Schroders

Sustainable Investment Report

Q2 2017

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Contents

In an ideal world, our work on sustainability and Environmental, Social and Governance (ESG) integration combined with our focus on active fund management would mean that we are never exposed to controversies. The reality of managing $500 billion of assets is more complex.

Jessica Ground
Global Head of Stewardship, Schroders

This quarter we explore corporate controversies. We have analysed third party ESG scores and concluded that they are of little help in identifying companies that will face them. We have always viewed such ratings as a starting point, rather than the definitive view on a company, and this work confirms that our proprietorial approach is correct. We also highlight the engagement work that we did with our holdings following revelations about the Unaoil bribery scandal. In our experience a company's response to a controversy is as important as their original exposure.

One of the most controversial events in the sustainability space recently has been President Trump's decision to withdraw from the Paris Accord. We explore the implications for climate change action in our piece 'We'll always have Paris.' We firmly believe that climate change is one of the major long-term risks facing investors and will be publishing more on the topic later in the year.

Moving onto fixed income, we provide a summary of our new framework for ESG integration in sovereign bond investing. Little has been written in this area by either practitioners or academics. We hope that our approach and views, built from first hand experience of investing in these markets, will be a helpful contribution to the subject.

Meanwhile, despite policymakers around the world stressing the importance of corporate governance, engaged asset managers and asset owners, and new Stewardship Codes being introduced almost monthly, we are seeing more companies float with fewer shareholder rights. In recent consultations with index providers and exchanges, we have emphasised the need to preserve existing governance standards. Equally concerning has been a proposal by the Dutch government to suspend all shareholder rights for a year in the event of an unsolicited bid approach at a company. We are clear with all of our own stakeholders about the importance of maintaining existing shareholder rights; we consider them to be an important tool in our arsenal to create more sustainable investments.

After being named as the top pan-European fund manager for ESG integration by ShareAction last quarter, we were delighted to be ranked among the world's top fund managers by the Asset Owners Disclosure project (AODP) in Q2 for our commitments to climate change.

To gain a better perspective of our Sustainability efforts, we encourage you to visit the 'Sustainability' section of our website at schroders.com/us, or schroders.com/ca

Managing corporate controversies: the role of ESG ratings

High profile corporate controversies are regularly used to highlight the value of ESG analysis. Volkswagen's emissions scandal, Enron's fraud and BP's Deepwater Horizon oil spill each appear to provide tantalising examples of the significant losses that could potentially have been avoided through a better understanding of company practices. Our analysis suggests investors hoping conventional ESG ratings will help to identify these problems before they break are likely to be disappointed (Figure 1):

1. **ESG ratings have shown no clear predictive value.** Better-rated companies appear slightly more likely to experience controversies than worse-rated companies. This suggests that tick-box indicators of company sustainability are ineffective measures of controversy risk.
2. **But, ESG ratings have reacted to controversies.** On average, ratings have fallen by a full rating notch in the few months after a controversy becomes public. Most ratings include corporate controversies in their calculations, and while this mitigates the reputational risk of having high ratings for challenged companies, it disguises their limited predictive power.
3. **Past controversies are a bad guide to future controversies.** We find no meaningful relationship between the number of controversies a company has faced and the likelihood it suffers a future controversy. Ratings that rely heavily on past controversies therefore risk undermining their own effectiveness.

One of many inputs

This does not mean third party ESG ratings have no value. Instead it underlines the importance of understanding what they are and how they should be used. We use information from several external ESG research firms, but only ever as one input into our own company assessments to be questioned, examined and built on.

We outlined our concerns about the use of ESG ratings to assess portfolio sustainability in 'Painting between the lines' (Q3 2016). The conclusions here expand on some of these concerns: principally that ESG ratings flatter investors who sell stocks after controversies emerge and penalise those who invest the time to evaluate each situation and buy shares when they conclude risks are overblown.

The value of ESG integration

To us, effective ESG integration means examining a company's ESG performance and incorporating that analysis into investment decisions rather than outsourcing that analysis to third parties. Moreover, effective ESG integration is not just about preventing large downside controversy risks. Rather, the key value of examining business model sustainability lies with the insight it can bring to future growth.

Figure 1: MSCI company ratings and their respective changes pre- and post-controversies

Name	MSCI pre event	MSCI change	MSCI post event
BHP Billiton	A	-1	BBB
Volkswagen	BBB	-3	CCC
Toshiba	AAA	-3	BBB
Olympus	AAA	-6	CCC
Valeant	CCC	0	CCC
Siemens	AAA	0	AAA
Tesco Plc	A	0	A
Compass Group	A	-1	BBB
Carnival	BB	-2	CCC
BP	AA	-3	BB
Barclays	A	-3	B
Comcast	B	-1	CCC
Costco	BBB	-3	CCC
Dixons Carphone	BBB	-1	BB
Lloyds	BBB	-3	CCC
Vodafone	AA	w1	AAA

	Pre	Change	Post
Average rating pre- and post-**controversy**	3.69	+1.06	4.76
Average rating change with **no controversy**	4.06	-0.02	4.04

Source: MSCI, Schroders as of January 31, 2017. Ratings adjusted as to numbers as follows: AAA=1, AA=2, A=3. BBB=4, BB=5, B=6, CCC=7. Companies referenced are for illustrative purposes only and are not intended to serve as any recommendation to buy or sell any security.

We'll always have Paris: our view of climate change remains unchanged

President Trump's announcement that the US will withdraw from the Paris Agreement, which commits the world's major economies to significantly reducing greenhouse gas emissions, raises many questions.

President Trump did not announce an exit from the broader United Nations Framework Convention on Climate Change UNFCCC and appeared to leave the door open to re-negotiation. However, his announcement outlines a clear intent to revitalise industries directly or indirectly tied to domestic fossil fuel reserves. A number of headlines are negative and questions over future commitments will continue, but our view of climate change as a key investment focus remains unchanged.

Momentum is likely to continue

The US contributes around 16% of global greenhouse gas emissions, second only to China. However, while the decision is disappointing, it does not change our view that climate change will remain a key issue for companies to navigate in the coming years and decades. The decision will undoubtedly slow the pace of change in the US but we do not expect it to undermine global progress, for several reasons:

– The swift reiteration of support for the Agreement by other countries' leaders – including China, Russia, India, Japan and the EU – underscores our belief that efforts to decarbonize the global economy will continue even without US participation. The reaction also highlights the progress made and global momentum established; the strength of international support demonstrated would have been unthinkable even a few years ago.

– Climate policies are generally less developed in the US than in other developed countries. Carbon pricing remains policymakers' key tool and continues expanding to cover a growing share of the world's emissions. Importantly, US carbon trading schemes cover less than 1% of the world's greenhouse gas (GHG) emissions. Assuming China completes its national programme this year, close to one quarter of the world's emissions will have a cost attached. Global progress is unlikely to reverse.

– The US has well-developed renewable energy and electric vehicle markets which have provided economic and employment benefits. In our view, the US government is unlikely to quickly undermine this segment. These industries have benefited from public support in the past, but their economics have now improved to the point of standalone competitiveness in many cases.

– Social pressures can continue to prompt action where regulation does not. US public concern over climate change and support for action have both strengthened significantly. In April, 71% of the people asked by analytics firm Gallup favoured protecting the environment over increasing production of fossil fuels.

Corporate responsibility

Corporates and capital markets have a huge role to play and there are encouraging signs of progress. Recent research by the Carbon Disclosure Project (CDP) found that 48% of Fortune 500 companies have one or more climate change targets and 15% have set targets to buy or invest in clean energy.

In 2016, Schroders engaged with more than 80 companies to push for more robust climate strategies and transparent communication to investors. Over the last three years, Schroders has supported over 80% of the climate resolutions on which we were able to vote.

We are encouraged that a growing number of other institutional investors are moving in the same direction. In particular, the 62% shareholder support for a resolution that Schroders co-filed requiring Exxon to publish an annual assessment of climate policies on its business, is a clear indication of action on the issue. That success follows similar results at other major energy companies and puts the issue firmly on the industry radar.

As long-term, responsible investors we are deepening our analysis of the investment challenges and opportunities climate change represents, engaging companies to demand far-sighted and responsible strategies and supporting political and industry initiatives to address climate challenges.

President Trump's announcement is disappointing and represents a backward step in the journey towards decarbonisation. However, considering the progress that has been made and the commitment of most global leaders and many corporate executives, our investment view undoubtedly remains unchanged. We firmly believe that climate change will prove a key theme in the global economy, societies and financial markets. We are committed to developing the tools and pushing for the changes needed to help protect our clients' investments.

ESG and Sovereign Bonds: our new framework for ESG integration

In this piece, we draw on the expertise of practitioners and the limited body of academic evidence to establish a broad framework through which to examine how ESG integration can generate performance for sovereign bonds (debt securities issued by a national government).

In December 2016 the City of Portland, finding itself subject to criticism about individual holdings decided to divest totally from equities and bonds, in favor of 'uncontroversial' assets such as sovereign bonds. This move may be less socially progressive than it first appears. ESG integration in the equity and bond markets (assessing companies on the sustainability of strategy and practices and incorporating the conclusions into portfolios), is becoming more widespread. This is complemented by engagement: holding companies to account on their ESG performance and pushing for improvement. By contrast there has been little discussion on ESG integration or engagement for sovereign bonds, a pillar of many large asset owners' portfolios.

In the future, the importance of ESG risks to nations is likely to increase as social and environmental challenges – such as social unrest or climate change – intensify. As global power diffuses and international governance becomes less defined and more changeable, understanding countries' exposures and responses will become more critical to making lending decisions.

Investors should focus on medium- to long-term issues

ESG analysis is frequently used by corporate investors as a risk mitigation tool. However, the relationship between ESG risk and sovereign bond performance is not straight forward; rising ESG risks may lead to relative outperformance of sovereign bonds in some cases. For example in the wake of a cyber attack or a hurricane, investors will flee to the safety of sovereign debt. We have classified these as short-term ESG issues and suggest that they should not be the primary areas of focus.

In our view, investors looking to generate ESG performance should rather focus on medium- and long-term issues. These are defined as changes that build over time, impacting GDP growth rates and ultimately debt sustainability.

Figure 2: Short, medium- and long-term issues for sovereign debt

Short term	Medium term	Long term
Cyber attack/hurricane	Demographic challenges Rising inequality	Climate change
Flight to safety GDP rises due to restoration spend	Sustainability of GDP growth uncertain	Lower long-term GDP growth
Sovereign bonds outperform against other 'riskier' asset classes	Relative sovereign bond performance dependent on strength of institutions	Dispersion in sovereign bond performance reflecting exposures

Source: Schroders as of June 30, 2017.

Governance and social issues should be prioritized

When evaluating the risk of longer-term issues, sovereign bond investors should prioritize the analysis of governance and social issues, reversing the traditional ESG terminology. Japan provides an interesting case study in this. Demographics, deflation and sustained low growth have created a challenging backdrop against which debt to GDP ratios have risen to unprecedented levels. Yet Japanese sovereign bonds have consistently performed well.

A strong government and institutions, such as the Bank of Japan, together with currency control and social cohesion, have enabled Japan to maintain its credit rating, despite the headwinds described above.

The challenge for investors is not just to gauge the effect of environmental and social trends on economies but also to understand the national governance frameworks in place to identify and mitigate those risks. In this case, the strength of Japan's legal and institutional infrastructure has afforded the economy a safe haven role even as economic growth has dwindled.

The vulnerability of emerging markets

Not all countries will be impacted by long-term ESG factors in the same way. Emerging markets, because of their weaker institutions, are more vulnerable. Ironically much of the academic research that shows a link between ESG and sovereign debt performance has focused on developed markets, given better data availability. Ultimately because of the tools available to developed market policymakers, including quantitative easing, fiscal repression and forced buyers, they are relatively immunised against the risks posed by long-term ESG events. In evaluating emerging markets' ESG exposures, the direction of travel is as important as the absolute exposures. For example, the political response to social pressures is often dramatic, with consequences for all investors in all financial instruments. Assessing how pressures are building through mining data, such as educational attainment and population growth, coupled with regular in-country engagements, ensures that risks are being effectively identified and monitored. The focus should be on identifying the trend of the risks, rather than the tipping point; improvements are as important as deteriorations in generating performance. For example in China concerns around pollution are high, and could impact social stability. The central government has clearly identified this as a priority, but it remains to be seen how effective local institutions will be in improving air quality to mitigate the risk.

Engagement activity with sovereign issuers by investors is lower than with corporates, but does occur. Bond vigilantes, known for their ability to impose fiscal discipline on countries, have been a consistent feature of sovereign markets. They usually limit their activities to emerging markets, where they are likely to have a larger impact. In emerging markets, more systematic engagement occurs by issuing countries with investors, which provides the opportunity for concerns to be raised.

Realistically, to effect ESG change, concerns need to be raised not just with Debt Management Offices, but directly with governments. For example, at Schroders, we engage with G7 and G20 leaders about climate change risks. Looking into the future we note that engagement could take on a geopolitical flavor. China is now the largest foreign owner of US Treasuries; will governments become the bond vigilantes of the future?

As the global growth backdrop becomes more challenging, understanding the strength of the foundations on which countries are built is increasingly important to debt investors. Embedding ESG analysis into the fundamental investment process (which is known as ESG integration) is an important way of ensuring that investors are well positioned to spot these structural shifts and benefit from them.

INfluence

With great power comes great responsibility: shareholders have a vital role to play

Shareholders' rights and responsibilities have been a key theme of our policy engagement this quarter. At Schroders we believe that how we exercise stewardship over the companies in which we invest on behalf of our clients is of utmost importance. It is part of our fiduciary duty and also part of how we create value for clients.

Different stakeholders appear to be pulling in opposite directors. Governments, keen on long-termism and improved accountability, have been promoting Stewardship Codes. These set down the responsibilities of asset owners and asset managers with a view to creating a purposeful dialogue in the investment chain. Meanwhile others in the investment chain are de-empathising shareholder rights. Some companies, particularly in the biotech and technology space, are experimenting with unconventional governance structures that divorce ownership and economic rights. Exchanges and index providers appear to be considering encouraging these structures, with recent consultations lowering existing governance requirements.

Stewardship Codes: growing and becoming more stringent

2016 saw the introduction of Stewardship Codes in Singapore, Brazil, Hong Kong, Italy, Switzerland and Taiwan. 2017 has seen them adopted by Denmark, Korea and revised by Japan. As well as this global rise in popularity, Stewardship Codes are also undergoing important improvements; for example many now incorporate a greater recognition of the importance of collective engagement. We have long been supporters of such activity both formally through groups like the Investor Forum in the UK and informally through coalitions coming together on individual situations and co-signing letters. Another key development: asset managers are being asked to be more explicit about how they manage conflicts of interest and to be more transparent in general.

The Japanese Code is innovative in its requirement that shareholders not only devote sufficient resources to the stewardship debate but that they are of the right quality. We take our responsibilities in this area seriously with governance experts and investors collaborating on our company engagements and voting decisions. In the UK, the Financial Reporting Council (FRC) has been assessing asset managers and owners on their Stewardship Code statements and their quality.

Shareholder rights: under pressure

Some companies have always had unconventional governance arrangements. Facebook, Google, and Schroders all have dual share classes, where the different share classes have distinct voting rights. As active fund managers we can and do take such structures into account in our valuations and invest where we see value.

We are happy that boards are discharging their duties in an effective manner. However, in 2017 we saw the most extreme example when technology firm Snap floated with no voting rights for new shareholders. Some commentators have wondered if what was offered was a warrant rather than an equity offering!

Unlike other forms of capital though, equity is permanent risk capital. Voting rights reflect the unique role that equity plays in a company's funding. They are how ownership rights are exercised and how directors are made accountable. Voting rights also underpin investor stewardship. Companies with no voting shares leave asset owners with little to no influence over key corporate decisions like executive remuneration, board composition, dividend payouts, and other strategic issues all of which influence long-term value creation and share price returns. Our clients recognize that they will always be minority owners, but still value the influence that voting provides.

The Singapore Stock Exchange, and index providers FTSE Russell and Standard and Poors, have been consulting about possibly reducing the minimum governance standards for exchanges or indexes. We have been clear that it is important for current standards to be maintained, especially in light of increased scrutiny on asset owners and managers on how they exercise these rights.

We have been equally vocal about the Dutch government's proposal to suspend for one year all shareholder rights in the event of an unwanted takeover approach. This kind of suspension is a material dilution of shareholder rights and is unwarranted, regardless of the circumstance. Our own ESG policy is clear on the need to look to the long-term prospects of a company in the event of a takeover approach. It is incumbent on management to articulate this in a meaningful way.

Let's not all race to the bottom

We realize that the current system is not perfect. Not all shareholders are willing to engage or even to vote on issues of importance. Resources devoted to voting activity can be patchy, and too often a tick box approach is adopted which fails to address specific company circumstances. However governments increasingly realise that shareholders have a vital role to play in encouraging companies to be run for the long term, not just for the tenure of a single management team. We recognise our responsibilities to be good stewards and are increasing transparency and resources in this area. Our ability to exercise stewardship is dependent on existing shareholder rights being upheld in the markets in which we invest.

INfluence

Unaoil case study: managing the changing risk

Bribery and corruption headlines appear to be hitting news feeds more regularly, with growing stockmarket fallout. Tangible financial risks are mounting as authorities' tenacity for investigation grows and the fines they hand out become larger. We outlined the rising scale of the risks in our last quarterly report along with the framework we have developed to compare companies' exposures.

Recent months have provided us with a clear example of the fallout corruption can create. Unaoil – an intermediary between energy and industrial companies across a range of emerging markets – was alleged to have facilitated bribery by dozens of large multinational companies such as Rolls Royce, Halliburton, ENI, ABB, Weir Group, Samsung Petrochemicals and Petrofac. While the allegations are historic – most refer to the 2002 to 2012 period – the fallout has been significant. Petrofac's share price has halved since the Serious Fraud Office (SFO) announced its investigation into the company on May 12th.[1] Rolls Royce was recently hit with a £500 million fine and other companies have been caught up in the maelstrom, which looks likely to continue running.

Looking at the broader picture

The specifics of the Unaoil case are important, but it also represents a microcosm of the wider issue. The industries involved – resources, industrials and infrastructure – are among the most prone to corruption. The regions that are the focus of allegations are among the most corrupt.[2]

As a result, our subsequent corporate engagement has focused on firms' strategies for managing corruption risks across their operations, rather than just this particular situation.

We reached out to those companies in which we have significant holdings, leading to detailed discussions with eight multinationals.

We structured our engagement around four key performance areas: whistleblowing systems, third party due diligence, legacy problems (including Unaoil) and training. Several overarching conclusions stand out:

- Most companies have significantly strengthened their corruption practices and controls over the last decade
- Many companies have gone much further than evidenced by their public reporting; engagement has added significantly to our understanding
- Superficially, most companies have followed similar approaches, but on closer inspection the rigour of their implementation varies widely, which our engagement works enables us to better understand.

We are encouraged by these findings, particularly our discovery that most companies have already improved their practices and controls. We remain committed to monitoring how our investee companies manage corruption risk both proactively and reactively against a backdrop of rising risk in this area.

Looking forward, the way in which companies manage corruption risks will be increasingly important, as will the ability of investors to gauge their exposure and the rigour of their investment strategies. The tools we have developed go a long way to strengthening our analysis but in the end our ability to engage management teams will be critical to understanding issues that often run to the core of corporate cultures and behaviors.

1 On May 11th the share price was 815p. At the time of writing it had fallen to 418p.
2 OECD Foreign Bribery Report (2014) .

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Total company engagement

Our ESG team had 106 engagements this quarter with the 99 companies listed below, on a broad range of topics categorized under 'environmental ', 'social ' and 'governance '. They included one-to-one meetings, joint investor meetings, conferences, teleconferences, written correspondence and collaborative engagements.

Company	E	S	G
Consumer Discretionary			
BMW			✓
Compass		✓	
Darden Restaurants		✓	
Domino's Pizza		✓	
Flight Centre		✓	✓
INDITEX		✓	
Intercontinental Hotels			✓
Marks and Spencer		✓	
McDonalds		✓	
Mitchells and Butlers		✓	
Nike		✓	
OReilly Auto		✓	
Pearson			✓
Redrow			✓
Sportech			✓
Starbucks		✓	
Target		✓	
YUM! Brands		✓	
Consumer Staples			
BRF Brasil		✓	
Costco		✓	
Danone		✓	
Diageo			✓
General Mills		✓	
Greggs		✓	
Hormel Foods		✓	
J Sainsbury		✓	

Company	E	S	G
JBS		✓	
Kraft Heinz		✓	
M. Dias Branco		✓	
Mondelez		✓	
Nestle		✓	
Raia Drogasil	✓	✓	✓
SSP		✓	
Tesco		✓	✓
Unilever		✓	
Wal Mart		✓	
Wesfarmers		✓	
Wm. Morrison		✓	
Woolworths		✓	
Financials			
AIA		✓	
Close Brothers		✓	✓
Credicorp		✓	
Credit Suisse			✓
GAM			✓
HCI		✓	
HDFC		✓	
NASDAQ		✓	
Orix		✓	✓
Royal Bank of Scotland			✓
Sampo		✓	
Standard Chartered			✓
Sumitomo Mitsui Financial Group			✓
Tinkoff Credit System			✓

The companies and sectors mentioned herein are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

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Total company engagement (continued)

Company	E	S	G
Universal Insurance	✓		
Wells Fargo		✓	✓
Health Care			
Biogen			✓
Danaher			✓
Dechra Pharma			✓
Georgia Healthcare			✓
GlaxoSmithKline			✓
Indivior		✓	✓
Lonza		✓	✓
Pfizer			✓
Recordati			✓
United Health		✓	✓
West Pharmaceutical Services			✓
Industrials			
BAe Systems		✓	✓
FirstGroup			✓
G4S		✓	
KUBOTA		✓	✓
Leonardo			✓
Leoni			✓
Melrose Industries		✓	
Qinetiq			✓
SKF	✓		
SMC			✓
Teleperformance			✓
Information Technology			
Gocompare.Com			✓

Company	E	S	G
HALMA		✓	
Micro Focus			✓
NCC			✓
Novatek		✓	
RIB Software			✓
SAP			✓
Tencent	✓	✓	✓
Materials			
BHP Billiton	✓	✓	✓
ECOLAB	✓	✓	✓
Elementis			✓
Ferrexpo			✓
Glencore	✓		
JSR	✓	✓	
Norsk Hydro			✓
POTASH		✓	
Rio Tinto			✓
Telecommunication Services			
Vodafone			
Utilities			
AMEREN	✓		
Drax			✓
Duke Energy	✓		
Northwest Natural Gas		✓	

Source: Schroders as of June 30, 2017.

Key

E – Environment
S – Social
G – Governance

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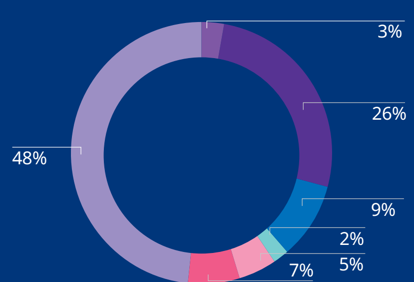
Engagement in numbers

Regional engagement

UK	38
North America	28
Asia Pacific	15
Europe (ex-UK)	20
Middle East and Africa	0
Latin America	5

Source: Schroders as of June 30, 2017.

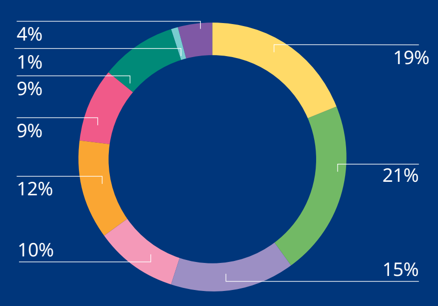
Engagement type



- Group call
- Collaborative engagement (e.g. joint investor letter)
- One to one call
- Group meeting
- One-to-one meeting
- Other
- Email

Source: Schroders as of June 30, 2017.

Engagement by sector



- Consumer Discretionary
- Consumer Staples
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Telecommunication Services
- Utilities

Source: Schroders as of June 30, 2017.

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Shareholder voting

We believe we have a responsibility to exercise our voting rights. We therefore evaluate voting issues on our investments and vote on them in line with our fiduciary responsibilities to clients. We vote on all resolutions unless we are restricted from doing so (e.g. as a result of shareblocking).

This quarter we voted on **3033 companies and approximately 95% of all our holdings**. We voted on 236 ESG-related shareholder resolutions, voting with management on 137.

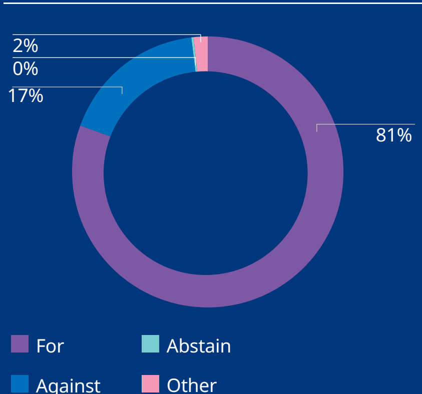
The charts below provide a breakdown of our voting activity from this quarter. Our UK voting decisions are all available on our website at www.schroders.com/sustainability under 'influence'.

Company meetings voted

UK	14%
North America	27%
Asia Pacific	24%
Europe (ex-UK)	29%
Middle East and Africa	2%
Latin America	4%

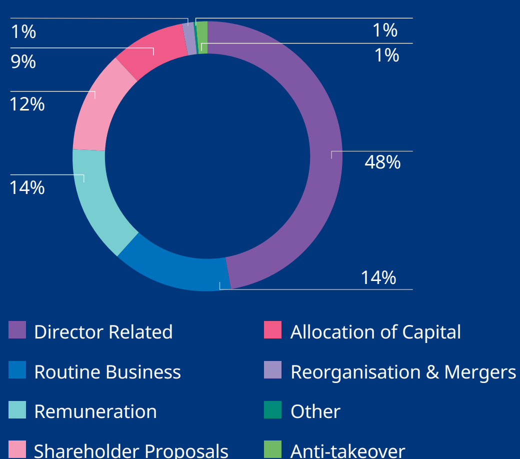
Source: Schroders as of June 30, 2017.

Direction of votes this quarter



Source: Schroders as of June 30, 2017.

Reasons for votes against this quarter



Source: Schroders as of June 30, 2017.

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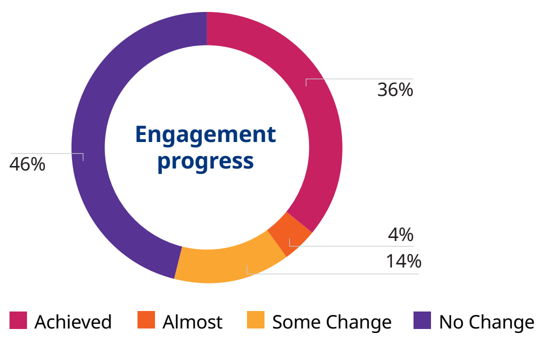
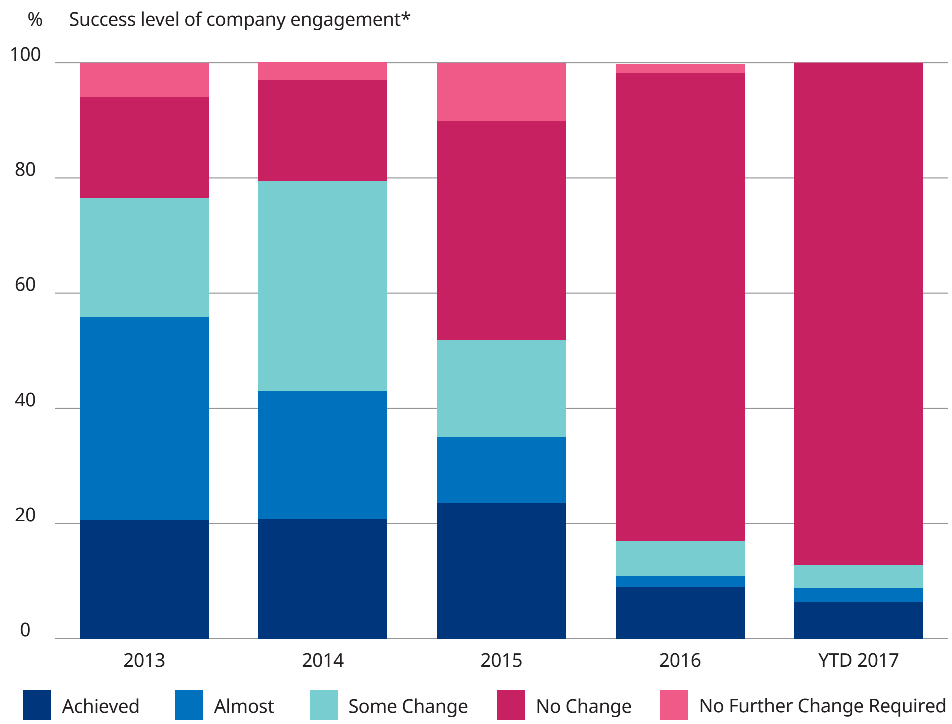
Engagement progress

This section reviews any progress on suggestions for change we made a year ago, in this case the second quarter of 2016. There are four possible results: 'Achieved ', 'Almost ', 'Some Change ' and 'No Change'. Of a total number of 73 'change facilitation ' requests made, we recorded 26 as Achieved, 3 as Almost, 10 as Some Change and 34 as No Change.



The chart below shows the effectiveness of our engagement over a five-year period. We recognize that any changes we have requested will take time to be implemented into a company's business process.We therefore usually review requests for change 12 months afterthey have been made, and also review progress at a later date. This explains why there is a higher number of engagement successes from previous years.

Effectiveness of requests for change – 5 year period



Source: Schroders as of June 30, 2017. *Level of engagements from previous periods may take several years to finalize, and cannot be accurately gauged in most recent data. Therefore such engagements may be included in 'No Change' for 2016 and 2017.

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