

Schroders Group Sustainable Investment Policy

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Contents

1	Executive summary	3	8	Active ownership	11
			8.1	Engagement	11
2	Why is it necessary?	4	8.2	Policy discussions	11
3	Scope	4	8.3	Collaborative engagement	11
4	Guiding principles	5	8.4	Voting	11
5	Governance	6	9	Product lifecycle	12
5.1	Group sustainability	6	9.1	Product commitments	12
5.2	Corporate commitments	6	9.2	Product classification framework	12
5.3	Approach to meeting sustainable investment regulations	6	9.3	Impact	12
5.4	Risk framework	6	9.4	Conflicts of interest	12
6	Key definitions	7	9.5	Stock lending	12
7	Sustainable investment management	8	10	Client engagement and disclosure	13
7.1	Exclusions and screening	8	11	Where can I get more information?	14
7.2	ESG integration	8	12	Appendix	15
7.3	Measurement of sustainability related investment factors	9			
7.4	Themes – Climate	9			
7.5	Themes – Nature and biodiversity	10			
7.6	Themes – Human rights	10			

1. Executive summary

This Schroders Group Sustainable Investment Policy (Policy) establishes the firm's overall approach to sustainable investing. It explains our governance structure for overseeing and delivering the sustainable investment activities that we undertake on behalf of our clients, in line with the guiding principles below. It also serves as a framework Policy for various policies, position statements and other types of document which cover specific Schroders entities, business lines, investment strategies and sustainable investment themes.

Our approach to sustainable investment reflects over a decade of experience in managing investments for our clients taking into account sustainability factors with the goal of enhancing their investment returns. We expect our approach to continue to evolve in line with our clients' needs, building on our experience and growing data availability.

2. Why is it necessary?

Many of our clients' requirements around sustainability are continuously evolving. It is necessary for them to have a clear understanding of Schrodgers' approach in this area to help them meet their objectives. Regulators' demands of asset managers around sustainable investing are also growing. The key channels through which Schrodgers adheres to these standards are summarised in this Policy and the related reference documents (see [section 11](#)).

3. Scope

This Policy generally applies to our Investment teams across Schrodgers Investment Management, Schrodgers Wealth Management (Wealth Management), Schrodgers Solutions (Solutions) and Schrodgers Capital.¹

Certain parts of the Schrodgers Group are not in-scope of all or part of this Policy, including joint ventures and some businesses that have been acquired by the Schrodgers Group, as well some client portfolios that are legacy or in run-off, and execution-only or advisory mandates.



¹[Schrodgers Investment Management](#) is our public markets investment business offering investment expertise across relevant asset classes to a range of clients. [Schrodgers Wealth Management](#) (Wealth Management) provides wealth management services to high-net-worth clients, family offices, and financial advisers. [Schrodgers Solutions](#) (Solutions) offer advice and investment solutions, working in partnership with pension funds, financial services and other large institutions. [Schrodgers Capital](#) provides our clients with access to a broad range of private asset investment opportunities, portfolio building blocks and customised private asset strategies.

4. Guiding principles

Our purpose is to provide excellent investment performance to our clients through active decision making. In our view, sustainability risks and industrial trends are intrinsically linked to the performance of many investments over the long term. Investee companies and assets face competitive pressures from a wide range of sources, on a larger scale and at a faster pace than ever before. Investment teams no longer have a choice over whether to seek exposure to sustainability risks and opportunities; all portfolios may be impacted.

We believe that considering sustainability factors across the investment strategies we manage, in line with those strategies' investment objectives, can help us to deliver our purpose.

Where appropriate, we also engage with many investee management teams and/or their key stakeholders, vote on our clients' shareholdings or otherwise seek to use our influence, with the objective of improving investee company or asset performance in sustainability-related areas and their long-term financial health and resilience. We may choose to make an investment with a more challenging sustainability profile if we believe the opportunity is consistent with the relevant investment strategy and has an appropriate risk-adjusted return profile.

We recognise that tackling social and environmental challenges will require a reallocation of capital over time and have therefore developed a range of specific sustainability, thematic and impact strategies, for clients who have environmental and social preferences.



5. Governance

5.1 Group Sustainability

We have a number of governance structures in place for decision-making and oversight of our approach to sustainable investment. The Board of Schroders plc (the Board) has collective responsibility for the management, direction and performance of the Group, and is accountable for our overall business strategy. The Group Chief Executive is responsible for proposing the strategy for the Group and for its implementation, supported by the Group's senior management team and a number of Committees, some of which are noted below.

The **Group Sustainability and Impact (GSI) Committee** provides advice to the Group Chief Executive on sustainability and impact matters. The Committee considers, reviews and recommends the overall global sustainability and impact strategy, including key initiatives, new commitments and policies for approval. The Global Head of Sustainable Investment and Global Head of Corporate Sustainability are members of the Committee and report to the Group Management Committee (GMC) and the Board.

The **Sustainability Executive Committee (ExCo)** develops and oversees the delivery of our Group-level sustainable investment management strategy. The ExCo also advises on the development of our sustainability and impact investment and product frameworks. The ExCo has senior representation from across the business including Investment, Client Group, Wealth Management, Schroders Capital and Corporate Sustainability.

The **Sustainability Regulations Steering Committee (Sustainability Reg SteerCo)** 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 Reg SteerCo receives input on planned or potential sustainability-related regulation from our Public Policy team, which actively engages with relevant regulators, industry trade associations and other bodies in the United Kingdom (UK) and European Union (EU). The Sustainability Reg SteerCo has senior representation from across the business including Investment, Wealth Management, Schroders Capital, Legal, Risk & Compliance, Product and Operations Management.

Certain Schroders entities, businesses and Investment teams also have their own committees which consider their sustainable investment activities. For example, the **Private Assets Sustainability and Impact Steering Committee (PA S&I SteerCo)** develops and oversees the implementation of the Private Assets Sustainability and Impact strategy. In addition, the **Wealth Management Sustainable Investment Committee (WMSIC)**, a sub-committee of the Wealth Management Investment Committee (WMIC), has delegated responsibility for recommending Wealth Management's Sustainability models, as well as providing investment strategy and direction for client portfolios that are linked to the sustainable models.

Alongside our central Sustainable Investment team, sustainable investing is also overseen and delivered by dedicated teams and expert individuals embedded throughout the firm (including across Investment teams and Client Group functions).

5.2 Corporate commitments

Schroders has made commitments to a number of sustainability-related platforms and initiatives. Examples of our public commitments to date include being a signatory to the UN Principles of Responsible Investment (UN PRI), a signatory to the UN Global Compact (UNGC) and a member of the Net Zero Asset Managers (NZAM) initiative.¹

5.3 Approach to meeting sustainable investment regulations

Regulators' focus on sustainability claims and practices by asset managers is growing, and through the above governance frameworks we seek to adhere to applicable disclosure requirements, product standards and other regulatory expectations in the jurisdictions in which we operate. The **Sustainability Regulations Programme** comprises the assessment and implementation of new regulatory requirements and determines the steps needed so that they are met under the supervision of the Sustainability Reg SteerCo (see above).

5.4 Risk framework

Our sustainable investment activities are monitored as part of our wider consolidated Risk Management Framework.



¹A list of organisations we support can be found [here](#).

6. Key definitions

ESG integration

is the process of identifying, analysing and incorporating relevant and material ESG factors into investment decisions as well as the ongoing monitoring of portfolios and engagement with investee company or assets' management teams. We consider that examining a wider range of factors than may be captured in traditional investment analysis allows a more complete view of potential investment drivers and better-informed investment decisions as a result.

Screening

applies rules to investment portfolios based on defined criteria that determine whether an investment is permissible, typically used to avoid owning defined "controversial" or "unsustainable" business activities, such as thermal coal mining, that face a challenging investment outlook over the longer term.

Sustainable investing

means investment processes that have sustainability goals or characteristics that feature as part of the overall investment strategy.

Impact investing

means investment strategies that are designed to contribute to measurable, positive social or environmental goals alongside providing financial returns. Impact investing requires clear investment intent and contribution to a defined goal both at a strategy level and in relation to portfolio holdings.

Active ownership

in the context of sustainable investing refers to the influence that can be applied to management teams and relevant stakeholders of investee companies and assets so that more sustainable practices are properly considered in managing those companies and assets. This is intended to protect and enhance the value of investments.



7. Sustainable investment management

7.1 Exclusions and screening

At Schroders, we apply certain exclusionary criteria in the management of our clients' assets through screening.¹ Such exclusions include those related to coal, cluster munitions and controversial weapons.

Our policy in relation to these exclusionary criteria applies to direct investments within relevant actively managed portfolios. It does not apply to portfolios managed by third party investment firms or investments where we do not have discretion over security selection. Where Schroder portfolios invest in or track market indices, these exclusionary criteria may not apply to the individual securities in those indices. Our policy also does not apply where a client requests that, rather than apply these exclusionary screens, we instead consider the social, political and financial pressures on companies as an integrated part of our investment process.

Certain Schroders entities, businesses and investment strategies may apply additional exclusions. For example:

- Our sustainable strategies do not invest in companies that we deem to be in breach of "Global Norms". Schroders' definition of Global Norms considers widely recognised principles such as the UNGC principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labour Organization's (ILO) Fundamental Conventions. We have created a proprietary framework to

identify, assess and engage companies that we deem to have potentially breached Global Norms. This framework is focussed on our clients' public markets investments;

- Schroders managed products that are classified under Articles 8 and 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR) have additional screening criteria, for example in relation to tobacco and thermal coal. For the Schroder International Selection Fund (SISF) range and other relevant products, this information is available in product disclosures and the information statements available on our website as required by Article 10 of SFDR;²
- Schroders Capital managed direct investments are subject to our private markets approach to fossil fuels which applies additional exclusions to new investments on relevant parts of the thermal coal and non-conventional oil and gas value chains, where applicable to each asset class.³

We may also apply additional exclusions in response to:

- Regulatory requirements within certain jurisdictions. For example, Investment teams based in Australia may apply additional exclusions, including in relation to tobacco and nuclear weapons manufacturers. Further details can be found in the Schroders Investment Management Australia Exclusions Policy.⁴
- The requirements of sustainable investment labels we

have chosen to use for given products or strategies. For example, those funds using the French Socially Responsible Investment (SRI) or Febelfin labels.

- Specific client preferences.

7.2 ESG integration

We integrate ESG considerations into our research and investment decisions across Investment teams and asset classes with the aim of maximising risk-adjusted returns for our clients. We confirm the adoption of ESG integration by our Investment teams using an internal accreditation framework.

Our approach is pragmatic: we want to integrate ESG factors into established investment processes rather than create separate processes. Our Investment teams should be able to articulate and demonstrate how relevant issues are identified, investments are examined, portfolio decisions are influenced and how they monitor and manage emerging ESG risks in relevant investment cases. The extent to which particular ESG factors may be relevant to an investment process will depend upon considerations like the materiality of the factor given the investment objectives, the policy of the strategy/client and the investment universe. The central Sustainable Investment team provides research, proprietary models, and support through these steps.

Investment teams complete an accreditation proposal annually, which describes the role of ESG analysis in their

relevant investment processes. The accreditation process is managed independently from the Investment teams by the central Sustainable Investment team so that there is consistency across all asset classes and sectors.

To achieve accreditation status, each Investment team must:

- Articulate their investment philosophy;
- Describe the key steps of their relevant investment processes and the role ESG factors may play in these;
- Describe their approach to active ownership (as appropriate for their asset class);
- Describe how they identify, assess and monitor climate-related risks and opportunities, as relevant;
- Provide information on the ESG resources utilised by their Investment team; and
- Evidence practical implementation of ESG integration through at least three new case studies.

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 where the integration of ESG factors is not practicable or possible is also excluded, for example, certain legacy businesses or investments in the process of being liquidated, and certain joint venture businesses.

¹Our exclusions policy can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

²Product disclosures can be accessed on each product's webpage, available through our Global Fund Centre, [here](#).

³The Schroders Capital approach to fossil fuels can be accessed [here](#).

⁴The Schroders Investment Management Australia exclusions policy can be accessed [here](#).



7.3 Measurement of sustainability related investment factors

We have invested in developing a range of proprietary research models and tools to gain insights into social and environmental investment factors and help inform investment decisions where relevant to a particular investment strategy. We may also supplement our proprietary models and tools with ESG data from third-party sources.

Proprietary models may be used by our Investment teams to support the assessment of sustainability risks and opportunities, along with supplementary metrics from external data providers and our own due diligence, as appropriate to the goals of any given strategy. This analysis may form a view of the potential impact of sustainability risks on a specific investment or an overall investment portfolio and, alongside other risk considerations, the possible impact of such risks on investment returns over time. Such models are also utilised to help meet various ESG-related product requirements. However, the use of any given tool or model by an Investment team will depend upon factors like the asset class and the investment objectives and policy of the strategy/client.

Further details of our proprietary models and tools can be found in [appendix](#).

7.4 Themes – Climate

Our Group Climate Change Position Statement can be found on our website.¹

We believe that we have a responsibility to manage the capital that our clients entrust to us and to protect it from the risks that climate change poses to support their long-term investment performance, consistent with their investment objectives. For this reason, we have made commitments as a firm to contribute to the management of climate-related risk and the achievement of net zero by 2050 or sooner under the NZAM initiative as part of a shared aim to limit global warming to 1.5 degrees above pre-industrial levels.

Our Climate Transition Action Plan outlines how we will deliver our transition.² As an investor in third party funds, Cazenove Capital (part of Schroders Wealth Management) has published a dedicated Climate Transition Action Plan which details how the transition to net zero will be monitored when investing via a multi-asset, multi-manager approach.³ We may also have asset-class specific climate considerations, for example in real estate.⁴

We report on our progress related to our climate commitments annually in our Taskforce on Climate Related

Financial Disclosures (TCFD) aligned climate report.⁵ We also participate in several climate reporting initiatives, such as the Carbon Disclosure Project (CDP). Lastly, we recognise that some of our clients are subject to evolving regulatory standards in this space and we seek to support them to meet their requirements in agreed cases.



¹Our Group Climate Change Position Statement can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

²Our Climate Transition Action Plan can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

³The Cazenove Capital Wealth Management Climate Transition Action Plan can be found [here](#).

⁴The Schroders Real Estate pathway to net zero Carbon document can be found [here](#).

⁵Our latest climate report can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

7.5 Themes – Nature and biodiversity

Our Group Nature and Biodiversity Position Statement can be found on our website.¹

Our Plan for Nature is our statement of intent in managing nature-related risks and impacts.² This includes, but is not limited to, our commitment to contribute to the elimination of agricultural commodity-driven deforestation by 2025, as a signatory to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation. We are also committed to reporting on progress related to our nature commitments annually in a Taskforce on Nature-related Financial Disclosures (TNFD) report from 2024 onwards.

7.6 Themes – Human rights

Our Group Human Rights Position Statement is available on our website.³

Our commitment to respect human rights and our approach to preventing human rights infringements are guided by the UN Universal Declaration of Human Rights, ILO's Fundamental Conventions and the UN Guiding Principles on Business and Human Rights (UNGPs). 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.



¹Our Group Nature and Biodiversity Position Statement can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

²Our Plan for Nature can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

³Our Group Human Rights Position Statement can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

8. Active ownership

Active ownership encompasses our engagement and voting activities. We manage investments across a wide range of asset classes, which bring different ownership rights and opportunities for influence. Our Stewardship Code Statement outlines our approach to active ownership in more detail.¹

Additionally, there may be local statements that apply to locally managed assets where required by regulation, for example in Australia and Japan.² Schroders obtains an independent opinion on our engagement and voting processes based on the standards of the AAF 01/20 Guidance issued by the Institute of Chartered Accountants in England and Wales.

8.1 Engagement

We believe that constructive and committed engagement with management teams at the companies and assets we invest in is a key element of our responsibilities as investors and a clear demonstration of the value we can bring to our clients' investment returns over time. That is why we have a firm-wide commitment to active ownership, with many of our analysts and fund managers undertaking engagements directly.

Our Engagement Blueprint for listed assets, originally published in 2022, outlines the six priority themes for our engagement: climate change, natural capital and biodiversity, human rights, human capital management, diversity and inclusion, and corporate governance.³ The document sets out the long-term outcomes we expect will be important to the success of the companies and assets in which we invest.

Our Engagement Blueprint for private assets, published in 2024, aligns to the wider Group priority themes while highlighting asset class and strategy specificities, notably taking into account our level of influence and the illiquid nature of private assets.⁴

Investment teams and strategies that invest through third party managers, such as certain Wealth Management and Solutions teams, are encouraged to align their engagement approach to Schroders' priority themes in relevant cases.

Where we have engaged repeatedly with an investee company or asset and seen no meaningful progress, we may escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. The possible actions we may take to escalate an engagement are outlined in the Engagement Blueprint for listed assets.

8.2 Policy discussions

We believe that our experience and perspective as investors across a wide range of asset classes, industries and regions can be valuable to policy makers and regulators. We regularly respond to requests for input from policy makers and, where appropriate, provide our perspective proactively. We have a dedicated Public Policy team which coordinates our engagement in the UK and EU.⁵

8.3 Collaborative engagement

We recognise there may be occasions when it is more effective to work with other institutional shareholders or wider stakeholders (e.g., industry working groups, sector bodies, reporting schemes) to influence investee company or asset management teams and effect change for the benefit of our clients. Collaborative engagements are reviewed on a case-by-case basis to ensure that the objectives of such engagements are aligned with our clients' objectives and any sustainability goals.

8.4 Voting

Some asset classes afford investors voting rights. We recognise our responsibility to make considered use of voting rights. We vote on both shareholder and management resolutions.

The overriding principle governing our approach to voting is to act in line with our fiduciary responsibilities in what we deem to be the interests of our clients.

We aim to support company management; however, we will oppose management recommendations if we believe that it is in the best interests of our clients.

We apply our Voting Guidelines to each resolution, except to the extent that local or specific client requirements may apply.⁶ Our own research is integral to our process. Our Corporate Governance specialists work with the relevant analysts and fund managers to establish a view of the voting decision that is in the best long-term interests of our clients. We may draw on several different external resources, including but not limited to third party proxy research and public reporting.

Clients may elect to retain all or some discretion in relation to voting, engagement and/or corporate governance issues. In these cases, we typically suggest such clients use an external voting service.

¹Our Stewardship Code statement can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

²The Schroders Investment Management Australia Principles of Internal Governance and Asset Stewardship Policy can be found [here](#). Our Implementation policy for the Japanese Stewardship Code can be found [here](#).

³Our Engagement Blueprint for listed assets can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

⁴Our Engagement Blueprint for private assets can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).

⁵Further details on our public policy principles and approach can be found [here](#).

⁶Our Voting Guidelines can be accessed via our dedicated sustainable investment policies, disclosures and reports webpage ([here](#)).



9. Product lifecycle

New sustainability-related products and changes to existing products are developed in line with Schroders' firm-wide product development lifecycle, consistent with policies that may apply to reflect local requirements.

9.1 Product commitments

Each new product that incorporates sustainability related commitments must be reviewed and approved by the relevant global Product Development Committee or the Private Assets Product Development Committee.

9.2 Product classification framework

In addition to integrating ESG factors into our investment decision making, we also offer investment products and strategies with sustainability or impact characteristics or objectives. We have developed our Global Sustainability and Impact Product Framework to help our clients navigate the range of sustainable strategies we offer.

9.3 Impact

Our Impact-driven range is governed by Schroders' Impact Framework, which draws on BlueOrchard's B.Impact™ Framework. This framework revolves around three pillars: Impact management (through a rigorous, externally verified impact management framework), Impact measurement (through a proprietary impact scorecard and reporting), and Impact governance (including an independent Impact Assessment Group to assess each transaction). It is aligned with the Operating Principles for Impact Management, to which Schroders is a signatory for its Impact-driven range.¹

9.4 Conflicts of interest

Schroders is responsible for monitoring and identifying situations that could give rise to a conflict of interest. For example, we outline our approach to managing conflicts of interest within our Voting Guidelines.

9.5 Stock lending

We do not currently enter into stock lending transactions for our pooled funds or client mandates.

¹Our latest disclosure statement for the Operating Principles for Impact Management can be found [here](#).

10. Client engagement and disclosure

We believe that transparency and clear and ongoing communication to clients and other stakeholders on our sustainable investment activities is important.

Through the publication of our annual and quarterly Sustainable Investment reports, we demonstrate our engagement and related investment activity across the Group.¹ We regularly share research and thought leadership, as well as publicly disclose our global voting activity.

In addition, a number of entities, businesses and investment strategies produce reports to meet the specific requirements of the geographies and industries they operate in.

For example:

- Schroders Capital publishes an annual report to summarise Sustainability and Impact investment activities in private assets, as well as specific private asset class reports;²
- Cazenove Capital publishes an Annual Sustainability and Impact Report for their sustainable multi-asset portfolio funds. The report details the funds' sustainable investment credentials, in line with Cazenove's impact measurement framework;³
- Schroders Solutions provides comprehensive ESG reporting to meet the needs of UK fiduciary management and OCIO clients.⁴

For some funds we also provide reporting on portfolio sustainability characteristics, as well as engagement and voting information.

¹Our annual and quarterly sustainable investment reports can be found [here](#).
²The Schroders Capital Sustainable and Impact report can be found [here](#).
³The Cazenove Capital Annual Sustainable and Impact report can be found [here](#).
⁴OCIO refers to Outsourced Chief Investment Officer services.

11. Where can I get more information?

This Policy should be read in conjunction with other key reference documents, as applicable. These are set out below.

Applicability	Resource	Can be found on the following webpage:
Schroders Group	Exclusion Policy	Here
	Schroders Investment Management Australia Exclusions Policy	Here
	Group Climate Change Position Statement	Here
	Group Nature and Biodiversity Position Statement	Here
	Group Human Rights Position Statement	Here
	Climate Transition Action Plan	Here
	Plan for Nature	Here
	Stewardship Code Statement	Here
	Schroders Investment Management Australia Principles of Internal Governance and Asset Stewardship Policy	Here
	Implementation Policy for the Japanese Stewardship Code	Here
	Engagement Blueprint for Listed Assets	Here
	Public Policy Principles	Here
	Voting Guidelines	Here
	Quarterly and Annual Sustainable Investment Reports	Here
	Climate Report (TCFD aligned)	Here
	UN PRI Signatory Profile	Here
	EU SFDR Disclosures and Statements	Here
	Schroders Investment Management Australia Corporate Governance and Proxy Voting Policy	Here

Applicability	Resource	Can be found on the following webpage:
Wealth Management	Cazenove Capital ESG and Stewardship Policy	Here
	Cazenove Capital Climate Transition Action Plan	Here
	Cazenove Capital Impact Measurement Framework	Here
	Cazenove Capital Sustainability and Impact Annual Report (2022)	Here
Schroders Capital	Engagement Blueprint for Private Markets	Here
	Fossil Fuels Approach	Here
	Schroders Greencoat ESG Policy and Disclosures	Here
	BlueOrchard Impact and ESG Framework and Other Disclosures	Here
	Infrastructure Debt and Equity Sustainability and Impact Reference Documents (Schroders Capital Management France)	Here
	Schroders Real Estate Sustainable Investment Policy	Here
	Schroders Real Estate Net Zero Carbon Pathway	Here
	Operating Principles for Impact Management Disclosure Statement	Here
Schroders Capital Sustainability and Impact Report (2022)	Here	

Appendix

Our suite of proprietary models and tools include CONTEXT™, SustainEx™, ThemEx™ and our Climate Analytics Framework (which includes both proprietary models and third-party inputs), as well as a number of team-specific tools, frameworks and models. The models are generally focussed on public market investments only.

CONTEXT™ uses a selection of data to assess a company's relationship with its stakeholders such as customers, suppliers, regulators and employees. This tool is interactive and customisable, enabling our investment analysts to select and weigh material sustainability trends for each sector and select the most relevant metrics for assessment in any given case. The tool gives our analysts the flexibility to make company-specific adjustments to reflect their specialist knowledge.

SustainEx™ provides an estimate of the potential social and environmental 'costs' or 'benefits' that an issuer may create on a net basis. It does this by using certain metrics with respect to that issuer and quantifying 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 effect that the relevant underlying

issuer may have on society and the environment. The model enables our Investment teams to integrate sustainability risk considerations by assessing issuers having regard to such measures, and the risks they face if the social and environmental 'costs' they externalise were to be pushed into their own financial costs.¹

ThemEx™ seeks to measure the alignment of a company's products and services to a range of sustainable investment themes, including Schrodgers' "Super Themes" (climate change, demographic shifts, natural capital management, societal change, technological innovation) and the UNs' Sustainable Development Goals (SDGs). Alignment is estimated systematically based on the company's revenue from its underlying business activities. ThemEx's revenue data is taken from third party sources. In the absence of reliable third-party data sources to extend ThemEx to private market investments, we have developed a private assets SDG Alignment framework aligned with the ThemEx methodology to enable the assessment and reporting of SDG alignment across both public and private universes.

We have also developed a suite of climate tools called the **Climate Analytics Framework**, which assesses companies' exposure to climate risks and opportunities, the mitigating actions they are taking, and the outcomes of those actions.² The aim of this toolkit is threefold:

1. To support the Group to monitor and manage our progress towards our net zero targets;
2. To provide our Investment teams with insights to help to identify unpriced climate risks and untapped opportunities to generate value in the transition;
3. To support our clients in attaining their climate and decarbonisation objectives.

Additional proprietary models and frameworks that have been developed by specific Schrodgers Investment teams account for the specificities of certain investment practices, asset classes and industries and geographies. For certain aspects, we may occasionally rely on external toolkits or consultancy support as appropriate. Examples of our team-specific models/frameworks include:

- **Schrodgers' Municipal US Sustainability Explorer (MUSE)** which allows analysts to visually compare thousands of municipal issuers to understand issuer and portfolio risks beyond traditional metrics.
- **BlueOrchard's B.Impact™ framework** which provides a holistic approach to managing and measuring relevant ESG risks and impact potential across certain asset classes and themes in developed, emerging and frontier markets.
- Our Wealth Management and Solutions businesses, which predominantly invest in third party funds, have created a way to understand and consistently assess the ESG capabilities of third-party asset managers via their asset manager survey and ESG strategy level scorecards, which can be utilised across many asset classes.
- Our Solutions business has also developed a proprietary Climate Scenario Analysis model to support its UK clients to meet certain of their regulatory requirements. This model estimates the effect of different climate scenarios on pension scheme assets and liabilities over different time horizons.

¹SustainEx utilises and is reliant on, and subject to the limitations of, third party data as well as Schrodgers' own modelling assumptions, and the outcome may differ from other sustainability tools and measures. Like any model, SustainEx will evolve and develop over time as we continue to assess, refine and add to the metrics and their relative contributions.

²Further details of our Climate Analytics Framework can be found in our latest Climate Report, available via our dedicated sustainable investment policies, disclosures & reports webpage ([here](#)).



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