global offices.

Water



Global water consumed (m³)	2022
Total water consumed	57,403
m3 per employee per year	9

Water consumed at London headquarters (m³)	2022	2021	2019 (base year)
Total water consumed	38,864	25,400	26,966
m3 per employee per year	14	10	11

Global water data is based on a sample size of 83% actual data from our global offices.



Appendices and glossary

Appendix 1: Summary TCFD disclosures	71
Appendix 2: Policies, position statements and key documents	72
Appendix 3: Climate and nature-related initiatives and memberships	73
Appendix 4: Network for Greening the Financial System (NGFS) scenarios	75
Glossary	76





Appendix 1

Summary TCFD disclosures

TCFD pillars	Recommended disclosures	Our response
<p>Governance</p> <p>See pages 13-19</p>	<p>a) Describe the Board's oversight of climate-related risks and opportunities.</p> <p>b) Describe management's role in assessing and managing climate-related risks.</p>	<ul style="list-style-type: none"> The Board of Schroders plc has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate and nature-related risks and opportunities into our strategy. The Board is therefore ultimately responsible for the oversight of climate and nature-related risks and opportunities that could impact our business. The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further, whilst retaining overall responsibility for the delivery of our strategy. The Group Chief Executive has management responsibility for overseeing the Group's approach to climate change. There are a number of management committees and working groups that assess, advise on and oversee climate and nature-related risks and opportunities. The Group Sustainability and Impact Committee, chaired by the Group Chief Executive, monitors progress towards our climate and nature-related targets.
<p>Strategy</p> <p>See pages 20-50</p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<ul style="list-style-type: none"> Risks to our investee companies include physical risks affecting operations (long term), and transition risks from measures to support global decarbonisation goals affecting the business proposition (short, medium and long term). In turn, these can negatively impact our investment performance. Opportunities will arise in sectors that stand to benefit from decarbonisation, such as those focused on energy efficiency, renewable energy infrastructure, or climate change resilience/adaptation (short and medium term). The majority of the risks and opportunities lie in our investments. We identify where the risks lie and act to respond to those risks. We assess our risk across a range of temperature scenarios. Our approach is detailed in our Climate Transition Action Plan, which has been updated, including our progress, in our subsequent 2021 and 2022 Climate Reports. Our approach is to measure exposure, track and hold companies to account and offer client solutions aligned to a net zero pathway. We work with our investee companies to transition through engagement. If companies do not take steps in their transition to a 1.5°C world, we have the option of exiting those positions. For our own operations, we are reducing energy consumption in our offices, transitioning our company car fleet to electric vehicles, implementing ISO 14001 Environmental Management Systems, increasing renewable power, reducing business travel and engaging suppliers to set science-based targets.
<p>Risk management</p> <p>See pages 51-58</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<ul style="list-style-type: none"> The process of identifying, assessing and managing climate risks has been embedded into our Group-wide risk management framework, which operates a three lines of defence approach. We also identify risks through the lenses of physical and transition risk. 'Environmental, Social, Governance (ESG) risk including climate change' is a key risk and is monitored using our risk appetite metrics. We assess the risk via research and analytics for investee companies (valuations) or ourselves (reduced revenue/increased costs) using our Climate Analytics Framework and stress testing. Climate risk has been embedded into our key existing processes alongside specific climate-related governance and decision-making bodies. This includes embedding it into investment research and decision-making, product development, company engagement and risk management processes. The Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework.
<p>Metrics and targets</p> <p>See pages 59-69</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. (All data is at 31 December 2022 unless stated otherwise.)</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<ul style="list-style-type: none"> For our clients' investments, we review greenhouse gas (GHG) emissions using absolute and intensity measures, and track implied temperature scores. For our own operations, we review and measure GHG emissions in our offices, company car fleet, business travel and supply chain. As an investment manager, our Scope 3 category 15 (financed emissions) represents our greatest exposure to climate-related risks. The combined Scope 1 and 2 carbon footprint for in-scope¹ AUM was 59.1 MtCO₂e. The temperature score for the combined Scope 1 and 2 GHG emissions at portfolio level was 2.6°C. Our Scope 1 GHG emissions were 789 tCO₂e (29% reduction since 2019). Our Scope 2 location-based GHG emissions were 3,711 tCO₂e (35% reduction since 2019). 95% of our global electricity consumption was from renewable sources. Our Scope 3 business travel GHG emissions were 8,675 tCO₂e (60% reduction since 2019). 25% of our suppliers in scope² (by GHG emissions) have set a science-based target. For our clients' investments our target is to align 100% of Scope 1, 2 and 3 temperature score for in-scope¹ listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs) holdings from 3.2°C in 2019 to 1.5°C by 2040. For our own operations our targets are to reduce absolute Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year; increase sourcing of renewable electricity to 100% by 2025; reduce absolute business travel emissions by 50% by 2030 from a 2019 base year; and work with our suppliers so that 67% of suppliers (by GHG emissions) will have science-based targets by 2026.

- Includes all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, REIT and ETF exposure. This accounted for over 60% of our AUM.
- Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.



Appendix 2

Policies, position statements and key documents

We believe that clear policies are key to tackling climate change and nature-related issues.

Relevant documents are outlined below.

Relevant document	Purpose
Engagement Blueprint	Lays out our expectations of the companies in which we invest. Climate and Natural Capital and Biodiversity are two of our priority themes for engagement.
Environmental, Social and Governance Policy for Listed Assets	Outlines our principles and practices regarding sustainable investing in Schroders' Asset Management processes and strategies.
ESG and Stewardship Policy	Outlines our principles and practices regarding sustainable investing in Schroders' Wealth Management processes and strategies.
Flexible Working Charter (internal use only)	Outlines our approach relating to flexible working at Schroders.
Group Climate Change Position Statement	Sets out our position in relation to the environmental management for the investments we manage and our operations.
Group Human Rights Position Statement	Sets out our position for its entities and employees in relation to the respect of human rights.
Group Model Governance Policy (available on request)	Sets out the control and responsibilities for the development and use of models within Schroders.
Group Nature and Biodiversity Position Statement	Sets out our position on nature and biodiversity.
Group Travel Policy (internal use only)	Sets out our principles and standards in relation to business travel.
Schroders Capital BlueOrchard Impact & Environmental, Social and Governance Framework	Outlines our principles and practices regarding sustainable investing in Schroders Capital BlueOrchard business.
Schroders Capital Infrastructure Sustainability and Impact Policy	Outlines our principles and practices regarding sustainable investing in Schroders Capital Infrastructure business.
Schroders Capital Sustainability and Impact Policy	Outlines our principles and practices regarding sustainable investing in Schroders Capital Private Assets business.
Schroders Capital Real Estate Sustainability Policy	Outlines our principles and practices regarding sustainability in Schroders Capital Real Estate business.
Supplier Code of Conduct	Summarises the standards and behaviours we expect from suppliers, including our expectations on environment. Suppliers must be able to demonstrate compliance with this Code.



Appendix 3

Climate and nature-related initiatives and memberships

We support and actively engage with a range of climate change and nature-related initiatives, memberships and organisations to help lead progress towards a net zero and nature positive future. Examples include:

Initiative/organisation	Abbreviation	Summary
Better Buildings Partnership Climate Commitment	BBP Climate Commitment	The BBP Climate Commitment requires signatories to publish net zero carbon pathways and delivery plans, disclose the energy performance of their assets, and develop comprehensive climate resilience strategies. It has an overarching objective of delivering net zero buildings by 2050. For 2022, we have continued our engagement with the BBP Climate Commitment through workshops and feedback on consultations, as well as continuing the development and analysis of our real estate net zero commitments and progress in accordance with the recommendations of the commitment.
CDP	–	CDP runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. As a signatory of CDP, we have access to its extensive research and database on climate change, water and forestry. We achieved an 'A' for our 2022 climate change questionnaire (for year end 2021), the only UK headquartered financial services company and in the top 2% of all companies scored globally.
Climate Action 100+	CA100+	We were a founding signatory to the CA100+, a five-year collaborative engagement project to engage over 100 of the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions consistent with a 2°C scenario and strengthen climate-related financial disclosures in line with TCFD recommendations. In 2022 we have engaged unilaterally with 105 CA100+ companies.
Climate Financial Risk Forum	CFRF	In 2022 Schroders has been actively supporting the Climate Financial Risk Forum (CFRF) to draft new guidance publications due in early 2023. The CFRF is convened by the FCA and aims to build capacity and share best practice across financial regulators and industry, to advance the financial sector's responses to the financial risks from climate change. Schroders participates in the data, disclosure and metrics working group as well as the scenario analysis working group.
Climate Impact Partners	–	Climate Impact Partners help organisations take responsibility for their climate impact by financing, developing and managing carbon reduction projects across the world. We work with Climate Impact Partners to compensate for our operational greenhouse gas emissions. In 2022 we met and exceeded the requirements of Climate Impact Partners' Carbon Neutral® company certification.
Coalition for Climate Resilient Investment	CCRI	We are signatories to the CCRI which was launched at the UN Climate Action Summit in 2019. CCRI represents the commitment of the global private financial industry, in partnership with key private and public institutions, to foster the more efficient integration of physical climate risks in investment decision-making.
Deforestation Free Finance	–	In 2021 we signed the financial sector commitment letter on eliminating commodity-driven deforestation. We are committed to using best efforts to eliminate forest-risk agricultural commodity driven deforestation activities at the companies in our investment portfolios and in our financing activities by 2025. Engagement with investee companies has begun in 2022 and is expanding to more than 100 companies.
Finance for Biodiversity Pledge	–	The Finance for Biodiversity Pledge calls on global leaders to agree on effective measures to reverse nature loss in this decade to ensure ecosystem resilience. This also underlines our commitment to engage with companies, assess the impact of our investments, set targets and report publicly.
Glasgow Finance Alliance for Net Zero	GFANZ	GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy. We became a member of GFANZ after joining our net-zero sector specific alliance, NZAM. GFANZ provides tools and resources to support the financial sector in implementing its net zero commitments.
Institutional Investors Group on Climate Change	IIGCC	As signatories to the IIGCC we collaborate with the investment community to drive significant and real progress by 2030 towards a net zero and resilient future. For 2022 we engaged collaboratively with two automobile manufacturers as part of the IIGCC Corporate Lobbying initiative.
Natural Capital Investment Alliance	NCIA	The Natural Capital Investment Alliance was created by His Royal Highness, King Charles III (then Prince of Wales), as part of his Sustainable Markets Initiative (SMI) launched at Davos in 2020. Its members have plans to launch, or have launched, investment products aligned to Natural Capital themes to mobilise USD 10 billion investment in natural capital assets in 2022.
Net Zero Asset Managers' initiative	NZAM	We were a founding member of NZAM, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. NZAM is aligned with the UN-backed Race to Zero campaign. For 2022 we have continued to meet our NZAM commitments through our CDP response and TCFD reporting, whilst continuing to attend signatory meetings.



Appendix 3

continued

Initiative/organisation	Abbreviation	Summary
Operating Principles for Impact Management	Impact Principles	The Impact Principles are a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment life cycle. As a signatory, Schroders commits to disclose how its 'covered assets' (the impact-driven range) are aligned to the Impact Principles on a yearly basis and, at regular intervals, to arrange for an external independent verification of this alignment.
Powering Past Coal Alliance	PPCA	As a member of the PPCA and endorser of the PPCA Finance principles, we have committed to offer products that avoid exposure to equity and debt instruments of companies that plan to generate electricity from unabated coal, as well as engage on unabated coal fire generation and encourage information providers to track this data. In 2022, we contributed to the consultation on, and are reviewing, their refreshed Financed Principles.
Race to Zero	–	Race to Zero mobilises actors outside of national governments to join the Climate Ambition Alliance. All members are committed to the same overarching goal: accelerate the delivery of climate action in line with halving global emissions by 2030 and achieving net zero emissions by 2050 at the very latest.
RE100	–	RE100 is a global initiative bringing together the world's most influential businesses driving the transition to 100% renewable electricity. We are a member of RE100 and have committed to sourcing 100% renewable electricity for our global offices by 2050. In 2022, we responded to their open consultation on technical criteria, which are revised periodically to recognise shifts in markets and sourcing options for renewable electricity.
Science Based Targets initiative	SBTi	SBTi drives climate action in the private sector by enabling companies to set science-based emissions reduction targets. In 2022, our science-based targets were validated by the SBTi and we responded to the consultation on the Net-Zero institutions Foundations Draft in 2022. SBTi are expected to launch the final Financial Net Zero Standard in Q1 2023.
Task Force on Climate-related Financial Disclosures	TCFD	The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. In 2022 we have continued to align our climate-related reporting with its recommendations.
Task Force on Nature-related Financial Disclosures	TNFD	The TNFD is developing a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, which aims to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. We are a member of the TNFD Forum, a global multi-disciplinary consultative group of institutional supporters. For 2022 we were actively involved with the TNFD and Global Canopy Pilot on Palm Oil in Singapore through participation in workshops, reviewing proposals and sharing lessons learnt.
Terra Carta	–	As part of the Sustainable Markets Initiative, the Terra Carta is a charter that provides a roadmap to 2030 for businesses to move towards an ambitious and sustainable future. We have continued to support the aims of the Terra Carta throughout 2022.
The Farm Animal Investment Risk & Return Initiative	FAIRR	Through the initiative we support collaborative engagement on sustainable proteins to encourage diversification, recognising that alternative proteins offer an important part of the solution to the challenge of feeding a growing population sustainably. In 2022 we participated in a collaborative engagement effort FAIRR ran on AMR (Antimicrobial resistance) in animal pharma.
The Investment Association	IA	We are members of the Investment Association and actively participate in the Sustainability and Responsible Investment Committee as well as in the Sustainable Finance Public Policy Working Group. We have recently provided suggestions to the Investment Association's draft remuneration principles for 2023.
The WWF and Emerging Market Investor Alliance Pilot on Deforestation	–	We have invited six companies to pilot WWF's new toolkit on commodity-driven deforestation risk assessments for financial institution. We are involved in reviewing the output and suggesting improvements to the WWF toolkit.
United Nations Global Compact	UNGC	As a signatory to the UNGC we support and integrate its ten principles covering four areas – human rights, labour, environment and anti-corruption – into our business strategy. In 2022 we became an Early Adopter of the UNGC's Communication on Progress as part of our commitment to transparently disclose our implementation of the Ten Principles and contribution to the Sustainable Development Goals.
United Nations Principles for Responsible Investment	UN PRI	As signatories to the UN PRI, we are committed to providing transparency on the actions we are taking across our business on responsible investment including climate change. For 2022 we have supported the data, disclosures and metrics working group formed by the UN PRI.



Appendix 4

Network for Greening the Financial System (NGFS) scenarios

The NGFS provide six key scenarios:

			Scenario used in Schroders analysis
Net Zero 2050	An ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO ₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point.	Transition risk	Yes – referred to as 1.5°C orderly scenario
Divergent Net Zero	Divergent Net Zero reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels.	Transition risk	No
Below 2°C	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.	Transition risk	Yes – referred to as 1.5°C disorderly scenario
Delayed transition	Assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.	Transition risk	No
Nationally Determined Contributions (NDCs)	NDCs includes all pledged policies even if not yet implemented.	Transition risk	No
Current policies	Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.	Transition risk	No
Aggressive scenario	The Aggressive scenario relates to the 95th percentile of the cost distribution and can be considered a 'worst-case' scenario. It assumes the most extreme physical impacts from climate change, manifesting in the associated costs from extreme weather events, and other climate-related hazards, to company valuations.	Physical risk	Yes
Average scenario	The Average scenario relates to the 50th percentile of the cost distribution, and can be considered as the 'most likely' scenario. Based on the models underlying assumptions, it is the most probable outcome over the modelled 15 year period.	Physical risk	Yes

For more detail on the scenarios, see <https://www.ngfs.net/ngfs-scenarios-portal/explore/>



Aggregated Climate Value at Risk

Schroders uses MSCI's Climate VaR package to assess its holdings against the following scenarios:

- Net zero 1.5°C
- Below 2.0°C
- Above 3.0°C ('hot house world')

To reach these aggregated Climate VaR scenarios, MSCI aggregates the transition and physical risk assumptions outlined on this page to provide holdings level impacts that can be aggregated across portfolios.



Glossary

Active management

The management of investments based on active decision-making rather than with the objective of replicating the return of an index.

Active ownership

Driving change in the overwhelming majority of assets which have yet to reach net zero emissions, by holding those committed to doing so accountable for their progress and pushing those who have not yet committed to do so.

Acute risk

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

Assets under management (AUM)

AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the Group, including joint ventures and associates, earns operating revenue.

Asset Management AUM includes investment management, fiduciary management and liability management services. For Schroders Capital Private Equity, the aggregate value of assets managed includes client commitments on which we earn fees. This is changed to the lower of committed funds and net asset value, typically after seven years from the initial investment, in line with the fee basis.

Wealth Management AUM comprises the aggregate value of assets where Schroders provides advice or discretionary management (Advised AUM), platform services (Platform AUM) and investment management services (Managed AUM). Advised AUM comprises assets where Schroders provides discretionary or advisory management services including assets where the client independently makes investment decisions. Platform AUM represents the value of assets on the Benchmark Fusion platform. The Fusion platform enables financial advisors to administer and manage their clients' accounts by providing dealing and settlement services, valuation statements and custody services through a third party. Managed AUM includes assets where the client invests in Schroders' funds.

Avoided emissions

Avoided emissions are emissions saved indirectly by products and services through the substitution of high carbon activities with low carbon alternatives. As the emissions are saved outside the value chain of a company's activity, they are not captured under conventional Scope 1, 2 and 3 emission measures.

BARC

Board Audit and Risk Committee.

Broad sustainability strategy

Strategies from our sustainable driven and sustainable thematic ranges that target exposure to companies on the basis of strong overall ESG performance.

Carbon dioxide equivalent (CO₂e)

A standard unit for measuring carbon footprints. It enables the impact of different greenhouse gas emissions on global warming to be expressed using an equivalent amount of carbon dioxide (CO₂) as a reference.

Carbon offsetting

Compensating your total carbon emissions by funding carbon negative activities elsewhere.

Carbon Risk Real Estate Monitor (CRREM)

CRREM provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the Paris climate goals, with pathways available for 1.5°C and 2°C by country and sector.

Carbon Value at Risk (VaR)

Measures the impact of higher carbon prices on companies' cash earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently lower demand in each sector.

Chronic risk

Chronic physical risks refer to longer-term shifts in climate patterns (for example, sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Clients

Within our Asset Management business we work with institutional clients, including pension funds, insurance companies and sovereign wealth funds, as well as intermediaries, including financial advisers, private wealth managers, distributors and online platforms. We also provide a range of Wealth Management services to private clients, family offices and charities. At times, 'client' is used to refer to investors in our funds or strategies, in other words, the end client. We are increasingly focused on building closer relationships with the end client, whose money is invested with us, often via an intermediary or institution.

Climate Engagement and Escalation Framework

Our Climate Engagement and Escalation Framework sets out how we will use our influence as investors to help drive the transition to a low-carbon economy. It is made up of five key elements: climate expectations, company prioritisation and selection, monitoring progress, voting policy and escalation practice.

Climate neutral

Achieving net zero greenhouse gas emissions by balancing existing emissions with carbon offsets. Unlike net zero, climate neutrality is often (but not always) validated or certified by a third party. Use of these terms varies by region.

Climate opportunity-focused strategies

Strategies from our Sustainable Thematic range that target companies that stand to benefit from the net zero transition.

CONTEXT

A proprietary tool that provides a structured approach to analysing a company's relationship with its stakeholders and the sustainability of its business model. Driven by more than 250 metrics from over 75 data sources, it provides clear, objective information on how companies are managing material ESG issues and generates deeper insights for investors.

COP15

COP stands for 'Conference of the Parties', and is the decision-making body for the United Nations Convention on Biological Diversity (CBD). COP15 was the 15th meeting, which resulted in the adoption of a new set of international goals for biodiversity, called the Kunming-Montreal Global Biodiversity Framework (GBF). The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights.

COP27

COP stands for 'Conference of the Parties', and is the decision-making body for the United Nations Framework Convention on Climate Change (UNFCCC). COP27 was the 27th meeting, which resulted in the breakthrough agreement to provide "loss and damage" funding for vulnerable countries hit hard by climate disasters.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Engagement

Engagement is more than just meeting with company management; it is an opportunity to gain insight into a company's approach to sustainability. It also gives us the opportunity to share our expectations on corporate behaviour and to influence company interactions with their stakeholders; ensuring that the companies we invest in are treating their employees, customers and communities in a responsible way.

ESG

Environmental, social and governance.

ETF

Exchange-traded fund.

ExCo

Sustainability Executive Committee.

Financed emissions

Absolute emissions that banks and investors finance through their loans and investments. Schroders' in scope financed emissions include all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, real estate investment trust and exchange-traded fund exposure.

Fugitive emissions

The intentional or unintentional release of emissions such as hydrofluorocarbon (HFC) emissions, for example, leaks from joints, seals and gaskets during the use of refrigeration, air conditioning and fire suppression equipment. Reported under Scope 1 emissions.

GMC

Group Management Committee.

GRC

Group Risk Committee.

Greenhouse gases

A gas that absorbs and emits radiation in the atmosphere, contributing to the greenhouse effect. The seven gases covered by the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). These gases trap heat close to the surface of the earth and are a key cause of climate change.



Glossary

continued

Greenhouse Gas (GHG) Protocol

Comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards.

GRESB

GRESB is the global ESG benchmark that provides Environmental, Social and Governance (ESG) data to financial markets.

GSJ Committee

Group Sustainability and Impact Committee, previously known as the Corporate Responsibility Committee.

Integration of ESG factors

The incorporation of a range of risks and opportunities related to environmental, social and governance (ESG) factors into the investment decision-making process. In principle, this leads to a broader assessment of the drivers of business and asset valuations than traditional financial analysis alone, particularly in the long term.

Recognising that no standard framework exists to assess the integration of ESG factors into investment processes, we have developed a proprietary accreditation framework which we apply to our investment processes. Different investment strategies may consider different ESG factors as part of their investment process and apply them in different ways. The ESG factors may not be the primary factors that influence an investment decision. The framework requires investment teams to describe how ESG factors are incorporated into their investment processes and provides a consistent basis on which to assess how those factors are taken into account.

For certain businesses acquired more recently we have not yet accredited the integration of ESG factors into investment decision making. A small portion of our business for which the integration of ESG factors is not practicable or possible, for example our legacy businesses or investments in the process of being liquidated, and certain joint venture businesses are excluded.

Investee companies

The companies in which we invest, this term applies across all asset classes.

IPCC

The Intergovernmental Panel on Climate Change is the United Nations body for assessing the science related to climate change.

ISO 14001 environmental management system certification

ISO 14001 is the international standard for environmental management systems (EMS) and the most widely used EMS in the world.

Low tracking error

Strategies with low price deviations versus the benchmark.

Morgan Stanley Capital International (MSCI)

Climate Value at Risk (VaR) is MSCI's full quantitative scenario analysis solution, designed to provide a forward-looking and return-based valuation assessment of listed equity and debt securities in order to measure climate related risks and opportunities in an investment portfolio.

MSCI ACWI

The MSCI All Country World Index is a global equity index of large- and mid-cap stocks.

The MSCI Global

The MSCI Global Alternative Energy Index includes developed and emerging market large, mid and small cap companies that derive 50% or more of their revenues from products and services in 'Alternative energy', defined as products and services that promote the generation of power using renewable or cleaner sources (in other words, cleaner than fossil fuels) or the development of alternative energy technology.

Net Zero Dashboard

The Schroders Net Zero Dashboard measures the forward-looking environmental impact of our investing activities. Specifically, it calculates both the implied temperature pathway and financed emissions for a snapshot of our investment holdings so investment teams and Group Risk can track the pace of transition in individual portfolios. Breaking exposure down by sector and region supports target setting by analysts and fund managers, whilst providing Group Risk with data to engage with investment teams on their climate transition approach.

Net zero

Net zero emissions is achieved when the amount of emitted greenhouse gases are balanced by the equivalent of emissions removed.

NGFS scenarios

Network for Greening the Financial System (NGFS) scenarios are six different scenarios to assess transition and physical risks. The scenarios share similar socio-economic assumptions. They assume a continuation of current economic and population trends, though accounting for a COVID shock.

NGO

Non-governmental organisation.

NPV

Net present value.

Paris Agreement

A global commitment, agreed at COP21 in Paris in 2015, to limit increase in the global average temperature to below 2°C above pre-industrial levels.

PCAF

The Partnership for Carbon Accounting Financials is an industry greenhouse gas accounting standard used by the Science Based Targets initiative, which provides asset class methods and data resources for the quantification of financed greenhouse gas emissions from loans and investments.

PDC

Product Development Committee.

Physical risk

Reflect the risks associated with long-term changes in the climate and with more extreme weather events which may impact future business activities. In particular, the impacts on the value of investments, held on behalf of clients, caused by direct or indirect physical climate changes and events; risk to our businesses and property assets; and those of our suppliers and other partners caused by climate events.

Power Purchase Agreement (PPA)

A power purchase agreement (PPA) is a contractual agreement between energy buyers and sellers. They come together to buy and sell an amount of energy which is, or will be, generated by a renewable asset.

PSC

Product Strategy Committee.

RCA

Risk and Control Assessment.

REDD+

A framework created by the UNFCCC Conference of the Parties (COP) to guide activities in the forest sector that reduces emissions from deforestation and forest degradation, as well as the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.

REEB

Real Estate Environmental Benchmark (REEB) is a publicly available operational benchmark of environmental performance for commercial property in the UK.

REIT

Real estate investment trust.

Renewable energy

Energy collected from resources that are naturally replenished such as sunlight, wind, water and geothermal heat.

Renewable Energy Certificate (REC)

A renewable energy certificate is a type of energy attribute certificate that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources.

'Say on Climate' resolution

A resolution that gives shareholders a say to approve a company's climate targets, policy or transition plan.

SBTi

The Science Based Targets initiative defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

Science-based target

A science-based target provides a clearly-defined pathway for companies to reduce their greenhouse gas emissions. The target is considered 'science-based' if it is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Scope 1 emissions

Direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles.



Glossary

continued

Scope 2 emissions

Indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam.

Scope 3 emissions

Indirect greenhouse gas emissions from sources not owned or controlled by the company, such as emissions from business travel or investments.

Scope 3 category 1 Purchased goods and services

All upstream emissions from the production of products purchased or acquired by the reporting company in the reporting year. Products include both goods (tangible products) and services (intangible products).

Scope 3 category 2 Capital goods

All upstream emissions from the production of capital goods purchased or acquired by the reporting company in the reporting year.

Scope 3 category 3 Fuel- and energy-related activities not included in Scope 1 or Scope 2

Emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in Scope 1 or Scope 2.

Scope 3 category 4 Upstream transportation and distribution

Emissions from transportation and distribution of products purchased in the reporting year, between a company's direct suppliers and its own operations in vehicles not owned or operated by the reporting company.

Scope 3 category 5 Waste generated in operations

Emissions from third-party disposal and treatment of waste generated in the reporting company's owned or controlled operations in the reporting year. This category includes emissions from disposal of both solid waste and wastewater.

Scope 3 category 6 Business travel

Emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses and passenger cars.

Scope 3 category 7 Employee commuting

Emissions from the transportation of employees between their homes and their worksites.

Scope 3 category 8 Upstream leased assets

Emissions from the operation of assets that are leased by the reporting company in the reporting year and not already included in the reporting company's Scope 1 or Scope 2.

Scope 3 category 9 Downstream transportation and distribution

Emissions that occur in the reporting year from transportation and distribution of sold products in vehicles and facilities not owned or controlled by the reporting company.

Scope 3 category 10 Processing of sold products

Emissions from processing of sold intermediate products by third parties subsequent to sale by the reporting company. Intermediate products are products that require further processing, transformation, or inclusion in another product before use and therefore result in emissions from processing subsequent to sale by the reporting company and before use by the end consumer.

Scope 3 category 11 Use of sold products

Emissions from the use of goods and services sold by the reporting company in the reporting year. A reporting company's Scope 3 emissions from use of sold products include the Scope 1 and Scope 2 emissions of end users.

Scope 3 category 12 End-of-life treatment of sold products

Emissions from the waste disposal and treatment of products sold by the reporting company at the end of their life.

Scope 3 category 13 Downstream leased assets

Emissions from the operation of assets that are owned by the reporting company and leased to other entities in the reporting year that are not already included in Scope 1 or Scope 2.

Scope 3 category 14 Franchises

Emissions from the operation of franchises not included in Scope 1 or Scope 2.

Scope 3 category 15 Investments

Emissions associated with the reporting company's investments in the reporting year, not already included in Scope 1 or Scope 2. This category is applicable to investors and companies that provide financial services.

Shareholder resolution

A proposal submitted by a shareholder for consideration at a company's general meeting, requesting that the company takes particular action.

SMART objectives

Are objectives that are specific, measurable, achievable, relevant and time-bound.

Streamlined Energy and Carbon Reporting (SECR) regulation

Introduced in 2019, SECR requires UK quoted companies to report on their global energy consumption and associated greenhouse gas emissions within their financial reporting. Organisations also need to report on energy efficiency measures and state emissions with reference to an intensity metric.

SustainEx™

Schroders' proprietary estimate of the net 'impact' that an issuer may create in terms of social and environmental 'costs' or 'benefits'. It uses certain metrics with respect to that issuer, and quantifies them positively (for example, by paying 'fair wages') and negatively (for example, the carbon an issuer emits) to produce an aggregate notional measure of the issuer's social and environmental 'externalities'. The aim of the model is to enable our investors to assess the investments they may make, having regard to such measures, and the risks those issuers potentially face if the social and environmental 'costs' they create were to be reflected in their own financial costs.

tCO₂e

Tonnes of carbon dioxide equivalent. A unit of measurement that is used to standardise the climate effects of various greenhouse gases on the basis of their global warming potential.

Temperature alignment

The method of interpreting an asset's or portfolio's exposure to abstract climate risk, and communicating it as an intuitive implied temperature score; measured degrees Celsius.

Transition risk

Reflects the risks stemming from changes in the economy that will be required to limit long-run temperature rises, including higher or lower rates of demand growth, costs or risk profiles to companies, sectors or asset classes. These may include new or enhanced corporate climate change laws and regulations, changes in investor demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

Vegware™

Vegware™ is plant based compostable foodservice packaging used in our catering facilities in 1 London Wall Place, London and our Horsham estate as an alternative to single-use plastics.

WACI

Weighted Average Carbon Intensity measures a portfolio's exposure to carbon-intensive companies. An investment's emissions are allocated based on its weight within the portfolio, which is the current value of the investment relative to the current portfolio value.

Forward-looking statements

This report may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'foresee', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Nothing in this report should be construed as a forecast, estimate or projection of future financial performance.



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