

# ***IMPACT MEASUREMENT FRAMEWORK***



**Cazenove**  
Capital

Part of the Schroders Group

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# Introduction

**“Impact” the enduring long-term positive or negative effect which can be associated with an investment.**

**THERE ARE A MULTITUDE OF GLOBAL STANDARDS AVAILABLE TO INVESTORS WHO WANT TO MEASURE THE IMPACT ASSOCIATED WITH THEIR INVESTMENTS, BUT AS YET NO UNIVERSALLY AGREED WAY TO DO SO. THIS PAPER OUTLINES OUR APPROACH.**

Traditional measurements of an investment's non-financial performance consider a combination of positive and negative sustainability metrics. Positive metrics – those in which an increase is desired – can include diversity ratios, such as the percentage of female staff on boards, the renewable energy used or waste recycled. Negative metrics – those in which a decrease is desired – can include environmental factors, such as the amount of water used, waste generated, or greenhouse gases emitted. Such metrics form an important part of understanding and assessing the sustainability profile of an investment. They do not however measure the potential impact that the investment has on society or the environment as a result of the product, project or service.

Our impact measurement framework aims to go beyond our existing sustainability analysis and answer the question: “What are the positive outcomes an investment could be generating in the real world on two key stakeholders – people and planet?”

The increasing availability of data reported to us by the investments that we make is helping us to answer this question. Such data, commonly referred to as “impact metrics” can help demonstrate the positive outcomes of certain activities. Using evidence such as academic research together with impact metrics we can obtain a degree of confidence that a product, service, project or intervention is associated with a positive impact on people and planet.

We use the data we have available to inform our clients of the estimated positive impact associated with the investments we make. We aim to do this in a way that is clear, understandable and not misleading.



# How investors can have impact

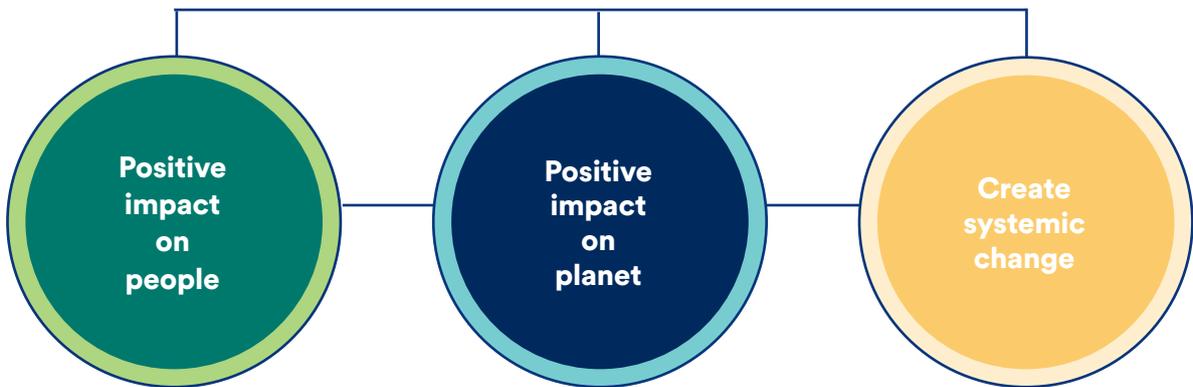
## ENGAGEMENT AND CAPITAL ALLOCATION

As investors we can effect real change on the world through the way in which we allocate capital and the way we use our influence, and we have a responsibility to do so. We believe a significant way to create impact in public markets is to take action to stop, prevent and mitigate negative impacts associated with the investments that we make and to encourage more positive outcomes.

We do this both by engaging with our portfolio companies, but also in collaboration with our other investors through collective action. We have identified a number of key areas that we intend to engage with our asset managers and underlying investments on. These areas form an [engagement blueprint](#).

Our sustainable investment funds have the following overarching impact objectives:

### IMPACT OBJECTIVES



**WE CAN ACHIEVE THIS IMPACT BY TAKING THE FOLLOWING ACTION:**

**ACTING TO AVOID HARM**

We do not invest in companies and activities that create significant environmental and social harm (such as coal, fossil fuel, tobacco and alcohol producers).

We have a clearly defined screening and environmental, social and governance (ESG) investment selection processes in place. Further details can be found [here](#).

We invest in organisations committed to reducing the negative impacts of their business operations, products and services.

**INFLUENCING COMPANIES, ASSET MANAGERS AND POLICY MAKERS**

We have an explicit intention to generate positive outcomes through our active ownership activities.

We expect the investments that we make to set ambitious targets around areas of important social and environmental significance.

We use our influence by engaging and voting to encourage companies, especially large transnationals, to adopt sustainable practices and align with the UN Sustainable Development Goals.

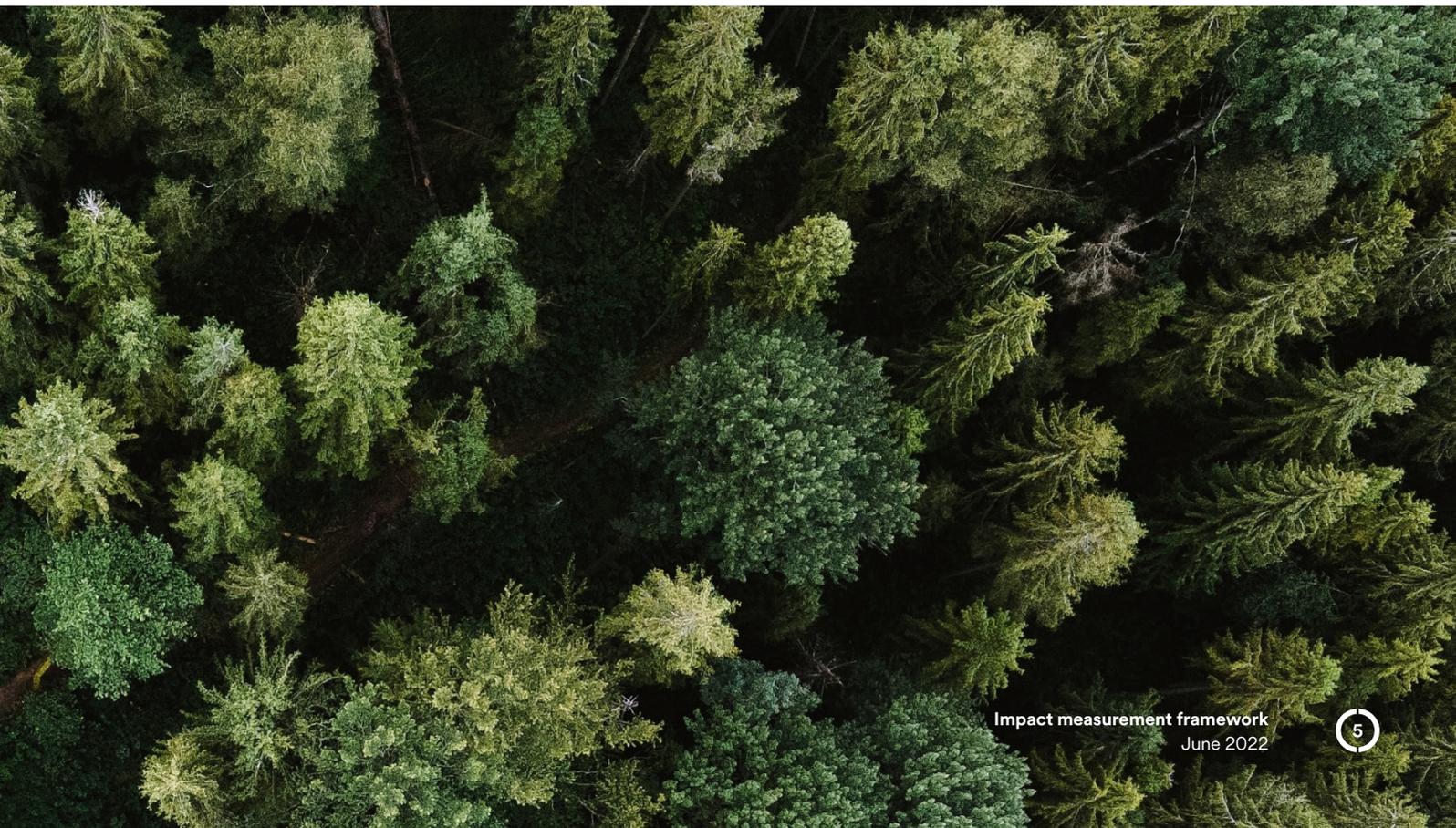
We have a clear engagement strategy and escalation policy for the material negative impacts generated by our investments to reduce and mitigate harm that is caused.

**INVESTING IN SOLUTIONS TO GLOBAL ENVIRONMENTAL AND SOCIAL CHALLENGES**

We have identified how investors can help further the targets set out by the United Nations, which we believe are essential in achieving global sustainable development.

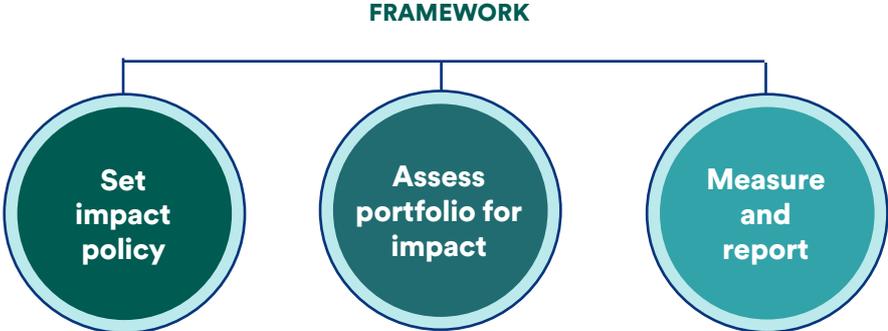
We provide capital to investments that help further these goals, across both well-served and underserved capital markets. We provide this capital in both primary and secondary markets. Primary issuance where new capital is being added is most impactful.

We move capital away from investments that are working against these goals.



# Impact measurement framework

In order to measure and report on the estimated impacts associated with the investments we make we have developed the following framework:



## Set impact policy

**1**  
Establish  
our impact goals

**2**  
Define our theory  
of change to  
create intended  
impact – our impact  
roadmaps

**3**  
Select investable  
impact themes



## Assess portfolio for impact

**1** Integrate the principles of the **Global Impact Investing Network (GIIN), Impact Management Project (IMP)** and the **United Nations Sustainable Development Goals (UNSDGs)**, into our investment process.

**2** Analyse underlying holdings for alignment with our impact framework

# 1

### GLOBAL IMPACT INVESTING NETWORK (GIIN)

The GIIN definition of impact investing is the most widely cited definition. Defining impact investing as “investments that are made with the intention to generate positive, measurable social and environmental impact alongside a financial return”.

We have signalled to the market and our broader stakeholders that we have an intention to have a positive impact on people and the planet. This does not mean that every investment we make is classified as an impact investment but that we measure and where possible manage impact across the whole portfolio – both company impact and investor impact. We aim to minimise negative impact, solve problems and address opportunities by allocating capital to investments that contribute to solutions to the United Nations Sustainable Development Goals. We use the GIINs methodology to calculate the scale of the impacts associated with our investments.

#### Additionality

We recognise there are differing opinions on the measurement of impact in public markets. The debate over the creation of impact within listed markets coalesces around a concept called “additionality”. Some investors believe that for impact to be achieved additionality should exist, which means that the impact would not have occurred if it was not for the investor’s actions. As such, additionality is very difficult to quantify in public, but also in private markets.

As investors in public markets we do not claim the additionality that can sometimes be created in private markets – meaning that we are generally not adding new money (primary capital), but are buying that investment from another investor (secondary capital) with the majority of our assets.

We do believe however, that despite the absence of proof of additionality, investors in listed markets can have impact – notably through engagement but also through allocation of capital at the primary stage of issuance. These differing levels of impact we have

defined as having a level of “impact intensity”. We assign a low, medium, high, and very high “impact intensity” to all of the investments we make. Providing new capital to underserved markets is aligned with a “very high impact intensity”. Conversely buying shares and bonds on secondary markets, with no engagement has a “low impact intensity”.

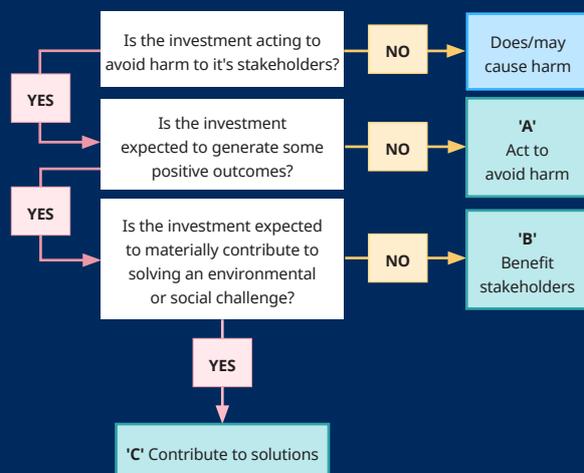
You can see examples of the total portfolio impact intensity mapping on pages 30 to 31.

### IMPACT MANAGEMENT PROJECT (IMP)

We have incorporated the Impact Management Project’s “ABC” framework into our analysis of impact, and have asked that our third-party managers do so too.

The framework enables investors to sort investments into three impact classes: A – “Act to avoid harm”, B – “Benefit stakeholders” and C – “Contributing to solutions”.

#### Classifying the impact of an investment



3

Create our impact roadmaps – identifying the problem we are trying to solve and how the investments we make can, in part, contribute to solving the specific environmental or social issue. See pages 13-27

Within our portfolios, each underlying investment is categorised into one of the A, B and C “impact classes”. Much like a traditional investor would analyse a portfolio’s weighting across bonds, equities and alternative assets, we also assess the allocations of our investments across the three impact classes.

By undertaking this analysis for each of our investments, we can identify the proportion of the portfolio that is classified as impact class ‘C’ – contributing to solutions to the United Nations Sustainable Development Goals (UNSDGs).

Our full mapping across IMP impact classes and investor contributions can be seen on page 28.

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDGS)**

Almost 200 countries, including the UK, have committed to 17 goals. These goals and the associated 169 sub-targets were drawn up by the United Nations to address urgent global problems such as poverty, inequality and climate change. They are known collectively as the United Nations Sustainable Development Goals.

The goals themselves can be organised into two key areas – those which affect people and those which affect the planet. Some of the social goals aim to meet basic needs. For example those concerned with ending extreme poverty and hunger, or ensuring universal access to healthcare, clean water and sanitation.

Other goals aim to reduce inequalities, empowering people through quality education, the provision of well paid and safe work and increasing social protection. The wide range of environmental goals aim to keep the world within key planetary safety boundaries. They cover climate change, access to affordable and clean energy, sustainable consumption and production, and biodiversity on land and below water. The final two goals are focused on values and governance.

Together these 17 goals form an interconnected package. As each goal relates to a specific global environmental and social challenge, we use the UNSDGs as a roadmap for sustainable development. Identifying how our investments contribute to, or align with advancing these goals.

An example of how we map our investments to the UNSDGs can be found on page 32.

2

**ASSESSING AN INVESTMENTS ALIGNMENT TO PROGRESSING THE GLOBAL GOALS**

To assess which of our investments are materially aligned with the United Nations sustainable development agenda; we use the Impact Management Project framework, explained on page 28, to identify those investments which can be classified as contributing to solving these global challenges.



## Measure and report

**1 Measure**  
Define an appropriate impact metric for each qualifying investment

**2 Report**  
Calculate scale of impact using the Global Impact Investing Network (GIIN) methodology

**3 Report**  
Provide complete transparency. Publishing holdings in our annual impact report

# 1

## MEASURE SELECT APPROPRIATE IMPACT METRICS TO TRACK

We are committed to reporting on the positive and negative impacts aligned with the investments we make and evolving this in line with best practice. For each investment that is classified as contributing to solutions to the United Nations Sustainable Development Goals (UNSDGs) we determine a meaningful metric that can track impact over time.

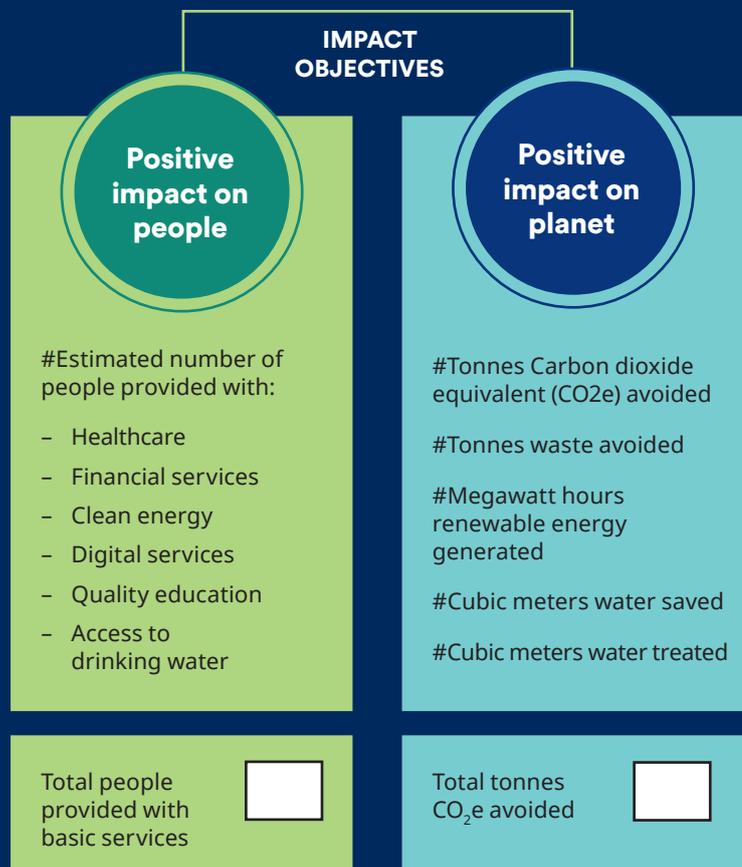
Impact metrics are primarily gathered on those companies that meet the thresholds defined by the Global Impact Investing Network (GIIN) and the Impact Management Project (IMP) 'C' impact class. Companies that have made a significant contribution to an environmental or social challenge through their products and services may also be included, despite not meeting the materiality threshold we have set. All data is sourced from investments where the positive impact is intentional, material and measurable.

We undertook a market-wide engagement with our fund managers to establish consistent, material impact metrics which could be collated. Following this engagement, we have selected a small number of impact metrics that can be used to estimate the likely positive outcomes on people and planet that are associated with our investments. We also incorporate data from specialist impact data provider Net Purpose.

With the data available across our portfolios, we are currently only able to measure the scale of impacts that are associated with our investments. For example we can measure the numbers of people who received treatment, the megalitres of water saved, or the tonnes of carbon dioxide equivalents avoided by a product. We are unable to measure impact over time across the portfolio.

Ideally we would like to report on the improved quality of life or numbers of peoples lives extended by healthcare interventions and the reduced temperature rise, or reduction in bio-diversity loss because of innovations in environmental technology. Eventually we hope data will help us report on the ultimate impacts we are seeking to have. Until such a time however our reporting is focused on demonstrating the scale of outcomes aligned with our investments.

We are tracking the following impact metrics across the portfolio:



## 2

### REPORT ALIGNED POSITIVE IMPACT OF OUR INVESTMENTS

We attribute our ownership of an investment to this impact. Impact is complex and multi-dimensional, which means no one activity can be said to cause a positive impact. By estimating the various impacts across the portfolio we are attempting to measure and manage impact, but are not implying that our investments caused these impacts and would not have happened without our contribution. Rather that the investments we make are aligned with this impact.

The positive impact is generated by the companies that we invest in and the users of their products and services, like the organisations that have helped improve access to healthcare, finance and education. Investors are aligned with these impacts by investing in a company's activities generally but do not finance any particular activity, product or service that a company may undertake or make available. We use the most up to date underlying impact data available as reported by the companies and fund managers in which we invest to estimate these impact metrics, and apportion it according to our holding size.

#### Measuring aligned impact per £m invested

We track the impact metrics for companies. To estimate our share of these aligned impacts we use

the Global Impact Investing Network (GIIN) calculation. This takes the company impact metric and divides it by the total value of the company (in £) to get a per £ impact metric. In this way we can calculate an investor share of the company impact, based on how much is invested.

#### Impact metric per £ = impact KPI / enterprise value

Once we have calculated the scale of impact for each qualifying investment, we aggregate this to a portfolio level, based on the amount invested in each company.

In order to aggregate the planet indicators, we convert to a single 'currency', namely CO<sub>2</sub>e avoided through the use of equivalencies (see pages 34 and 35 for the assumptions used in these conversions). We disclose this to our clients based on their portfolio values.

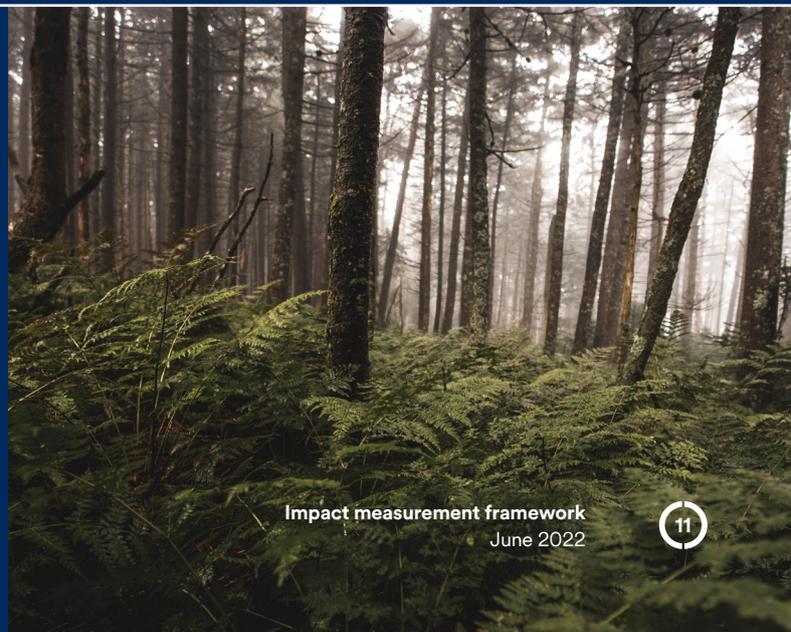
#### Calculating total impacts aligned with our sustainable investment funds

We calculate a daily accrual rate (Impact per £/365) for each of our sustainable investment strategies. This is then multiplied by the daily value of investments in these strategies and summed across the year.

## 3

### REPORT PROVIDE COMPLETE TRANSPARENCY

We are committed to providing transparency to our investors. As well as publishing our impact measurement framework, we publish an annual impact report for each of our sustainable investment funds. This report outlines our sustainability and impact tools, our engagement efforts and provides a list of all portfolio holdings in order that our investors can see what they own. The latest annual reports can be found on our [website](#).





# Impact road maps

**“Impact” is the enduring long-term positive or negative effect which can be associated with an investment. Our impact road maps outline our logic between certain investments, activities and their potential contribution to the long-term change we seek.**

We have developed a theory of change for our five impact themes: Inclusion, Good Health and well-being, Climate Change, Responsible Consumption and Sustainable Infrastructure.

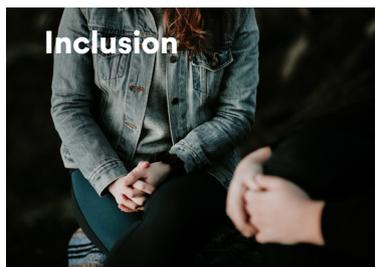
These "theory of changes" which we call our "impact roadmaps" explain the logic behind how we intend to generate short and medium-term outcomes which over time we believe will contribute to solving environmental and social challenges.

## OUR THEORY OF CHANGE HAS FOUR STEPS

- 1 Identifying the problem that we are trying to solve.
- 2 Identifying the tools and resources we have available to us to contribute to solving these challenges – notably how we allocate our capital and how we use our influence.
- 3 Measuring the outcomes of those resources. We do this by capturing relevant impact metrics from the investments that we make, and tracking the outcomes of our engagement activities.
- 4 Outline how the investments we make and our activities can contribute, in part, to creating long term positive impact.

Using this logic we have created an impact road map for each of our five impact themes. These can be seen on the following pages.

## PEOPLE



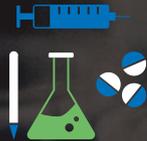
## PLANET



## Good health and well-being

### The problems we are trying to solve...

Less than 50% people globally have access to the healthcare they need<sup>1</sup>.



Developing countries – millions die unnecessarily from preventable communicable disease<sup>1</sup>.



Developed countries – millions die due to prevalence of non-communicable disease<sup>1</sup>.



### and the potential investment solutions...

Healthcare companies operating within the fields of disease prevention, diagnosis and treatment.

Social bonds and physical infrastructure: healthcare services such as vaccinations and hospital facilities.



### Total estimated aligned portfolio impact in 2021

(from all related holdings)

**36,520**

people provided with healthcare services

**1,656**

people provided with access to drinking water

Data shown reflects the notional aligned impact calculated for 12 months to 31 December 2021, based on the value of assets in our sustainable growth fund, accrued daily. The positive impact is generated by the companies that we invest in and the users of their products and services, like the organisations that have helped improve access to healthcare, finance and education and the people who choose to switch to renewable energy. Investors in the sustainable growth fund are aligned with these impacts by investing in a company's activities generally but do not finance any particular activity, product or service that a company may undertake or make available. We use the most up to date underlying impact data available as reported by the companies and fund managers in which we invest to estimate these impact metrics, and apportion it according to our holding size. To illustrate the aggregated impact, we translate the impact into more meaningful comparisons using the following conversion ratios: over a decade, one tree captures and stores 60kg of carbon dioxide from the atmosphere (Source: EPA), the average UK home uses 3,731KWh of electricity in a year (Source: Ofgem). Where data is not available we have not included it, with the expectation that our results are conservative. Impact metrics provided, in part by Net Purpose. <sup>1</sup>Source: World Bank, World Health Organisation and Global Burden of disease.

**UNSDGs supported**



**Investable targets**



**such as these example investments...**

**Roche** – One of the most innovative pharmaceutical & diagnostics companies. The firm has a long track record of innovation and developing life-changing therapies and diagnostics.

**International Finance Facility for Immunisation (IFFIm) Social Bond** – The IFFIm is a public/private partnership designed to raise capital for the Vaccine Alliance (GAVI), which is dedicated to immunisation programmes in over 70 of the poorest countries.

**Roche** provided 28.6m patients with treatment in 2020. Importantly for a healthcare company, Roche pricing reflects the World Health Organisation's definition of fair pricing and they are committed to double the number of patients treated in low and lower middle income countries by 2026.

**IFFIm bonds** helped vaccinate 760 million children, saving an estimated 13 million lives.

**that can generate these measurable outcomes...**

**which over time we believe will contribute to creating this impact:**



**Increased access to healthcare**



**Improved quality of life**



**Increased longevity**

# Inclusion

## The problems we are trying to solve...

Increasing divergence between the poorest and wealthiest in society<sup>1</sup>.



Top 1% own almost half of the world's wealth<sup>1</sup>.



Gender inequality costs global economy £117 trillion alone<sup>2</sup>.



8.8m people in the UK have some form of unmet housing need<sup>3</sup>



## and the potential investment solutions...

Lending capital to charities and social enterprises that are delivering services to disadvantaged communities.

Providing safe, affordable and secure housing to vulnerable people especially women, children and other disadvantaged groups.



## Total estimated aligned portfolio impact in 2021

(from all related holdings)

**51 people**

provided with fuel poverty relief, housing, healthcare and other social service facilities

**336 people**

provided with education services

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## UNSDGs supported



## Investable targets



such as these example investments...

**Hull Women's Network** – The charity purchases properties with financing from investors. As well as providing a safe, secure home to women and children fleeing domestic violence, Hull Women's Network provides complete wrap around services. These include legal advice, education and mental health support to help women and children get their lives back on track.

**Depaul – Social Outcomes Contract**  
The finance from investors allowed this charity to work on the endemic issue of youth homelessness in Greater Manchester. Investors are repaid based on the success of enabling these young people to enter sustained accommodation, education, training and employment.

Finance from investors helped the charity buy an extra 82 homes in Hull, enabling the charity to help more of the hundreds of people on their waiting list.

that can generate these measurable outcomes...

500 young people were worked with over 3 years. 75% experienced an improved positive outcome. This innovative programme's success has encouraged Greater Manchester to recommission the programme with a further £4.5m of financing to enable more young people to be helped.

which over time we believe will contribute to creating this impact:



Improved quality of life for our most disadvantaged populations



Reducing inequality leads to social stability

# Inclusion

## The problems we are trying to solve...

1.7 billion lack access to bank accounts<sup>1</sup>.



46% global population not digitally connected<sup>2</sup>.



## and the potential investment solutions...

Companies that are building and delivering access to digital infrastructure and financial services



## Total estimated aligned portfolio impact in 2021

(from all related holdings)

**4,724**

People access to digital services

**57,157**

People access to financial services

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UNSDGs supported

Investable targets



such as these example investments...

**HDFC Bank** - One of India's largest banks has provided access to financial services to millions of people in semi-urban and rural locations.

**Helios Towers** - A leading telecom tower infrastructure company. They enable mobile operators to roll out and enhance coverage in Africa.



which over time we believe will contribute to creating this impact:



**Increased access to digital and financial services**



**Increased numbers of good quality jobs**



**Full economic participation in the economy**

# Climate change

## The problems we are trying to solve...

Global temperatures are on track to rise as much as 3.8°C<sup>1</sup>.



The World Health Organisation (WHO) estimates that climate change could cause 250,000 deaths annually between 2030 and 2050<sup>2</sup>.



Climate related issues and the economic implications would dwarf the effects of the Covid-19 pandemic<sup>2</sup>.



## and the potential investment solutions...

Infrastructure projects contributing to a lower carbon economy.

Green bonds focused on mitigation or adaptation to climate change.

Companies whose products and services are advancing the energy transition and helping to decarbonise the economy.



## Total estimated aligned portfolio impact in 2021

(from all related holdings)

**29,948**

tonnes CO<sub>2</sub>e avoided. Equivalent to the carbon absorbed by 494,149 trees

**12,226 MWh**

renewable energy generated enough to power 3,277 homes for a year

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## UNSDGs supported



## Investable targets



such as these example investments...

**Ørsted**, the Danish power company was previously one of the most coal-intensive energy companies in Europe. Ørsted has now transitioned into the largest developers of offshore wind power. Their aim is to develop green energy solutions that benefit the people and the planet driving down costs of green energy.

**Trane Technologies Inc.** is a manufacturer of heating, ventilating and air conditioning systems. Around 20% of building emissions are relating to heating and cooling. Through sustainable innovation Trane Technologies provide energy efficient systems that reduce building emissions and cut costs.

Ørsted avoided 11.3m tonnes of carbon dioxide equivalent and provides renewable energy to over 15 million people.

that can generate these measurable outcomes...

Trane Technologies reduced 7.7 million metric tonnes of CO<sub>2</sub>e from customer carbon footprints in 2020, which is equivalent to the greenhouse gas emissions of 1,602 wind turbines running for one year.

which over time we believe will contribute to creating this impact:



Reduction in ultimate temperature rise



Keep the Earth within safe planetary boundaries

## Responsible consumption

### The problems we are trying to solve...

Deterioration of coastal waters.



Ocean acidification and the adverse effects on ecosystems and biodiversity.



Deforestation, desertification and biodiversity loss.

Emergence of zoonotic disease.



### and the potential investment solutions...

Increase investments in projects to manage and protect healthy ecosystems.

Companies that procure materials in a way that is sustainably sourced.

Provide capital to companies whose products and services are helping to reduce global waste across agriculture and other supply chains.

### Total estimated aligned portfolio impact in 2021

(from all related holdings)

**39,718 m<sup>3</sup>**

water treated, the equivalent of 16 Olympic-sized swimming pools

**1,275**

tonnes waste avoided

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## UNSDGs supported



## Investable targets



such as these example investments...

**Lenzing** is a leader in wood-based cellulosic fibres. It produces fibres from cellulosic agricultural waste to replace new cotton production.

**Nordic Investment Bank** finances projects that improve productivity and benefit the environment of the Nordic and Baltic countries.

**Lenzing** only procures wood from sustainably managed forests and plantations. The company carried out a reforestation project over 20 hectares of degenerated land in North Albania. Lenzing lyocell uses one-third of the water needed to produce cotton and has half the carbon footprint of traditional lyocell.

that can generate these measurable outcomes...

€335 million issued in Blue Bonds by the end of 2021. This financed 13 water treatment projects contributing to the reduction of pollution and water-related climate adaptation. **Nordic Investment Bank** were the first to issue Nordic-Baltic Blue Bonds in Europe.

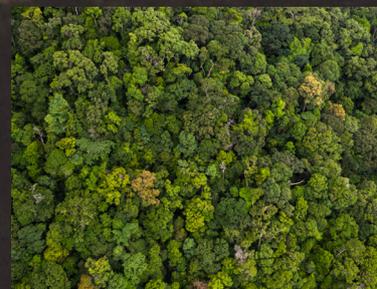
which over time we believe will contribute to creating this impact:



Oceans recuperate and marine biodiversity is no longer threatened



Certain species are no longer threatened by extinction



Forest areas are preserved

# Responsible consumption

## The problems we are trying to solve...

By 2050, we would require the equivalent of three Earths to sustain current lifestyles<sup>1</sup>.



Land and marine degradation, declining soil fertility, unsustainable water use and overfishing are lessening the ability of natural resources to supply food<sup>1</sup>.



Water is being polluted faster than nature can recycle and purify in rivers and lakes<sup>1</sup>.



## and the potential investment solutions...

Projects reducing food loss and waste.

Research and development into increasing the efficiency of food systems.

Investing in companies whose products and services help produce a circular economy.

## Total estimated aligned portfolio impact in 2021

(from all related holdings)

**1,275 tonnes**

of waste avoided

**177,632 m<sup>3</sup>**

water saved, the equivalent of 71 Olympic-sized swimming pools

Data shown reflects the notional aligned impact calculated for 12 months to 31 December 2021, based on the value of assets in our sustainable growth fund, accrued daily. The positive impact is generated by the companies that we invest in and the users of their products and services, like the organisations that have helped improve access to healthcare, finance and education and the people who choose to switch to renewable energy. Investors in the sustainable growth fund are aligned with these impacts by investing in a company's activities generally but do not finance any particular activity, product or service that a company may undertake or make available. We use the most up to date underlying impact data available as reported by the companies and fund managers in which we invest to estimate these impact metrics, and apportion it according to our holding size. To illustrate the aggregated impact, we translate the impact into more meaningful comparisons using the following conversion ratios: over a decade, one tree captures and stores 60kg of carbon dioxide from the atmosphere (Source: EPA), the average UK home uses 3,731KWh of electricity in a year (Source: Ofgem). Where data is not available we have not included it, with the expectation that our results are conservative. Impact metrics provided, in part by Net Purpose. <sup>1</sup>United Nations/UN Report Global Resources Outlook 2019. <sup>1</sup>United Nations/UN Report Global Resources Outlook 2019.

UNSDGs supported

Investable targets



such as these example investments...

**TOMRA** provides technology led solutions that enable a circular economy with collection and sorting systems. TOMRA is the world's leading provider of reverse vending machines, facilitating the collection of empty cans and bottles.

**Trex** is the world's largest producer of composite decking created from a blend of 95% reclaimed timber and plastic film diverted from landfill. TREX works alongside US Green Building Council members to transform the design of buildings and communities.

**TOMRA** captures 40 billion drink containers each year. Its reverse vending machines avoid around 4 million tonnes in carbon emissions each year.

that can generate these measurable outcomes...

362 million kilos of reclaimed timber and plastic film reused each year which would have ended up in landfill. Zero trees have been felled in the making of TREX composite deck. Each 500sq ft contains 140,000 recycled plastic bags. Operations reduce acidification (86%) and ecological toxicity (90%) and (42%) emissions compared to wood lifecycle.

which over time we believe will contribute to creating this impact:



Efficient use of natural resources supports population growth in a sustainable way



Our annual consumption of the Earth's natural resources is balanced with that which can be naturally generated within a given year.

# Sustainable Infrastructure

## The problems we are trying to solve...

Population expected to grow by 30% by 2050<sup>1</sup>.



Lack of energy efficiency – Buildings make up the biggest share of global emissions<sup>1</sup>.



Some sectors such as steel and cement are harder to decarbonise. Steel accounts for 7% of global carbon emissions<sup>2</sup>.



## and the potential investment solutions...

Sustainable infrastructure projects.

Companies whose technologies are transforming industries that emit high greenhouse gases, and are improving energy efficiency.

Green bonds focused on mitigating greenhouse gas emissions.



## Total estimated aligned portfolio impact in 2021

(from all related holdings)

**2,271**  
people provided with clean energy

**29,948**  
tonnes CO<sub>2</sub>e avoided. Equivalent to the carbon absorbed by 494,149 trees

Data shown reflects the notional aligned impact calculated for 12 months to 31 December 2021, based on the value of assets in our sustainable growth fund, accrued daily. The positive impact is generated by the companies that we invest in and the users of their products and services, like the organisations that have helped improve access to healthcare, finance and education and the people who choose to switch to renewable energy. Investors in the sustainable growth fund are aligned with these impacts by investing in a company's activities generally but do not finance any particular activity, product or service that a company may undertake or make available. We use the most up to date underlying impact data available as reported by the companies and fund managers in which we invest to estimate these impact metrics, and apportion it according to our holding size. To illustrate the aggregated impact, we translate the impact into more meaningful comparisons using the following conversion ratios: over a decade, one tree captures and stores 60kg of carbon dioxide from the atmosphere (Source: EPA), the average UK home uses 3,731KWh of electricity in a year (Source: Ofgem). Where data is not available we have not included it, with the expectation that our results are conservative. Impact metrics provided, in part by Net Purpose. <sup>1</sup>New climate economy report 2016. <sup>2</sup>International Energy Agency.

## UNSDGs supported



## Investable targets



such as these example investments...

**Rockwool.** From rock to wool, this company transforms organic rock into "stone wool", a cotton-like-candy wool product for use in sustainable infrastructure projects around the world.

**Vattenfall.** This breakthrough ironmaking technology project in Sweden is helping fund the world's first fossil fuel free steel.

Rockwool products sold in 2019 are estimated to save 200 million tonnes of CO<sub>2</sub>e over their lifetime usage.

can generate these measurable outcomes...

Using green hydrogen the process has virtually no carbon footprint. Rolling out this project in Sweden alone could cut 10% of its country's emissions.

which over time we believe will contribute to creating this impact:



Reduction in planet warming emissions caused by industrial activities

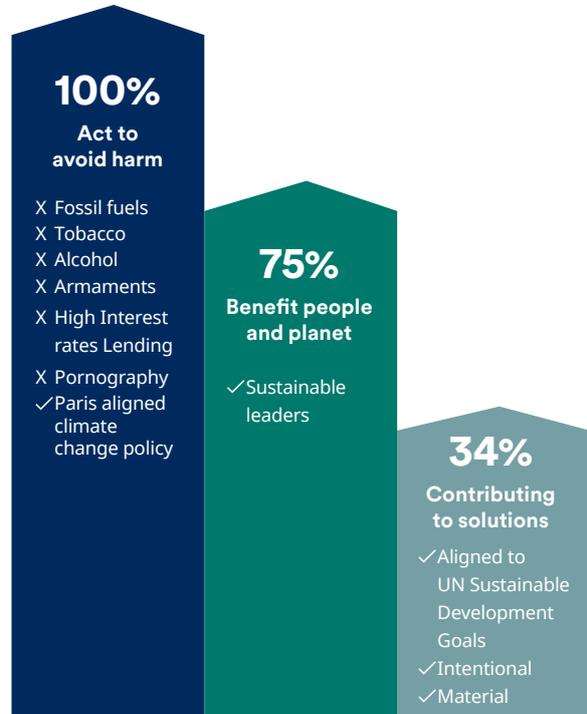


Providing for population growth within the Earth's existing resources and carbon budget

# Total portfolio mapping to the IMP framework

We map all of the underlying equities, bonds and alternative assets in our sustainable investment strategies to the Impact Management Project (IMP) framework which classifies investments as Acting to Avoid Harm (A), Benefiting people and planet (B) and Contributing to solutions (C). We then aim to measure the real world outcomes of investments which are contributing to sustainable development by selecting relevant "impact metrics" to track progress.

Impact metrics are primarily gathered on those companies that meet the thresholds defined by the Global Impact Investing Network (GIIN) and the Impact Management Project (IMP) "C" impact class. Companies that have made a significant contribution to an environmental or social challenge through their products and services may also be included, despite not meeting the materiality threshold we have set. All data is sourced from investments where the positive impact is intentional, material and measurable. We have set a baseline threshold that 100% of investments must fit into the "A" category of our framework, i.e. act to avoid harm by reducing their negative impacts. It is important to note that no investment or company is perfect and that there are always a number of environmental and social issues that need to be improved upon over time. Investments which are identified as having negative impacts are set a clear engagement strategy to reduce these impacts



over time. Further information can be found in our [engagement blueprint](#). Mapping to impact classes is undertaken on a quarterly basis.

## IMPACT CLASS 'C' EXAMPLE: LENZING – A BUSINESS CONTRIBUTING TO SOLUTIONS

One industry in need of major sustainable disruption is fashion. Consuming more energy than the aviation and shipping industries combined, it accounts for 10% of global carbon emissions. Chemicals from dyes make their way into the environment, polluting the air, water, and also harming marine life. One solution to this significant environmental degradation is to develop alternative sources to water-intensive cotton and harmful chemicals.

### Part of the solution

Lenzing is a leading global company in sustainable fibre production. Using Lenzing products, the fashion industry can replace resource intensive and polluting products.

To address the enormous textile waste challenges, Lenzing developed the unique upcycling technology branded REFIBRA™. This utilises cotton from the textile value chain as raw material and

combines it to make new textiles. REFIBRA™ has the potential to have enormous impact, given that each year more than 100 million tons of fibres are consumed to make textile and non-woven products.

### Impact

Lenzing's products conserve and maximise the use of natural resources and reduce the harmful impact of textile production on the planet. Lenzing's bio-refinery ensures that 100% of the sustainable wood constituents are used in the refinery process. Lenzing lyocell uses one-third of the water needed to produce cotton and has half the carbon footprint of traditional lyocell.



## INVESTOR CONTRIBUTION

An important part of the Impact Management Project framework is the distinction between company impact and investor impact, therefore the total impact of an investment is a combination of:

1. The impact of the underlying asset(s)/enterprise(s) that the investment supports (enterprise impact)

and;

2. The contribution that the investor makes to enable the enterprise(s) to achieve that impact (investor contribution)

There are four types of investor contribution defined by the Impact Management Project (IMP) as outlined below:

INVESTOR CONTRIBUTIONS				
EVIDENCE OF OUR INVESTOR CONTRIBUTIONS	1	2	3	4
	Signal that impact matters	Engage actively	Grow new and undersupplied capital markets	Flexibility of return/risk
	<p>We communicate our intention to have a positive impact to the investments that we make and to the broader market at large.</p> <p>We base our investment decisions, in part on current and future expected positive and negative social/and or environmental impacts.</p> <p>We ask our <u>fund managers</u> about the social and/or environmental practices of their own organisations and the investments that they make.</p> <p>We publish research and opinions on the positive and negative impacts that investments have on people and the planet.</p> <p>We provide complete transparency to investors about the positive and negative impacts of the investments we make.</p>	<p>We go beyond signalling that impact matters and by using our influence proactively advocate that our investments increase their positive impacts and decrease their negative impacts.</p> <p>We <u>vote on shareholder resolutions</u> and against company boards, and engage with our third party managers to do so too in order to bring about the necessary changes.</p> <p>We collaborate with our clients, third party managers and social and environmental advocacy groups to engage companies on matters of significant social and environmental importance.</p>	<p>In addition we grow new or undersupplied capital markets. We do this by providing capital at either Initial Public Offering (IPO) stage, or to underserved areas of the market such as providing capital to energy infrastructure trusts in emerging markets, or to unlisted charity retail bonds. For example we took part in the IPO of the <u>Thomas Lloyd Energy Impact Trust</u>. Whilst currently a small percentage of our total investment allocations, 6% of our flagship sustainable growth fund at our last mapping, this is a very important part of our investor contribution and one which we hope will grow over time.</p>	<p>We provide access to debt at a lower than market rate of return for a small number of social enterprises and charities. For example through <u>The Schroders Big Society Capital Social Impact Investment Trust</u>.</p>

## CONTRIBUTION COMBINATIONS

There are six pre-determined combinations of investor contributions identified by the IMP.

Signal that impact matters plus:					
Engage actively	<b>Engage actively</b>	Engage actively	<b>Engage actively</b>	Engage actively	<b>Engage actively</b>
Grow new / undersupplied capital markets	Grow new / undersupplied capital markets	<b>Grow new / undersupplied capital markets</b>	<b>Grow new / undersupplied capital markets</b>	<b>Grow new / undersupplied capital market</b>	<b>Grow new / undersupplied capital market</b>
Provide flexibility on risk-adjusted return	Provide flexibility on risk-adjusted return	Provide flexibility on risk-adjusted return	Provide flexibility on risk-adjusted return	<b>Provide flexibility on risk-adjusted return</b>	<b>Provide flexibility on risk-adjusted return</b>

We have assigned an “investor contribution” to all of our third-party fund managers and mapped their underlying investments to the Impact Management Projects ABC “impact classes”. This analysis allows us to produce an Investor’s Impact Matrix (see next page) for our whole portfolio, allowing our investors to see the differing types of impacts and the percentage of those attributable through our multi asset multi manager portfolio.

IMPACT INTENSITY:

- Percentage of assets invested
- Examples of investments classified within the matrix

INVESTOR CONTRIBUTION TYPE

**1** SIGNAL THAT  
IMPACT MATTERS

**2** SIGNAL THAT  
IMPACT MATTERS  
+ ENGAGE

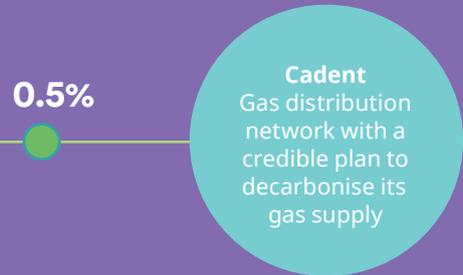
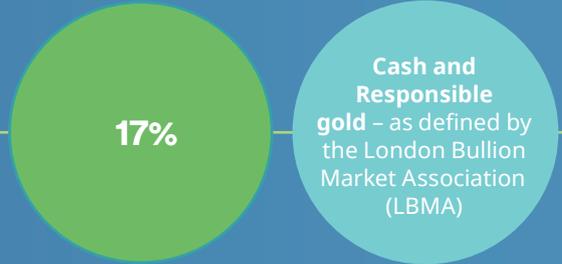
**3** SIGNAL THAT  
IMPACT MATTERS  
+ GROW

**4** SIGNAL THAT  
IMPACT MATTERS  
+ ENGAGE  
+ GROW

**5** SIGNAL THAT  
IMPACT MATTERS  
+ ENGAGE + GROW  
+ FLEXIBILITY

LOW - 17%

**A** ACT TO AVOID HARM  
Investments in cash, listed bonds, companies and alternatives that are taking steps to reduce their environmental and social risks and mitigate negative impacts.



TOTAL IMPACT CLASS

25%

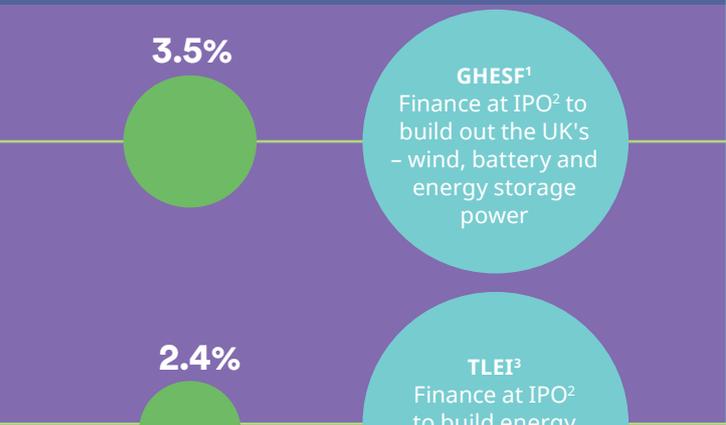
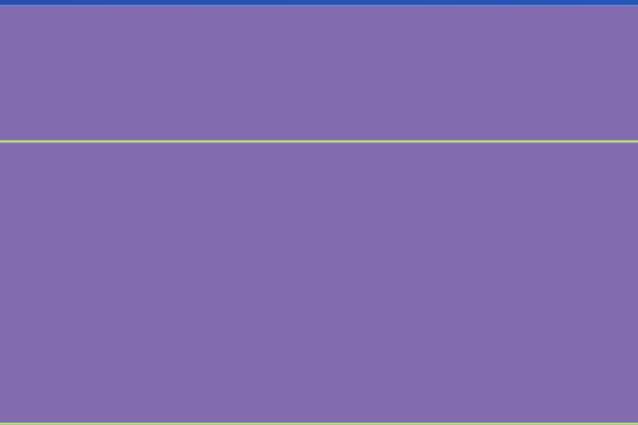
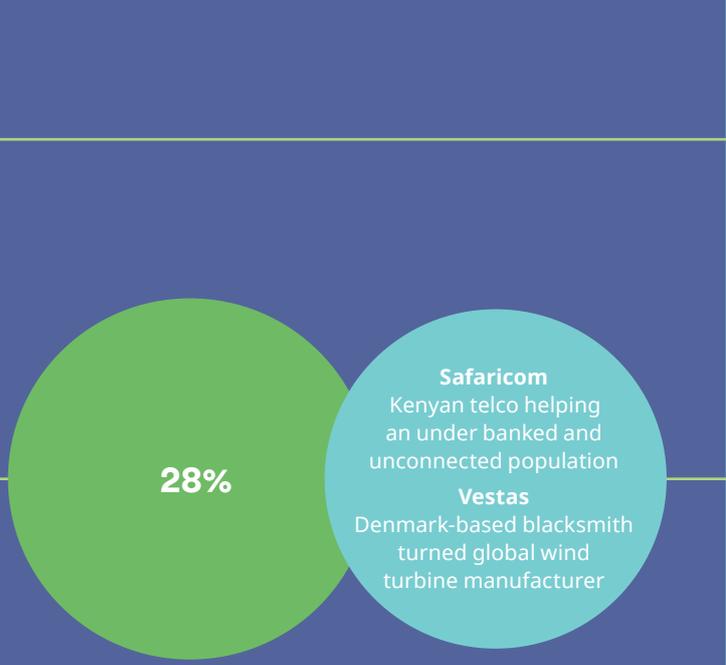
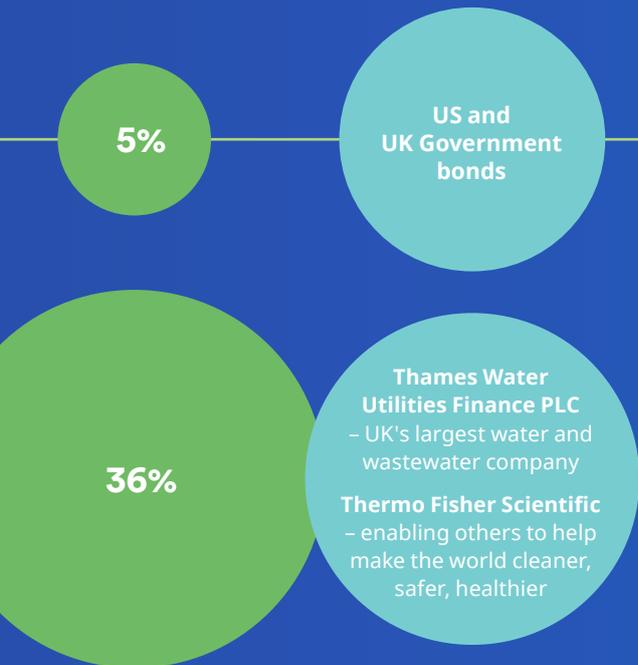
1% MEDIUM – 49%

HIGH – 28%

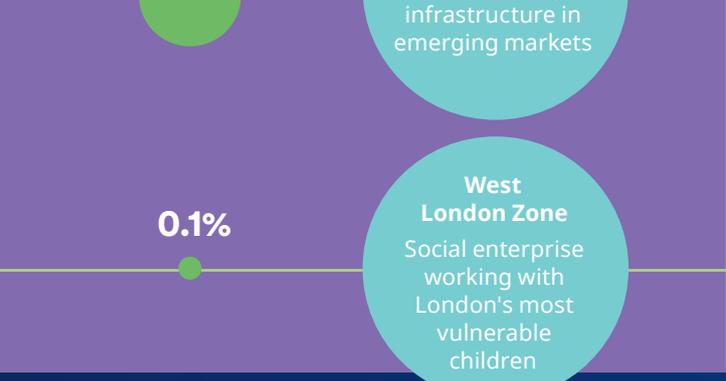
VERY HIGH – 6%

**B** **BENEFIT PEOPLE AND PLANET**  
Investments in Government debt, listed companies, corporate, social, sustainable and green bonds which are intending to have a positive impact on environmental and/or social outcomes for the planet and general population.

**C** **CONTRIBUTE TO ENVIRONMENTAL + SOCIAL SOLUTIONS**  
Investments in listed companies, social, sustainable and green bonds, listed infrastructure, and unlisted assets. These investments intend to have a positive impact on underserved populations and the planet (which is perpetually underserved).



<sup>1</sup> Gresham House Energy Storage Fund  
<sup>2</sup> An Initial Public Offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance.  
<sup>3</sup> Thomas Lloyd Energy Impact



1%

34%

## Mapping investments to the United Nations Sustainable Development Goals (UNSDGs)

The 17 United Nations Sustainable Development goals are made up of 169 sub-targets. We have assessed a number of these targets as both relevant to investors and investable. The remaining targets are more relevant to philanthropy and the central role of governments. For each investable target we can allocate capital to certain investments and activities which can contribute to furthering sustainable development. An example of this in practice is detailed below.

### How we allocate capital to further global health and well-being – Goal 3 of the UNSDGs

Rich and poor countries face very different health challenges. In developing economies avoidable communicable disease such as malaria is a significant cause of death, conversely in developed economies non-communicable disease such as diabetes takes its toll on people's health. Globally less than half of people receive the healthcare they need.

To improve the health and well-being of the general population the UN have identified a range of goals and targets which need to be met.

The targets for SDG 3 Good Health and Well-being that are relevant to investors are:

- 3.3. End communicable disease such as AIDs, malaria and tuberculosis
- 3.4 Reduce by one third mortality from non-communicable disease such as cancer and diabetes
- 3.8 Achieve universal healthcare coverage including protection, access to medicines, vaccinations and other healthcare services
- 3.b Provide access to affordable essential medicines and vaccines for all

In order to advance progress towards global health and well-being we allocate capital to a wide range of investments which are aligned to the above targets. These include direct investments in health infrastructure and social bonds providing access to social care and vaccinations. We also invest in a broad range of healthcare companies operating in the prevention, diagnosis and treatment of disease through to innovative biotechnology and genome sequencing.

In practice this looks like the following types of investments:



### INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION (IFFIM) – SOCIAL BOND

The IFFIm is a public/private partnership designed to raise capital for the Vaccine Alliance (GAVI), which is dedicated to immunisation programmes in over 70 of the poorest countries. In early 2020, IFFIm raised money for the Coalition for Epidemic Preparedness Innovations (CEPI). The CEPI initiative accelerates development of vaccines against emerging infectious diseases and enables equitable access to these vaccines during outbreaks.

**Furthering progress towards target 3.b**  
– provide access to affordable essential medicines and vaccines for all

#### Outcome

IFFIm bonds helped vaccinate 760 million children, saving an estimated 13 million lives. GAVI estimates that 50 African children are vaccinated every minute with the third dose of the diphtheria tetanus-pertussis vaccine (DTP3) As a result, there is now 76% DTP3 coverage. DTP viruses are a significant cause of preventable death in children in the developing world.

### ROCHE

One of the most innovative pharmaceutical & diagnostics companies. The firm has a long track record of innovation and developing life-changing therapies, especially in cancer.

**Furthering progress towards target 3.4** – reduce mortality from non-communicable disease

#### Outcome

The company provided 28.6 million patients with treatment in 2020. Importantly for a healthcare company, Roche pricing reflects the World Health Organisation's definition of fair pricing and they are committed to double the number of patients treated in low and lower middle income countries by 2026.

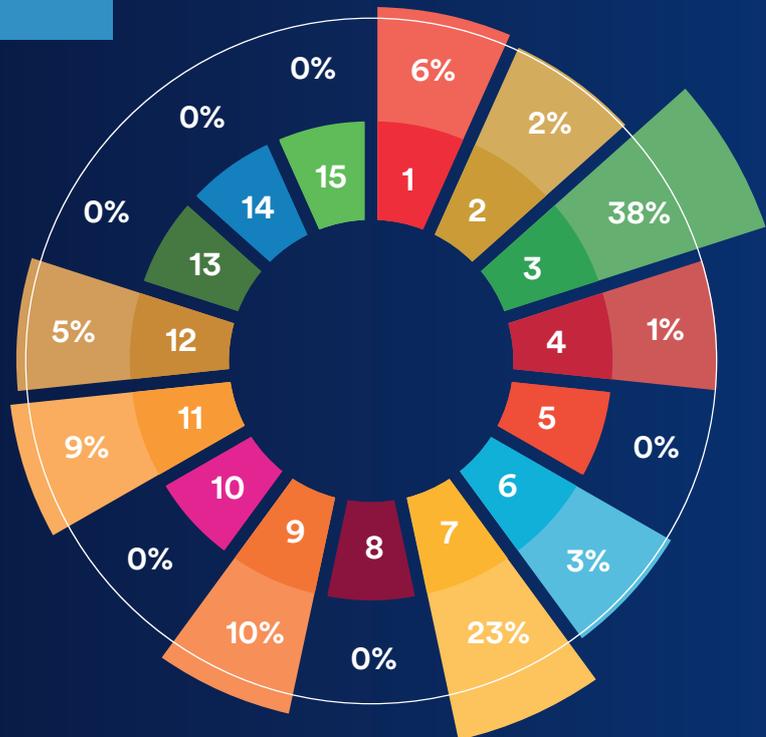
### CAZENOVE CAPITAL SUSTAINABLE GROWTH FUND UNSDG ALIGNMENT

We perform this analysis across the 17 Goals and across our five investable impact themes to map our portfolio contributions towards the UN Sustainable Development Goals.

As at 31st December 2021

# 34%

of the Cazenove Capital Sustainable Growth Fund was classified as contributing to sustainable development across a wide range of goals.



### Impact aggregation and conversion

We aggregate the people and planet impact metrics we collect into two simple metrics:

1. Number of equivalent people reached
2. Tonnes of carbon avoided (converted to an understandable equivalency)

As mentioned earlier, impact metrics are primarily gathered on those companies that meet the thresholds defined by the Global Impact Investing Network (GIIN) and the Impact Management Project (IMP) "C" impact class. Companies that have made a significant contribution to an environmental or social challenge through their products and services may also be included, despite not meeting the materiality threshold we have set. All data is sourced from investments where the positive impact is intentional, material and measurable. In order to be classified as contributing to solutions the investment must be assessed as having the potential to materially impact one of the United Nations Sustainable Development goals sub targets and indicators. In addition the investment must be intentional in its activities, wanting to create positive impact and committed to growing this over time.

#### PEOPLE: NUMBER OF EQUIVALENT REACHED

The number of people reached is an aggregation of the numbers of people provided with basic services, which we believe are essential to live a fully inclusive and healthy life: housing, healthcare, digital inclusion, financial inclusion and water services.

We appreciate that there are different levels of outcomes for an individual across these various indicators and that this is a relatively blunt measure. However, the intention of this metric is to capture the scale of impacts our companies are associated with rather than inferring any quality, depth or duration.

Our preferred impact measurement would be to understand our impact beyond providing access to services to the general population, and our investments reach into the neediest of society. An ideal measure therefore would be the numbers of individuals underserved in relation to housing, health care, access to finance and other basic services. Currently however the level of reporting available precludes us from reporting this figure. Over time as data coverage improves we would expect to be able to use the numbers of people provided with services who had not previously had access. In the absence of this we report the total numbers of people accessing these services.

#### PLANET: NUMBER OF TONNES CARBON AVOIDED

We record the following environmental metrics across our portfolios:

- # Tonnes carbon dioxide equivalent (CO<sub>2</sub>e) avoided
- # Megawatt hours (MWh) renewable energy generated
- # Tonnes of materials, or waste avoided, recycled or transformed into energy conversion

## Use of equivalencies

### MEGA-WHAT?

It is difficult to understand the magnitude of a technical metric such as number of tonnes of carbon avoided. Therefore, we use equivalencies to translate these technical metrics into something more relatable. We have selected a number of equivalencies to help demonstrate the scale of the outcomes from the investment that we make.

### TONNES CO<sub>2</sub>E AVOIDED

We have estimated the annual tonnes of carbon emissions avoided by the enterprises that we invest in. To illustrate this, we have translated the total amount of avoided emissions into an equivalent number of trees planted and grown for ten years. Over a decade one tree captures and stores 36 lbs of carbon from the atmosphere.

Source: Greenhouse Gas Equivalencies Calculator | US EPA.

### MEGAWATT HOURS OF RENEWABLE ENERGY GENERATED (MWH)

We convert MWh generated into the equivalent number of homes powered for one year. According to the Department for Business, Energy & Industrial Strategy (BEIS), the average household uses 3,731 kilowatt hour (kWh) per year.

Source: Energy consumption in the UK 2020 - GOV.UK (www.gov.uk).

### TONNES WASTE

Waste is converted into wheelie bin equivalents using the following conversion sourced from Defra: One 240L wheelie bin holds 0.24m<sup>3</sup> of household waste. This is equivalent to 0.0648 tonnes.

## Data sourcing

Data is derived from several sources, which is either provided by a third party or is sourced directly by Cazenove Capital. We also use specialist data provider Net Purpose to source our equity impact data. To the best of our knowledge the data obtained from external sources is reliable, however we cannot and do not warrant the accuracy, completeness or adequacy of third party data used in the impact metrics. Impact and sustainability related data is still at an early stage with considerable variation in estimates and disclosure across companies. Double counting may occur across carbon and social factors. Company data disclosures rhythms are unique, whereas our impact reporting will run to the calendar year end. Therefore, data may have a lag of 12 months or more given the timescales involved. This is a common limitation of impact reporting.

The impact metrics are designed to be a snapshot of positive environmental and social activities throughout the year reported. Most companies will report on annual figures, which we have used where provided. Company data may not be audited.

## Conclusion

Our impact measurement methodology helps us to demonstrate the real world outcomes of the investments that we make. It is these outcomes that we believe will create positive longer-term impacts on society and the planet.

Whilst the field of impact measurement is emerging, and the data is less than perfect, we do not think this should stop us from using the resources we have to try and answer a question which is important to our clients “what impacts are my investments having in the real world?”.

We are committed to playing our role as an asset owner to engage with our managers to provide us with credible data concerning the social and environmental outcomes of their investments. Over time we believe the quality and coverage of data will improve enabling us to provide further insight. In addition we are committed to learning and aligning with best practice across the industry.

Finally, whilst assessing and measuring impact is a vital part of our investment process, so too is taking action to reduce, avoid and mitigate the negative impacts of our investments through our active ownership activities. We report to investors on our engagement activities on a quarterly basis [here](#). You can read our roadmap for reducing harm in our [engagement blueprint](#).

## Disclaimers

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EST. 1804