

**Schroders**



**Schroders Group  
Climate Change  
Position Statement**

**November 2022**

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# Introduction

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As an active investment manager we make decisions every day on behalf of savers and investors around the world. We make these choices carefully and deliberately – because they affect the financial future of our clients investments and they impact the wider world. We are responsible for £773.4 billion<sup>1</sup> of our clients assets who trust us to deliver sustainable returns.

The threats and consequences of climate change are defining our era. Addressing them requires huge structural shifts in societies and economies, which is a source of both value creation and destruction across industries, companies and investment portfolios. We are committed to managing these changes to protect and create value for our clients, through the decarbonisation of the portfolios we manage. We will also continue to develop innovative products and solutions to support our clients' own climate goals. By doing so, and through the actions we are taking to reduce emissions directly in our control, we can make an important contribution to global climate goals.

## Scope

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This policy statement sets out Schroders' ('the Group' 'our' or 'we') position for its entities and staff in relation to the investments we manage and our own operations with regards to environmental management, climate change mitigation and adaptation.

## Our commitment

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We intend to lead the transition to a low-carbon economy through our investment activities and the action that we take within our own operations. We were a founding member of the Net Zero Asset Manager's initiative and were among the first 20 financial institutions and, at the time, the largest investment manager by assets under management (AUM) globally to have its goals formally validated by the Science-Based Targets initiative. These targets will align us to a 1.5°C emissions reduction pathway by 2040 and help us reach net zero across our value chain by 2050, or sooner.

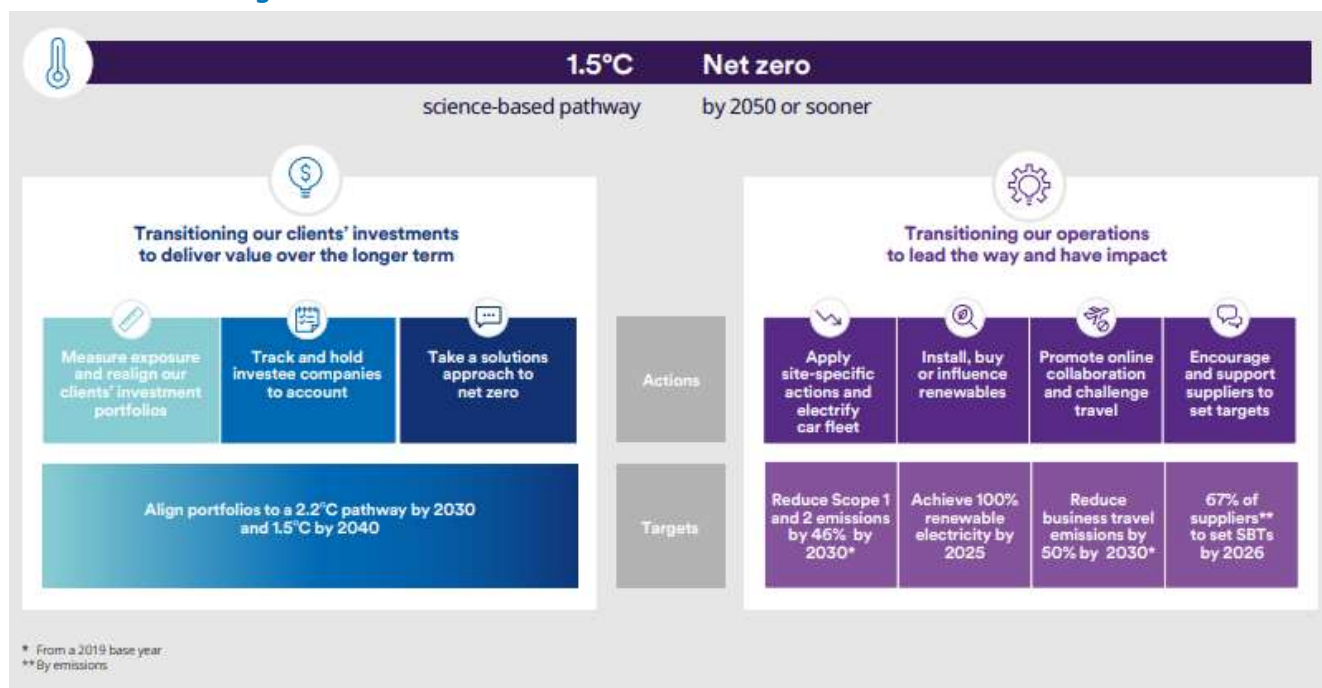
We have built on years of climate research, risk analysis, proprietary tool development and action to understand and manage the risks and opportunities posed by climate change. We have made a number of commitments to accelerate our progress on managing climate risk and achieving net zero by 2050 or sooner, spanning both our operations and the investments we manage. In December 2021, we published our [Climate Transition Action Plan](#), which outlines how we will:

- Measure exposure and realign our clients' investment portfolios
- Track and hold investee companies to account
- Take a solutions approach to net zero
- Transition our own operations to net zero by setting ambitious science-based targets

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<sup>1</sup>Assets Under Management as at 30 June 2022.

## Our actions and targets



## How we act

### The investments we manage

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 6,000 times greater<sup>2</sup> 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 Schroders' continued success. Over the next decade our decarbonisation strategy, outlined in our [Climate Transition Action Plan](#), will focus on the following key elements:

#### – Measure exposure through our Climate Risk Toolkit

To identify climate-related risks and opportunities within our investment portfolios, we have extensively built up our resources and models to help our analysts and fund managers better understand the threat climate change poses to investments. Our Climate Risk Toolkit focuses on the assessment of these risks. The pace of change is tracked through macro-economic climate trend analysis using our Climate Progress Dashboard, which measures the speed and scale of climate action that will drive decarbonisation. Bottom-up investment climate analysis provides multiple lenses of physical and transition risk assessment to support analysis of climate-related risks and opportunities ahead of investment decisions. Using climate scenario analysis, the Sustainable Investment team can work with fund managers and analysts to direct our active ownership strategy, empowering investment desks to engage with the most at-risk companies.

#### – Use our voice and influence to track and hold investee companies to account

We believe that engaging with the most material carbon emitters in our portfolios, tracking their progress and holding them to account, is the best approach for us to make an impact. We believe that divestment is the course of last resort rather than a basis for investors to address the climate crisis.

Our [Engagement Blueprint](#) describes where we plan to focus our active ownership efforts. It is a compass to guide our commitment to creating value by driving transition and change. We have identified five climate expectations that we believe large and medium companies need to adopt to align their business models with

<sup>2</sup>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.

the transition to a net zero economy Our [Climate Transition Action Plan](#) and [Task Force on Climate-Related Financial Disclosures Report 2021](#) outline our Climate Engagement and Escalation Framework. Beyond engagement, we use the voice afforded by the votes we cast on behalf our clients to drive change in portfolio companies. Where we consider that resolutions will advance our engagement goals, we will typically support them.

– **Take a solutions approach to net zero**

We understand that our clients are all at different stages of their net zero transition journey. This is why we are building out our three-tiered approach to our climate solutions, expanding the options available to our clients and ensuring we provide products that look to reduce carbon emissions and contribute to environmental or nature-based solutions.



**Our own operations**

We believe in leading by example by managing and reducing the climate impact we have as a business. We have set an ambitious strategy to manage and improve our own environmental performance and reduce our environmental impact. In the process we are engaging our people and suppliers to support our climate goals.

Our operational climate change strategy is to:

– **Implement and expand our Environmental Management System**

We are certifying our largest office sites to the ISO 14001 Environmental Management System (EMS) standard to address all site-level risks and set appropriate targets. We will align our smaller office locations with these EMS principles and procedures. The intended outcomes of the EMS are to:

- Operate in line with all local, regional and national environmental regulations and legislation
- Help protect the environment and prevent pollution
- Seek actions to continually improve our EMS and enhance environmental performance

– **Reduce energy consumption in our properties and fleet**

Target: *To reduce absolute Scope 1 and 2 (location-based) emissions by 46% by 2030 from a 2019 base year*

We are developing site-specific net zero action plans in order to meet our emissions reduction targets. These will include further energy efficiency measures, building on best practice, and will take advantage of emerging technologies.

– **Increase renewable power use**

Target: *To increase annual sourcing of renewable electricity to 100% by 2025*

Site-level action plans are being developed to look at the opportunities to install onsite renewables, switch to green electricity tariffs or buy Renewable Energy Certificates.

– **Reduce business travel**

Target: *To reduce absolute Scope 3 business travel emissions by 50% by 2030 from a 2019 base year*

Our Travel Policy encourages business travel to be kept to a minimum by requiring a clearly defined business purpose for each journey. It also promotes more sustainable transport methods where appropriate. So that our employees can meet and collaborate effectively online, we will continue to invest in communication technologies.

– **Encourage and support suppliers to set targets**

Target: *Work with our suppliers so that 67% of suppliers by emissions (covering Purchased Goods and Services, Capital Goods and Upstream Transportation and Distribution) will have science-based targets by 2026*

We review our business critical suppliers annually for attestation with our [Supplier Code of Conduct](#). This requires suppliers to have environmental policies and processes in place. We will include a minimum standards review when tendering for goods and services. New suppliers over a minimum spend threshold or with whom we make contractual commitments beyond 2026 are asked to commit to setting a science-based target by 2026. We are working collaboratively with our incumbent suppliers, providing guidance and support to help them navigate the process of measuring their carbon footprint and setting a science-based target. Should an incumbent supplier repeatedly fail to make a commitment, despite our support, we will reassess the relationship.

### **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 transition process, 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 for net zero.

Since 2019, we have been operating our business on a climate neutral basis and will continue to do so in the future. This means we have offset our Scope 1, 2 and reported operational Scope 3 emissions in partnership with Climate Impact Partners. From 2021 onwards, following our updated screening and greenhouse gas inventory (for the SBTi), this includes all Scope 3 category emissions (except supplier and financed emissions where we have engagement targets).

Climate Impact Partners' projects are certified to an International Carbon Reduction and Offset Alliance approved international certification standard and have passed their proprietary enhanced due diligence process.

As the voluntary carbon market continues to grow and develop, we will seek to adopt the [Oxford Principles for Net Zero Aligned Carbon Offsetting](#) to help support the ongoing integrity of our approach.

## How we govern our actions

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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-related risks and opportunities into our strategy. In discharging their Directors' duties, the Board is therefore ultimately accountable for the oversight of climate-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-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, which includes climate-related issues. The Committee considers, reviews and recommends the overall Group sustainability and impact strategy, including key initiatives, new commitments and policies to the Group Chief Executive for approval. The GSI Committee monitors progress towards our goals, including progress towards our climate targets. The GSI Committee meets every two months and reports at least annually to the Group Management Committee and Board of Schroders plc.

The Sustainability Executive Committee brings together leaders from across the business to deliver our sustainability strategy for our investment, product and client engagement activities, including our nature-related commitments.

### Rewarding climate performance

A climate impact performance measure has been included into the remuneration outcomes for our executive Directors. In 2022, 20% of the long-term incentive scorecard will be based on the achievement of 100% of Schroders' global electricity being from renewable sources and sustaining a 'Leadership level' in CDP's climate change assessment. These performance measures are reviewed on an annual basis. Other sustainability targets have been established, specific to their roles, for many people across the firm. For example, all fund managers and analysts are expected to undertake three high quality engagements annually, on which they will be assessed as part of their annual review.

## The awareness and training we provide

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The achievement of our goals and commitments relies on the support and actions of our employees. We engage colleagues by:

- Keeping them updated on our strategy and initiatives via our intranet site, website and in-person/online sustainability forums
- Providing courses to develop skills and understanding in-person/online or via our global learning platform
- Providing opportunities for participation through local or global campaigns and competitions

## Our advocacy

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We support and actively engage with a range of climate change-related initiatives, memberships and organisations to help deliver our climate change strategy. These include CDP, Climate Action 100+, the Institutional Investors Group on Climate Change, Race to Zero, RE100 and the Science-Based Targets initiative. For a list of our climate-related initiatives and memberships and summary of our engagement, please see Appendix 2 of our [Task Force on Climate-Related Financial Disclosures Report 2021](#).

# Our reporting and transparency

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We believe in the power of corporate transparency and accountability to help drive action across the economy. On behalf of our clients, we hold the companies we invest in to account. We also believe in leading by example and seek to report and disclose our own progress as transparently as possible. We align our reporting to the Task Force on Climate-related Financial Disclosures (TCFD) and publish an annual climate report at the same time as our Annual Report and Accounts. This includes progress against our targets and full greenhouse gas emissions data. We also respond to the annual CDP climate change questionnaire, which we achieved a leadership level score of A- for our most recent (2021) response (for year end 2020).

Please see below for further detail on our TCFD report, climate transition action plan as well as published research on this topic:

## External reports and documents

- [Task Force on Climate-Related Financial Disclosures 2021](#)
- [Climate Transition Action Plan 2021](#)
- [Environmental, Social and Governance Policy for Listed Assets](#)
- [Engagement Blueprint](#)
- [Group Nature and Biodiversity Position Statement](#)
- [Plan for Nature](#)
- [Schroders' sustainability website](#)
- [Schroders' quarterly and annual Sustainable Investment Reports](#)
- [Schroders' Supplier Code of Conduct](#)

## Key insights articles

- [What is the 'just transition' and why does it matter for investors?](#)
- [An environmental economist's take on COP27](#)
- [The Inflation Reduction Act explained: the most important climate bill in US history?](#)
- [Climate and net zero frameworks: know your CDPs from your TCFDs](#)
- [COP27 wrap-up: an historic deal was made, but what comes next?](#)

This Group Climate Change Position Statement is reviewed on an annual basis and communicated to all internal and external stakeholders and interested parties.

## Peter Harrison

Group Chief Executive

18<sup>th</sup> November 2022