



Response to ESG Questionnaire

Schroders

April 2023

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Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by [Schroders](#) are shown here.

1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.

As an active manager with assets under management including joint ventures and associates at 31 December 2022 of £737.6 billion, we have a responsibility to exert positive influence on society and our planet through our investments. Channelling capital into sustainable and durable businesses creates value and helps speed up positive change. We apply the same core values and high standards to the activities we undertake as a business as we do when investing for our clients.

We are a signatory to the UN Global Compact (UNGC) and we support and integrate its ten principles covering four areas – human rights, labour, environment and anti-corruption – into our business strategy. In 2022, we became an Early Adopter of the UNGC's Communication on Progress as part of our commitment to transparently disclose our implementation of the Ten Principles and contribution to the Sustainable Development Goals.

Our strategy is shaped by our stakeholders and highlights two key areas: 'people' and 'planet'.

- People means driving change for the better for everyone. We're proud of our inclusive culture, where people learn, grow, and have the tools to take care of their wellbeing. We advocate for volunteering, fundraising, and outreach among our teams in our local communities. And we champion human rights in our supply chain.

- Planet means protecting the world's resources tackling climate change and reversing biodiversity loss. Our science-based targets have been validated by the Science Based Targets initiative and are in line with a 1.5°C trajectory. As well as committing to reduce the greenhouse gas footprint from our own operations, our role as an investment manager means we can drive significant change across multiple industries and deliver value to our clients over the longer term.

Our group corporate sustainability strategy is governed by Group Sustainability and Impact committee (GSI), which is chaired by the Group Chief Executive and made up of senior representatives from across the business. The GSI committee is responsible for reviewing and agreeing new commitments and policies, as well as monitoring progress against targets.

We support many organisations, initiatives and industry groups on matters of corporate sustainability. Acknowledging our power to influence, we use our voice to collaborate with others to drive change across our industry and society. We also help to shape public policy by working with peers and policymakers on ESG issues. We regularly respond to public consultations both in our own right and through working with investor groups.

Accreditations:

- An MSCI ESG Rating of AAA.
- A 'low risk' Sustainalytics ESG Risk Rating.
- A constituent company in the FTSE4Good Index Series.
- We achieved a leadership level CDP score of A- in 2021 for the second year in a row.

Sustainability at Schroders

Our purpose is to provide excellent investment performance to our clients through active management and responsible stewardship. As investors, the way we direct capital not only shapes the financial returns we can deliver for our clients but also the impact we have on the world. The way we invest is changing, driven by a fundamental shift in how companies are being viewed and valued. Where once we considered only risk and return, we now assess a third dimension – impact. We believe that considering these three pillars together can help us assess an asset's real value and make better investment decisions for our clients. That is why we have been considering environmental, social and governance (ESG) factors for over 20 years and now fully integrate ESG across our managed assets – a goal we achieved at the end of 2020*. We have a team of over 50 dedicated sustainability professionals with over 300 years' combined investment experience. For us,

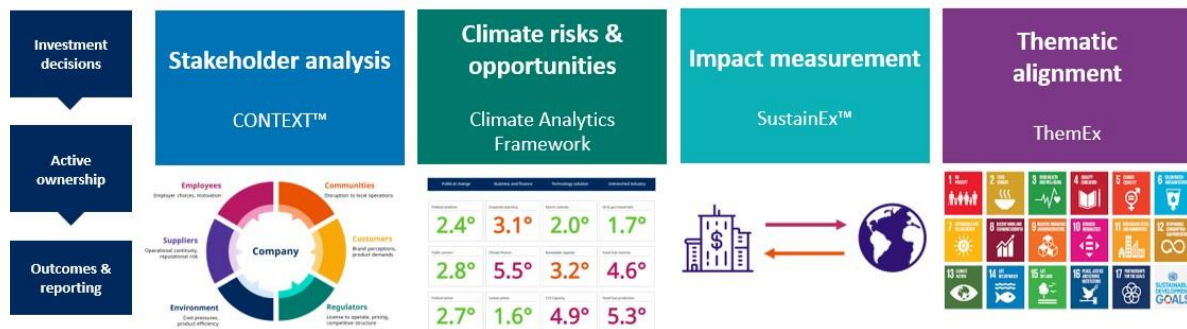
Sustainability is part of our firm-wide mission; we were founding members of the Net Zero Asset Managers Initiative and were among the first financial institutions to have our Science Based Targets formally validated by the Science Based Targets Initiative (SBTi).

The way we assess impact in our investments is through SchroderIQ, our suite of award-winning tools which help our investment teams to quantify the sustainability risks and impacts of assets we invest in and understand the 'impact-adjusted profits'. They enrich our research process and enable our analysts and fund managers to ask questions about how a company is managing its business, the impact it has on society and stakeholders and how it contributes to sustainability themes.

Through these tools, we can build a fuller picture of the risks, opportunities and impacts of our investments and help our clients to apply a similar lens to the portfolios we manage for them.

Our suite of proprietary sustainability models

Translating thought leadership into actionable insights for investors



Powering investment decisions

Underpinned by innovative research & deep investment knowledge

Source: Schroders. Schroders uses SustainEx™ to estimate the net cost or benefit of an investment portfolio having regard to certain sustainability measures in comparison to a product's benchmark where relevant. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. ThemEx is in development.

Our commitment to active ownership is integral to our investment principles. Active ownership encompasses our engagement and voting activities. It is about understanding how prepared companies are for a changing world, helping them to take necessary action and holding them to account. We use our influence to push them to prepare for the mounting changes in their industries. To us, this is as important to delivering sustainable investment returns as our decision to invest. We do this because we believe it makes companies stronger in the long term and ultimately helps us deliver better outcomes for our clients.

We integrate ESG across our managed assets because we believe it makes for better investment decision-making. We are also committed to providing innovative solutions to capture opportunities in a changing world or address areas of social and environmental need.

For us, sustainable investing is the foundation of building robust portfolios that can deliver better outcomes for our clients.

* For certain businesses acquired during the course of 2020, 2021 and 2022 we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or now possible, for example passive index tracking or legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

**For 2020.

Stewardship

Schrodgers fully supports the UK Stewardship Code and complies with all its principles. Although the Code is focused on the UK, it is a globally recognised standard and signatories must report on their active ownership activities across their entire asset base. Hence, in our report we outline how we apply the Stewardship Code principles globally, taking into account local practice and law. We are mindful of similar stewardship codes in other jurisdictions in which we invest. We keep these under review and look to our statement of compliance with the UK Stewardship Code to be our response to them.

Our 2021 Stewardship Code report explaining how we apply the Code's principles in practice can be found at <https://www.frc.org.uk/getattachment/c40289db-0361-4a21-8061-f5eb40e90611/NEW-Schrodgers-Stewardship-Code-Report-rev-2021.pdf>

2. Please provide an overview of how ESG is integrated into your business.

ESG has been integrated across our managed assets since 2020*. How integration looks specifically for the 60+ investment teams across Schroders, each with their own investment philosophy and approach, differs. What matters is a consistent level of ESG capability and application of the ESG resources the Sustainable Investment team has to offer.

In 2021, we further embedded the concept and practices associated with ESG integration across asset classes and regions. This meant supporting investment teams in deepening the way they integrate ESG. For example, we encouraged investment teams to broaden their usage of the proprietary ESG models and tools we have developed.

For further details about how we integrate ESG across specific asset classes, please see our Annual Sustainable Investment report: <https://www.schroders.com/en/sustainability/active-ownership/sustainability-analysis-in-practice/>

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3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.

Schroders fully support the following international conventions:

- The Convention on Cluster Munitions (2008): prohibits the production, stockpiling, transfer and use of cluster munitions
- The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997): prohibits the production, stockpiling, transfer and use of antipersonnel landmines
- The Chemical Weapons Convention (1997): prohibits the use, stockpiling, production and transfer of chemical weapons
- Biological Weapons Convention (1975): prohibits the use, stockpiling, production and transfer of biological weapons.

– We will not knowingly hold any security that is involved in the production, stockpiling, transfer and use of these weapons. We will apply this policy to all Schroders funds that we directly manage. On occasion there may be additional securities recognised by clients or local governments; these will be added to the Schroders group exclusion list for those relevant jurisdictions or specific mandates.

Coal is a major contributor to atmospheric greenhouse gas emissions and companies directly exposed to that fuel face growing social and political pressures as a result. In order to protect the value of our clients' investments, our policy is to exclude companies which generate more than 20% of their revenues from thermal coal mining. Schroders will apply this policy to all Schroders funds that we directly manage. This will apply to companies globally except companies with a corporate domicile or primary listing in Indonesia, for which the same criteria will apply from 1 January 2026.

Individual funds may exclude certain other securities for various reasons. If these offerings don't fit with your requirements, we are happy to manage segregated accounts that are tailored to your preferences with explicit exclusion lists.

Our group exclusion list can be found here: <https://www.schroders.com/en/sustainability/active-ownership/group-exclusions/>

4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

Sustainability is a complex and multi-faceted topic. It is also ever-changing, whether that be through new research, expanding data availability, regulation or government action. Below we have highlighted some of the key Sustainability developments made by Schroders in 2022 and Q1 2023.

Launched in February 2022, [Schroders' Engagement Blueprint](#) outlines our ambitions, priorities, approach and expectations for active ownership at Schroders. We have identified six broad themes for our engagements: climate change, human rights, diversity and inclusion, natural capital and biodiversity, human capital management and corporate governance. We are proud our Blueprint was [awarded ESG Engagement Initiative of the Year at Environmental Finance's Sustainable Investment Awards 2022](#).

We continue to review our priorities and expectations as our understanding of the issues and market best practice evolves to ensure we are pushing for change in the most effective way.

In early 2023, we updated our Blueprint to reflect our evolving focus areas for the year ahead and beyond: A greater focus on the just transition: In an effort to better describe how we address the social implications of the net zero transition. This sub theme links to the other relevant themes (human rights, human capital management and diversity and inclusion)

Expanding on our natural capital and biodiversity expectations: Schroders is a member of the Natural Capital Investment Alliance and became signatories to the Finance for Biodiversity Pledge in 2022. Our Biodiversity and Natural & Biodiversity Position Statement sets out our approach to the investments we manage and our own operations when it comes to nature and biodiversity. In this edition of the Blueprint we have expanded our expectations of companies, with a particular focus on deforestation. This reflects our proprietary research, evolving market guidance and our firm-wide commitment to this topic.

Our shareholder resolution framework: Shareholder resolutions have seen a growing focus in recent years and we consider them an important tool for expressing our views and expectations to investee companies, especially for areas not covered in standard AGM votes. In the Blueprint we have outlined how we analyse shareholder resolutions in practice, around four questions:

- Is the resolution aligned to our Blueprint?
- Is the resolution the best way to address the issue?
- Does the resolution add value to what the company is already doing?
- Does the resolution have the potential to cause unintended consequences?

Impact-focused engagements: In September 2022, Schroders became signatory to the Operating Principles for Impact Management (OPIM). Active ownership is an important element to delivering impact, particularly in public markets. In this edition of the Blueprint we have outlined our approach to impact-driven engagements. Being able to track the progress and effectiveness of active ownership activities is key. In 2022, we launched ActiveIQ, our new proprietary tool for logging and tracking active ownership activity.

Active IQ focuses on forward-looking engagement plans and tracking progress based on a milestone approach. Looking ahead, we will be focused on embedding the tool with investment desks and evolving our transparency and reporting around engagement and voting for our clients.

Regulation, reporting and transparency

The volume and complexity of global regulations relating to sustainability continue at pace. This year we are focused in particular on meeting the regulatory requirements under MIFID and SFDR, as well as the new regulations developing in Asia. Policy engagement and collaboration is a key part of our focus to support progress across the industry.

In line with our regulatory disclosure commitments, we are also focused on reporting and transparency. We are evolving our fund-level reporting to meet the evolving regulatory landscape as well as the needs of our clients. Meeting client demands around reporting will be the measure of success.

Other developments

In 2022, we introduced a firmwide thermal coal exclusion policy. Coal is a major contributor to atmospheric greenhouse gas emissions and companies directly exposed to that fuel face growing social and political pressures as a result. As mentioned above, we introduced a policy to exclude companies which generate more than 20% of their revenues from thermal coal mining. The policy applies to all Schroders funds that we directly manage and applies to companies globally except companies with a corporate domicile or primary listing in Indonesia, for which the same criteria will apply from 1 January 2026.

In November 2022 we launched our first Plan for Nature. The Plan outlines the role of investment in accelerating a nature positive future, and creating real investment potential for our clients. It demonstrates how we will aim to achieve our ambition through three core areas: insights, influence and innovation. You can find out more on [this dedicated webpage](#). Schroders' Plan for Nature is our statement of intent in accelerating a nature positive future. We outline our whole-business approach to managing nature-related impacts and exposures, from research and analysis and engaging with companies, to developing nature-based investment solutions. It also covers our own operations and partnering with others to achieve this shared ambition. Take a look at our [plan](#) to learn more about our approach, our progress to date, and future priorities.

[Our Group position statement on nature and biodiversity](#) goes into more detail about the firm-wide commitments spanning both our investments and our business operations. This policy statement sets out Schroders' ('Group' 'our' or 'we') position on nature and biodiversity. It covers the investments we manage and our own operations with regards to nature and biodiversity, in the context of our Group commitments to environmental management and climate change mitigation and adaptation.

Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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