



Emerging Markets Equity Impact Strategy

Schroders Investment Conference

19–23 October

Marketing material for professional
investors or advisers only.

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Your trusted partner for Emerging Markets

A diversified product offering for this heterogeneous asset class



Solutions

We manage 35+ strategies and offer tailor-made investment solutions to meet client specific outcomes



Expertise

134 employees averaging 15 years experience in 19 locations



Deep Roots

We have been operating in EM for over 8 decades, and have built a significant local presence in many EM countries



Knowledge sharing

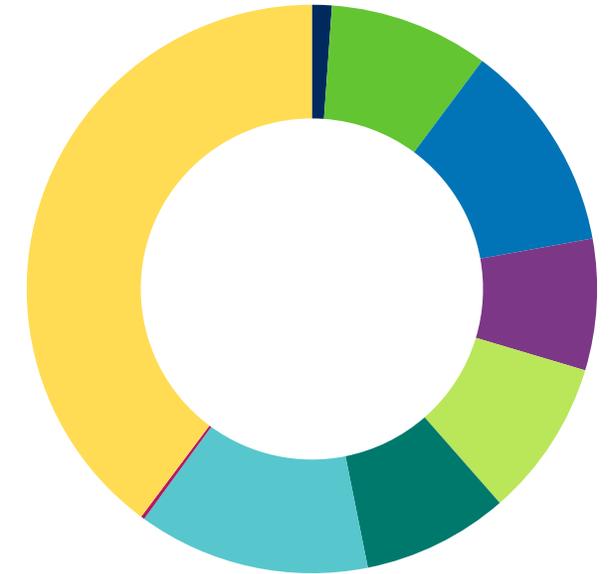
Helping our clients make investment decisions through strong partnerships, expert investment advice and incisive thought leadership

Source: Schroders, as at 30 June 2020. *Asia + Latin America.

Dates office opened

- 1935 ● Argentina
- 1945 ● Brazil
- 1971 ● Hong Kong
- 1976 ● Singapore
- 1987 ● Korea
- 1989 ● Taiwan
- 1990 ● Indonesia
- 1994 ● China
- 1997 ● Mexico
- 2007 ● UAE
- 2015 ● South Africa

US\$ 77.7bn of assets under management as at Q2 2020



■ EME Quantitative	\$0.8 bn
■ EME Regional	\$7.8 bn
■ EME Single Country*	\$9.5 bn
■ Private Assets	\$4.8 bn
■ EMD Single Country*	\$6.1 bn
■ EMD Regional	\$6.8 bn
■ EMD Global	\$9.6 bn
■ EM Multi Asset	\$0.1 bn
■ EME Global	\$32.1 bn

Impact investing

Contributing to a better future for all



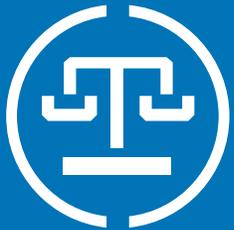
Intentional

Investing in companies where there is evidence of an **intention** to solve some of our social or environmental challenges



Material

Investing in companies whose products and services are expected to **contribute** to solving a social or environmental problem



Measurable

Encouraging the companies in which we invest to constantly improve the **active measurement** of the outcomes for people and the planet of their activities



Sustainable

Investing in companies focussed on managing their business with **all stakeholders** in mind and delivering an attractive return for shareholders over the long term

Note: Applying these three criteria narrows your investable universe significantly.

Impact investing in public markets

Companies and investors can have significant impact in Emerging Markets

Employers

Employing millions of people through operations, providing economic growth lifting people out of poverty

Products and services

Contribute to solving social or economic problems such as housing, energy use, financial inclusion, education and health care

Operations

Reduce environmental impact, by use of renewables, sustainable use of raw materials and replenishment of natural resources.



Journey of Impact Investing in Emerging Markets



Alignment with UN SDGs

Alignment by companies with SDGs and specifying targets related to them

Provision of capital

Contribution of capital to companies to enable them to grow sustainably and have a greater impact

Engagement

Engagement to improve companies' disclosure and stakeholder outcomes

Measurement of impact

Specific measurement of companies' outcomes and impact on society

Many companies in Emerging Markets are at an early stage on their impact journey

Our Experience in EM and Sustainable Investing

Impact assessment group

Name	Responsibility	Industry experience (years)
Jonathan Fletcher	Portfolio Manager	15
James Gotto	Portfolio Manager	28
Andrew Howard	Global Head of Sustainable Investment	22
Elly Irving	Head of Engagement	12
Catherine Macaulay	Sustainability Analyst	2



Global Emerging Markets equity team



Source: Schroders, as at June 2020.



Philosophy

 **Societal return**

 Does the company contribute to a better future for all?

 Invest in companies that have a direct or indirect positive impact to society in line with the UN sustainable development goals

 **Sustainability**

 Is the business run for the long term?

 Invest in companies who treat all stakeholders fairly and run the business for the long term

 **Financial return**

 Is the stock a good investment?

 Invest in companies that are expected to generate sustainable returns above their cost of capital



Source: Schroders, as at October 2020. Schroders has been granted with UN license to use UN SDG logo.

Idea Generation

Societal return

Screen sourced idea

Gedeon Richter

Specialty Hungarian pharmaceutical company with presence in 38 countries and high R&D investment

Market Cap: USD\$ 4bn

Average Daily Traded Volume: USD \$7m

Free Float: 74%

Primary SDG: 3 Good health and well-being



Societal return: Focus on Women's Healthcare, the Central Nervous System and Biosimilars including original, generic and licenced products. 55% sales to Emerging Markets with a focus on Central Eastern Europe and CIS.



Sustainability: The company identifies stakeholders and monitors key issues for these. It sets targets to reduce environmental impact; similar standards are expected of suppliers.



Financial return: Conservative balance sheet structure, with returns rising as products resulting from recent investments start to reach market.

Source: Schroders, as at September 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.



Idea Generation

Societal return

Analyst sourced idea

WEG

A leading global provider of electrical equipment headquartered in Brazil

Market Cap: USD\$ 16.5bn

Average Daily Traded Volume: USD \$40.1m

Free Float: 35%

Primary SDG: 7 Affordable and clean energy



Societal return: Innovation and vertical integration drive development of energy efficient solutions. Rising share of renewable energy solutions including hydroelectric, wind and solar power. Several SDGs explicitly used as targets.



Sustainability: The company has deep engagement with customers and suppliers, and consistently invests in staff training and local communities. Annual targets to reduce environmental impact.



Financial return: Long track record of returns above cost of capital.

Source: Schroders, as at September 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.



Sustainability



Example: Samsung SDI

Leading provider of batteries used in Electric Vehicles and Energy Storage Systems



Societal return: Global leader in battery technology used in Electric vehicles and Energy storage systems enabling a global shift to sustainable transport and greater use of clean energy.



Sustainability: High level of focus by the company on ensuring that all stakeholders are treated fairly.



Financial return: Technology leader in a consolidating battery market. Improving margins.

CONTEXT looks at how a company is managing six key stakeholders

- 735 ESG trends for 47 sub sectors drawing on 75 different datasets (including our own tools)
- Builds on fundamental analysts' knowledge and understanding of companies, sectors and materiality of key stakeholders
- Enables investors to identify the best in class companies with data refreshing quarterly
- Enables targeted engagement with "improving companies" based on data and a system that tracks metrics over time

Sustainability details:

Management:

Management has a high degree of emphasis on the sustainability of the business and have published sustainability reports since 2003 and have an impact measurement framework in place.

Suppliers:

The company provides detailed reporting in relation to the cobalt supply chain and have led the industry in auditing and risk assessment related to the mining of cobalt.

Customers:

The company has demonstrated a high level of commitment to customers with R&D/sales at 6.6%. They also effectively managed fire incidents in 2019.

Environment:

Alongside the environmental benefits of the main products the company has targets for reduction of GHG emissions and reducing energy use in the production of the batteries.

Source: Schrodgers, as at September 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Financial return

Example: Capitec Bank Holdings

Capitec Bank is the largest digital bank and the largest bank by active banking clients in South Africa

Market Cap: USD\$6.1bn

Average Daily Traded Volume: USD \$23.7m

Free Float: 52%

Primary SDG: 10 Reduced inequalities



Quantitative

- Balance sheet evaluation
- Cash flow generation
- Visibility of earnings
- Evaluation of returns and capital cycle

Qualitative

- Evaluation of business model and strategy
 - Product or service franchise
 - Market share
 - Exposure to structural change
- Management track record
- Capital allocation
- Alignment of interests



Societal return: Leading provider of unsecured lending in South Africa with a focus on financial inclusion and greater accessibility to banking.



Sustainability: Good level of focus by the company on ensuring that all stakeholders are treated fairly.



Financial return: Strong franchise and significant growth opportunity from new products and growing market share. Company is trading at attractive valuations.

Source: Schroders, as at September 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Ongoing active engagement



Example: New Oriental Education

The company provides educational services principally to primary and secondary aged children in China



Societal return: The company provides educational services in China improving the quality of education for children through after school tutoring.



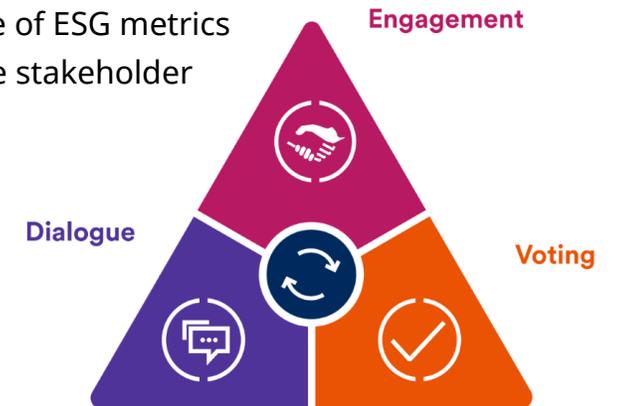
Sustainability: High level of focus by the company on ensuring that all stakeholders are treated fairly.



Financial return: Market leader with a strong brand and strong balance sheet and returns.

Conducted jointly by EM portfolio managers and relevant Sustainability analysts

- Regularly meet companies (1659 one on one meetings in 2019)
- Seek to drive positive change with a focus on KPIs
- Seek to drive improved disclosure of ESG metrics
- Targeted engagement to improve stakeholder outcomes
- Collaborate with companies on achieving best practice
- Tracking change through time
- All voting co-ordinated via our dedicated corporate governance specialists



Areas of engagement:

Improving disclosure:

The company does not currently publish a sustainability report. We have engaged with the company to do so including disclosing on their energy consumption and greenhouse gas emissions.

Data security:

Following a recent data breach of user information we highlighted that data security is an issue we consider to be highly material and engaged on ensuring the company took steps to further improve in this area.

Measuring and Monitoring

- Each holding should be mapped to a primary SDG to give an overall portfolio view
- Each company should have specific measurable KPIs related to the primary SDG and tracked over time to monitor progress
- US\$ value of externalities measured by SustainEx

Examples of companies and KPIs

Company	KPIs
Bharti Airtel	Total number of subscribers and data subscribers
Capitec Bank	Customer numbers, low vs high income
New Oriental	Total number of students enrolled
Wuxi AppTec	Product volumes, R&D spend

Source: Schroders, data as at 15 Jun 20. Schroders has been granted with UN license to use UN SDG logo.

SUSTAINABLE DEVELOPMENT GOALS



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