

Schroders

Global Equities Responsible Investment Policy

Issued in December 2010 by Schroder Investment Limited.
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Schroders

Schroders' RI Philosophy

Schroders provides investment management services to a wide range of clients and as part of that function, we purchase, hold and sell securities in order to earn returns for clients. Schroders' aggregate holdings in a company will vary over time as a result of both the flow of client assets into, or out of, our management and of our own portfolio allocation and stock selection decisions.

Schroders believes that well managed companies will deliver sustainable competitive advantage and long term shareholder value, and therefore an analysis and consideration of a company's financial performance, the quality of its management structures, the suitability of internal controls and the ability of the board to manage operational performance, environmental and social risks and opportunities will affect our stock valuation and selection strategies.

On behalf of our clients Schroders' has share ownership rights and exercising these rights, through company engagement and proxy voting, is an integral part of our role in managing, protecting and enhancing the value of our clients' investments. In exercising these responsibilities we combine the perspectives of our portfolio managers and company, environmental, social and governance (ESG) analysts to form a rounded view of each company and the issues it faces. It follows that we will concentrate on each company's ability to create sustainable value and may question or challenge companies about ESG issues that we perceive may affect their future value.

Our Responsible Investment Process

Schroders overriding objective for integrating an ESG approach into the equity investment process is to, wherever possible, enhance returns and protect value for our clients.

Analysis

Schroders believes that an analysis and evaluation of ESG issues and their impact on investments is a fundamental part of the stock valuation and selection process. Typically ESG analysis will source information from a mosaic of sources, including (but not limited to) the company itself, specialist research providers, brokers and academics. We will utilise internationally recognised benchmarks, codes and standards¹ as guidelines for corporate best practice within our ESG company analysis, but we are pragmatic in our recognition that no “one” model of ESG management can apply to a company, and that each company has to be considered in respect of the industry and markets in which it operates.

Typically good corporate ESG practice should ensure that:

- there is an empowered and effective board
- there are appropriate checks and balances in company management systems
- there are effective systems for internal control and risk management covering ESG and other significant issues
- there is suitable transparency and accountability
- management remuneration is aligned with long term shareholder value

Integration

Wherever relevant the analysis of a company's ESG performance is an implicit part of our investment process. Such analysis enhances our understanding of a company and its ability to deliver long term shareholder value. We accept that it is not always possible to apportion investment value to ESG issues but that ESG performance can provide a proxy for the quality of management and as such can be integrated into stock valuation. On occasion some ESG issues may have direct financial relevance (e.g. carbon emissions, water scarcity) and in these instances we will endeavour to integrate these considerations into our valuation process. We recognise that there is no set way for integrating ESG into the investment process, and as such different teams have developed varying approaches, and that these approaches may evolve over time.

Engagement

Engagement with companies is part of our fundamental approach to the investment process as an active investor. It has the advantage of enhancing communication and understanding between companies and investors. When engaging with companies our purpose is to either seek additional understanding or, where necessary, to seek change that will protect and enhance the value of investments for which we are responsible. We concentrate on each company's ability to create sustainable value and will question or challenge companies about issues, including those relating to ESG, that we perceive might affect the future value of those companies.

¹ These include, but are not limited to, the Institutional Shareholders Committee, the Global Reporting Initiative, the Association of British Insurers, the United Nations Global Compact and the UK Stewardship Code.

Voting

We recognise our responsibility to make considered use of voting rights. We therefore evaluate voting issues on our investments and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. On occasion there may be a shareholder resolution on an ESG issue, in such instances we will take into account company performance, best practice, whether the company has faced similar resolutions before and, ultimately, if the resolution is in shareholder interest. We normally hope to support company management. However, we will withhold support or oppose management if we believe that it is in the best interests of our clients to do so. Further details about Schroders' approach to voting are covered in the Corporate Governance Policy (which includes a statement on conflicts of interest).

Screening

In addition to our ESG approach Schroders also provides a screening service for clients, as and when required. These may be for a themed fund or for a segregated mandate to reflect a client's values within their investment approach.

Disclosure

We produce quarterly and annual reports on our ESG activities, as well as hosting a Responsible Investment page on our internet site. We believe that our policy and processes comply with, and support the implementation of, the United Nations Principles for Responsible Investment and the UK Stewardship Code.