Schroders

Sustainability risk management

To facilitate legibility, the language forms male, female and diverse (m/f/d) are not used simultaneously in this text. All references to persons apply equally to all genders**.**

The investment decision-making process for each discretionary or advisory portfolio includes the consideration of sustainability risks alongside other factors. A sustainability risk, as defined by the EU Disclosure Regulation, refers to an event or condition in the environmental, social, or governance (ESG) areas that could have actual or potential significant negative impacts on the value of an investment and the return of the client's portfolio. Sustainability risks can arise within a specific business or externally and can impact multiple transactions.

Sustainability risks that could negatively impact the value of a specific investment may include:

- Environmental: Extreme weather events such as floods and strong winds; pollution incidents; damage to biodiversity or marine habitatsn
- Social: Labor disputes; health and safety incidents such as injuries or fatalities; product safety issuese
- Governance: Tax evasion; discrimination within a workforce; inappropriate compensation practices; failure to protect personal data
- Regulatory: New regulations; taxes or industry standards to protect or promote sustainable businesses and practices may be introduced.

Different investment vehicles (direct and/or indirect) require different approaches to integrating such risks into the investment decision-making process. The portfolio manager or client advisor regularly analyzes potential investments by assessing sustainability risks (alongside other relevant considerations and risks). For direct investments, this may include analyzing the overall costs and benefits an issuer could generate for society and the environment, or how an issuer's market value could be influenced by specific sustainability risks such as an increase in carbon taxes. For indirect investments through funds, the portfolio manager or client advisor may analyze the extent to which a strategy or fund manager integrates sustainability risks into their advisory or portfolio management process.

To conduct these assessments, a range of proprietary tools and data, as well as supplementary metrics from external data providers, may be used, along with the portfolio manager's or client advisor's own due diligence, depending on the circumstances. This analysis informs the portfolio manager or client advisor about the potential impact of sustainability risks on a client's overall portfolio and, alongside other risk considerations, the expected financial returns of the client's portfolio.

A general description of sustainability risks can be found in Section 1.6 of the brochure "Risks in Trading Financial Instruments" published by the Swiss Bankers Association. For further details on the management of sustainability risks and the approach of the portfolio manager or client advisor regarding sustainability, please refer to our website (https://www.schroders.com/en-ch/ch/wealth-management/sfdr-statements/)

Sustainable impacts
Currently, we do not systematically consider the negative impacts of investment decisions on sustainability factors. This is primarily due to limited data availability resulting from a lack of transparency in the underlying investments and constraints in data integration. We are continuously working towards systematically integrating these sustainability factors across a broader asset base in the future and aim to consider them both before and after the investment within the next 18 months.