

Schroders

# Slavery and Human Trafficking Statement 2020

March 2021



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# Introduction

Modern slavery encompasses the recruitment, movement, harbouring or receiving of people through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation. This includes slavery, servitude, child labour, forced labour, human trafficking, debt bondage, forced marriage, deceptive recruiting for labour or services, and slavery-like practices. Modern slavery is against the law in most of the countries in which we operate.

Schroders has a corporate responsibility to respect human rights, whether in our role as an employer, as a buyer of goods and services, when carrying out our fiduciary duties as a provider of financial services or as an investor in companies. Our culture of integrity and doing the right thing for all of our stakeholders means that we do everything we can to prevent any form of modern slavery from taking place in our business,

supply chain and investments. Modern slavery is a complex and multi-dimensional issue and requires a considered and thorough approach. We are committed to continually improving our systems and processes so that we are purposeful in our actions.

This statement has been prepared to comply with section 54 of the UK Modern Slavery Act (2015) and section 14 of the Australian Modern Slavery Act (2018). These leading pieces of legislation require businesses such as the Schroders Group ('Schroders' or the 'Group') to assess and report on the risks of modern slavery practices within our business operations and supply chain, and the measures we have taken to address these risks. This statement provides an update on the progress we have made during 2020 and outlines our plans for 2021.





Schroders is a world-class global asset manager that actively and responsibly manages investments for a wide range of institutions and individuals across Europe, the Americas, Asia Pacific, Middle East and Africa. We are responsible for £574.4 billion<sup>1</sup> of assets for our clients who trust us to deliver sustainable returns.

We offer innovative products and solutions in both our asset and wealth management businesses and invest in a wide range of asset classes and geographies in public and private markets. Our clients include insurance companies, pension schemes,

sovereign wealth funds, endowments and foundation and other regulated financial institutions. We also manage assets for end clients as part of our relationships with distributors, financial advisers and online platforms. Our business is supported by an infrastructure function, which provides critical services to support the business operations. We have more than 5,200 people across 37 global locations. Our full list of worldwide locations can be found [here](#).

## Our global business footprint

Market	% of employees	% of suppliers	% assets under management
Americas	7	8	15
Asia Pacific	19	24	18
Europe, Middle East and Africa	17	34	19
UK	57	34	48

<sup>1</sup>Assets under management as at 31 December 2020.

# Our approach

Schroders is committed to respecting human rights and avoiding human rights infringements including modern slavery, and is guided by the United Nations (UN) Universal Declaration of Human Rights, International Labour Organisation’s Fundamental Conventions and the UN Guiding Principles on Business and Human Rights (the ‘Ruggie Principles’). We are a signatory of the UN Global Compact (UNGC) and take a principles-based approach to doing business. We incorporate the UNGC’s ten principles on human rights, labour, environment and anti-corruption into our strategy and operations. We also take action to advance broader societal goals, such as the UN Sustainable Development Goals (SDGs). We are developing our leadership ambitions around two specific areas of reducing inequalities and climate change, addressing amongst others, SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities and SDG 13 Climate Action.



# Our governance

Our Corporate Responsibility (CR) Committee is responsible for setting and reviewing our global CR strategy, as well as monitoring its progress. It is chaired by our Group Chief Executive and provides the oversight of our human rights and modern slavery approach. The CR Committee meets at least quarterly and reports at least annually to the Group Management Committee and Board of Schroders plc as regards modern slavery.

In 2020 we set up a cross-functional human rights working group including representatives from our CR, Human Resources (HR), Compliance, Legal, Procurement, Workplace Services and Investment teams. This working group recommends, implements and reviews the Group’s human rights-related commitments, policies, management system and controls, grievance and remediation mechanisms.

In Australia, we have also established a local modern slavery working committee to manage our compliance with Australian modern slavery laws and standards. Members of this committee are also involved with the development of best practice for assessing and reporting on modern slavery risk throughout the industry.

The chart below shows the main aspects of our human rights approach and the different stakeholder groups for which we assess and manage human rights risks. It also shows the self-assessed status of our progress.

As well as the development of our metrics (see [Key Performance Indicators](#)), it will form the basis for a year-on-year comparison of our progress in line with our aim for continuous improvement. It also helps inform our action plan, particularly

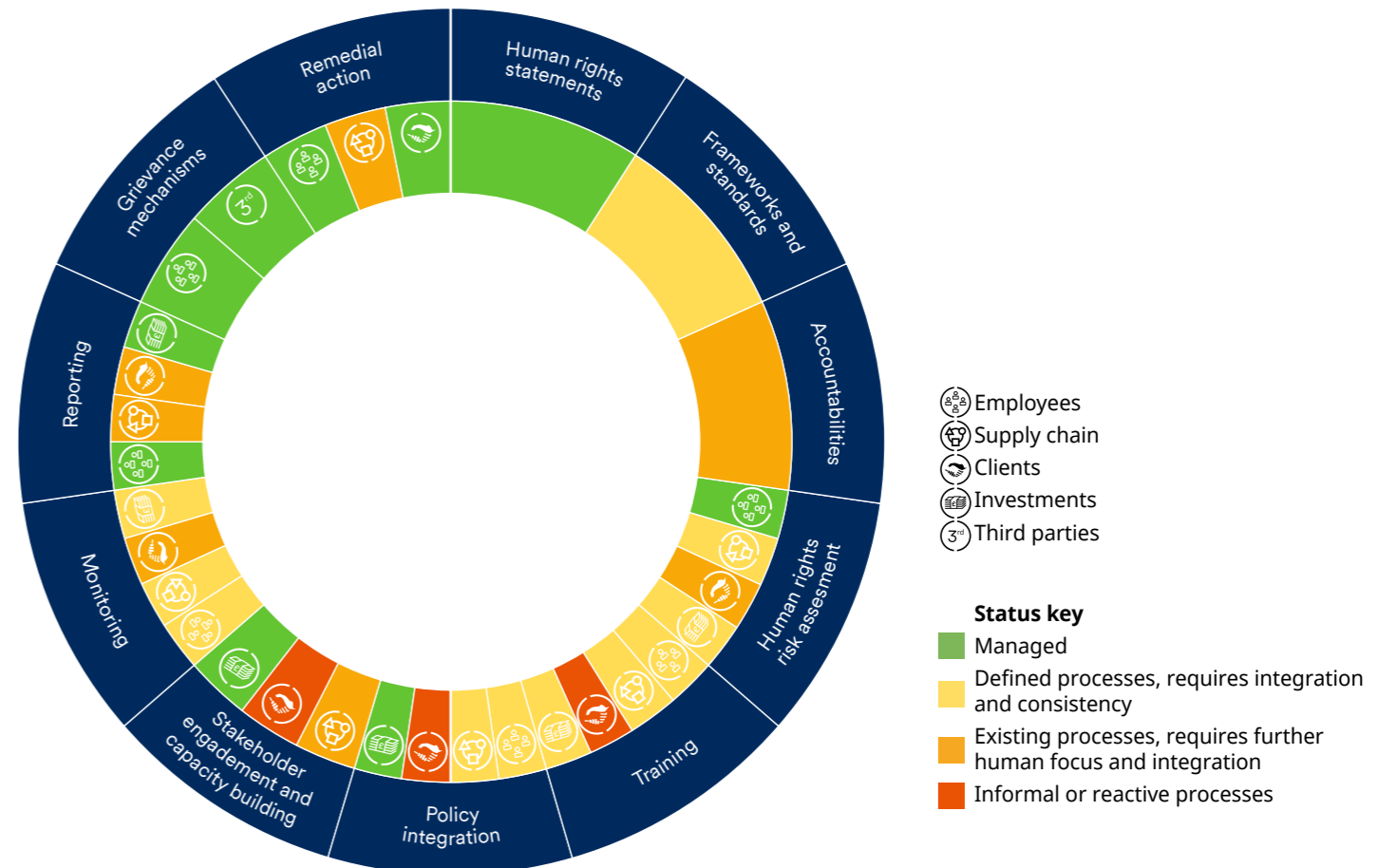
regards focus areas. This statement gives an overview of each aspect and stakeholder group and outlines our priority actions for 2021.

The Group Chief Financial Officer reviews the progress of the working group to align the implementation of the human rights and modern slavery action plan with our corporate priorities and to approve specific actions.

The Schroders plc Board, and boards of in-scope subsidiaries in the Schroders Group, review and approve the information disclosed in this statement.

The Group Chief Executive signs the statement on behalf of the Schroders Group. More information on corporate governance and our Board of Directors is available [here](#).

## Our human rights approach and status



## Our policies and standards

We have a set of policies and standards guided by international principles and all applicable laws and regulation. In 2020 we published our [Group Human Rights Statement](#), defining the Group's commitment to human rights, including modern slavery. The Statement includes the policies, processes and measures we have in place to assess and manage modern slavery risks across our business, such as:

- An employment verification process for all employees, including right to work checks prior to joining.
- Screening of suppliers using our proprietary modern slavery risk

framework and a due diligence process to understand and evaluate their human rights management, including training, reporting and remedial plans. We will automatically exclude any organisation if it or its associated individuals have been convicted of slavery, servitude, forced or compulsory labour, child labour or an offence in human trafficking. Our [Supplier Code of Conduct](#) outlines our expectations of suppliers and their sub-contractors in regards to modern slavery or human trafficking.

- The Group Whistleblowing Policy (available on request) sets out the internal procedure for reporting and

investigating concerns without fear of reprisals or detrimental treatment. We have also extended access to our independently operated Whistleblowing hotline to any external party.

- We only provide financial services to clients who meet our Group standards including our Group Financial Crime Risk Appetite Statement.
- We monitor supply chain standards and workforce metrics across all sectors and companies through our proprietary research tool, CONTEXT, as well as human rights policies for higher risk sectors.

## Risk assessment and due diligence

The risk of modern slavery within our direct business operations is deemed to be low because all our employees work in roles that are office-based and/or require specialist qualifications. We consider that modern slavery risks are most likely to be found in our supply chain and we therefore take a risk-based approach to managing these. Our area of greatest influence is as a provider of financial services and investor in companies. We actively assess companies using proprietary tools and engage with them to encourage better practice and commend good performance.

Below, we've outlined our risk management and due diligence process, including updates made in 2020, highlighting the four key areas of our business where we have interaction and influence on respecting human rights – our employees, supply chain, clients and investments.

### Our employees

We continuously manage the risk of modern slavery in our workforce by making sure that the people we hire have the right to work in the relevant country and that their basic rights as workers are protected.

We conduct pre-employment checks, including right to work checks, through local HR teams or through a third-party provider. We commit to providing fair wages and benefits and a secure working environment for our people. We protect health and safety at work, promote wellbeing and a culture that fosters workplace flexibility and recognises and encourages the need for work/life balance.

In addition to complying with all applicable minimum wage laws in all jurisdictions in which we operate, Schroders is an accredited living wage employer in the UK (including the London Living Wage). During 2020, we were particularly mindful of the impact of a lower employee presence in offices, as a result of Covid-19, for our facilities team. We maintained all salaries, paying

everyone in full throughout the year. In 2020, we published a new Flexible Working Charter to offer our employees the opportunity to choose optimal working patterns to suit their client, team and personal needs. We will not tolerate forced, bonded, involuntary or child labour and we recognise the right of workers to form and join all types of association.

### Our supply chain

We rely on a global network of external service providers for goods and services to supplement and contribute to our own infrastructure and investment management capability.

In 2020 we spent approximately £540 million with more than 5,000 suppliers globally. The top 80% of our spend is distributed across just 257 suppliers. Our major categories of spend are largely composed of business and professional services organisations in low risk countries.

Our main procurement categories



Technology



Financial services



Human resources



Market data



Professional services



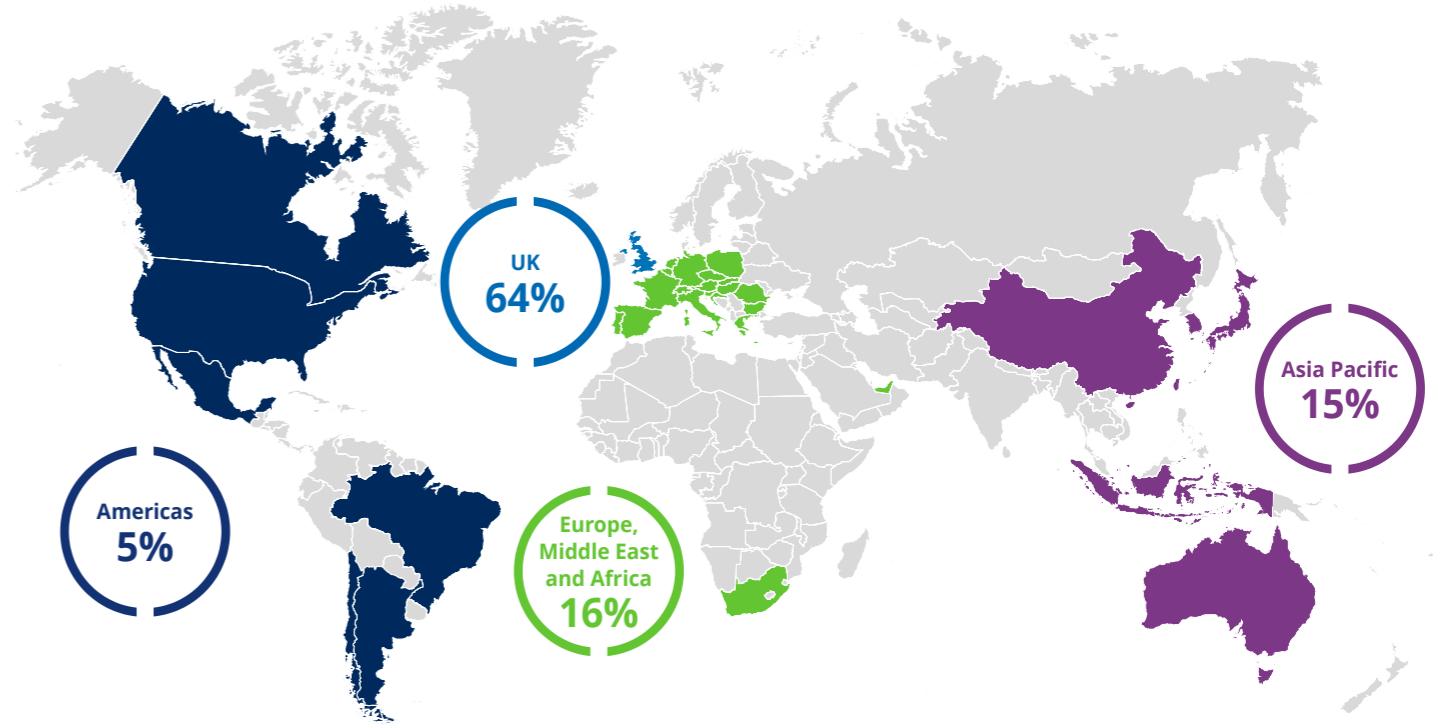
Property and facilities management



Media and marketing



Supplier spend by region



We expect all of our suppliers to operate in a responsible, ethical, open and transparent way and in compliance with all applicable laws and regulations. We have an established framework that governs our approach to selection, on-boarding, management and reporting across our supply chain. Our [Supplier Code of Conduct](#) sets out the high standards and behaviours we expect from our partners, and that they should in turn expect of their own supply chain, and covers human rights, ethical sourcing, bribery and corruption, living wages, diversity and inclusion, health and safety and the environment. All suppliers that fall into scope of our global policy requirements are requested to commit to our Supplier Code of Conduct.

Our supply chain governance places a significant focus on initial and ongoing supplier criticality assessments, which includes the review of about 1,600 supplier arrangements with the resultant categorisation of 76 critical suppliers. Supplier criticality takes into consideration spend, brand risk, regulatory risk, contractual commitment, business impact, service complexity and data risk. These critical suppliers, accounting for 32% of our global spend, are subject to the most stringent ongoing monitoring, including confirmation of modern slavery policies and/or statements, and the assessment is reported to our Board on an annual basis.

Recognising that modern slavery risks are higher in some of our lower spend suppliers and in certain sectors and

geographies, we have significantly increased our scope of review for 2020 and 2021. In 2020, we assessed our full supplier base using our new proprietary modern slavery risk framework tool, developed by our sustainable investment team. Using this tool we mapped our supplier base by region, industry type, modern slavery management score and spend, and subsequently categorised our suppliers into low, medium and higher risk. We categorised 718 suppliers globally (about 8% of our supply chain spend) into the higher risk category. As we were applying this framework for the first time to our own supplier base, we took a cautious approach to categorising our suppliers, preferring to place suppliers in higher risk categories in the first instance for further scrutiny.

At the end of 2020, we developed a new Modern Slavery Due Diligence Questionnaire. This was issued to all the higher risk suppliers globally to request information regarding their governance and framework for the management of modern slavery risks and visibility of how they report and deal with any issues. In addition to co-ordinating responses to these questionnaires, we check that we have oversight of these suppliers through (i) our standard procurement oversight regime; (ii) review against the Modern Slavery Registry; and/or (iii) attaining policy documents or statements. As well as prioritising follow-up with suppliers who are yet to respond, we are analysing the information received and establishing a plan for further supplier

engagement. We are also learning from and updating our due diligence and reporting processes. During 2021 we will refine the Modern Slavery Due Diligence Questionnaire and introduce this to our supplier on-boarding process and policies to improve our pre-engagement assessments. Additionally, we have enhanced our procurement reporting dashboard to tag suppliers that are providing services in those higher risk categories to enable modern slavery reporting and assist in the ongoing monitoring of those suppliers.

Our intention is to provide practical guidance to support suppliers in meeting our expectations and standards and issue corrective actions where required. If suppliers do not engage after repeated requests, or satisfy us that they are managing modern slavery risks in their business and supply chain sufficiently, we will escalate to our Chief Financial Officer and CR Committee to agree appropriate actions, including potential termination of any services.

As an accredited living wage employer in the UK (including the London Living Wage), we expect our suppliers to adopt the same principle. During 2020, we were particularly mindful of a lower employee presence in offices, as a result of Covid-19, for our services providers. We maintained payments to these suppliers, regardless of whether their full services were provided, so that salaries could be sustained in full throughout the year.



# Modern slavery risk framework tool

In 2020, our sustainable investment team developed a modern slavery risk framework tool around the seven mandatory criteria in the Australian Modern Slavery Act 2018 (Commonwealth Act). Based on these requirements, we built a model that assesses a) sector risk exposure and b) sector supply chain management effectiveness.

## Our clients

Schroders is committed to performing robust due diligence on the clients that we provide financial services to. We only provide financial services to clients who meet our Group principles including our Group Financial Crime Risk Appetite Statement.

We ask a number of questions to ensure our clients are legitimate and validate this information with independent information wherever possible. We also screen all of our clients on an initial and ongoing basis against a range of databases, which include human rights and modern slavery indicators. All of this evidence is analysed and recorded prior to on-boarding and refreshed periodically to ensure that our clients continue to meet our standards.

## Our investments

Integrating Environmental, Social and Governance (ESG) analysis into our fundamental investment processes is a core part of how we generate long-term sustainable value for our clients. Modern slavery and companies' management of their workers, customers, suppliers and local communities more broadly are becoming increasingly important to our financial analysis of investee companies.

We monitor supply chain standards and workforce metrics across all sectors and companies through our proprietary research tool, CONTEXT, as well as human rights policies for higher risk sectors. In 2020, we developed a proprietary risk framework to assess potential exposure to modern slavery (for more information see page 11).

We continue to actively engage with individual companies on human rights

practices, the details of which are disclosed in our quarterly sustainable investment reports. In 2020 we undertook 2,079 engagements across 58 countries on ESG issues, prioritising weak performers and large exposures. 158 of these engagements were related to human rights issues.

For example, we engaged with five companies in Singapore, where the government has indicated that new standards will be established for migrant workers' living conditions. These companies employ large numbers of migrant workers in the property development and marine industries and so we asked how the new standards would impact how they operate, about their approach to workers' rights and also how they planned to absorb any cost increases. Recognising that this is a new topic for many contractors, our initial focus is on raising awareness of how debt bondage is in fact forced labour. We asked the companies to educate their main contractors on the topic, using existing platforms of communication. More information on this engagement can be found in our Sustainable Investment Report Q4 2020.

We are also members of two collaborative engagement efforts; Find It, Fix It, Prevent It, where we are a member of the engagement working group and; the Investors Against Slavery and Trafficking (IAST) investor-led initiative, which we joined in 2020.

Through our participation in these initiatives we supported two collaborative engagements concerning modern slavery in 2020. The first started in the Spring of 2020, and involved engaging with

FTSE 350 companies who didn't report against the areas recommended in the UK Modern Slavery Act's reporting guidance. This was based on findings from the Business and Human Rights Resource Centre. We were encouraged to see that by the end of 2020, all companies engaged had improved and met our engagement requests.

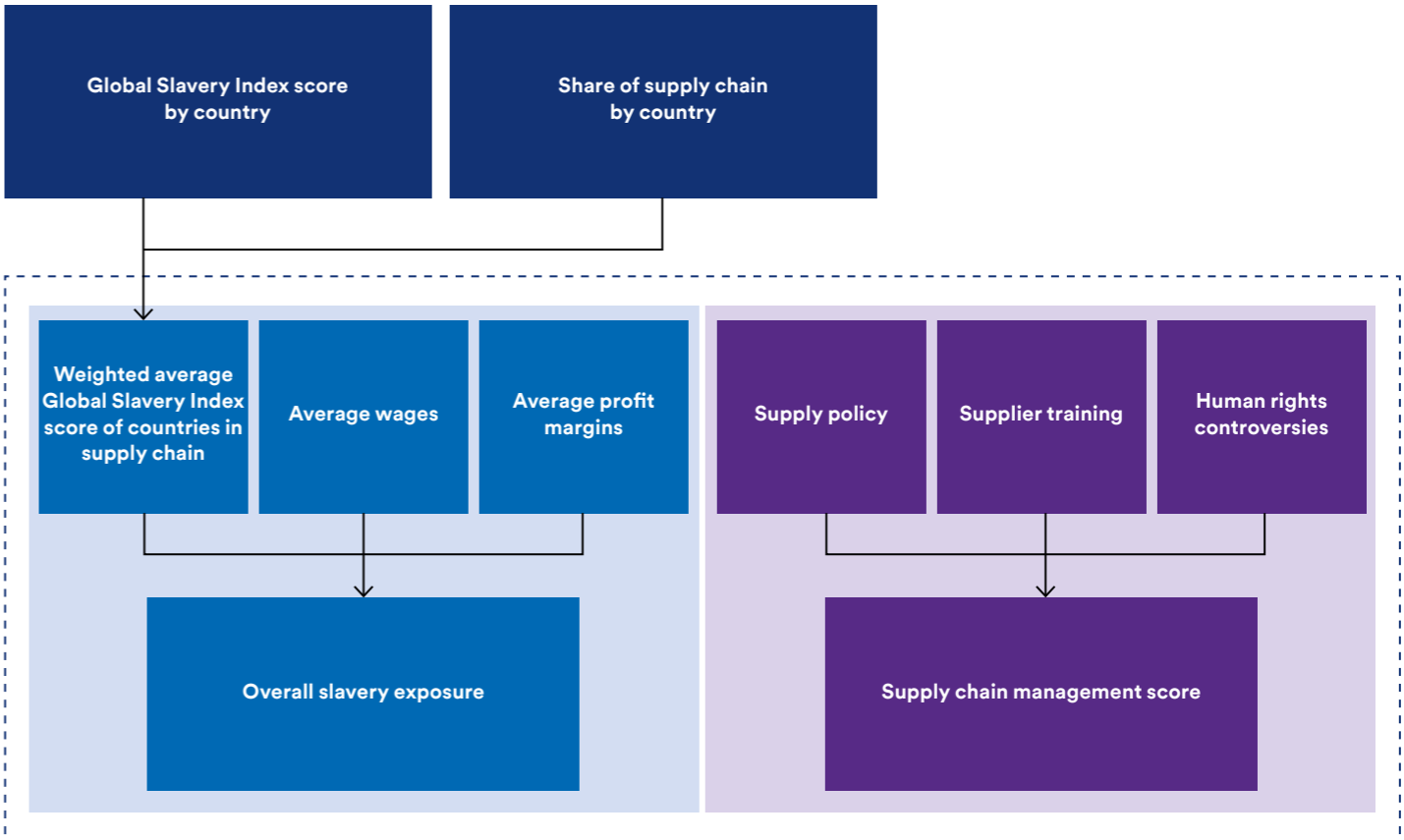
The second collaborative engagement was triggered by non-governmental organisation and media reports highlighting a serious issue with regards to migrant labour, exacerbated by Covid-19. Many migrant workers had paid high recruitment fees to secure jobs in the Middle East but many of these jobs in construction, extractives and hospitality were halted during the pandemic with no wages paid, leaving workers stranded and unable to repay recruitment fees. Together with other members of the Find It, Fix It, Prevent It initiative, we contacted 37 companies with exposure to this risk to understand how they were supporting migrant workers. This piece of engagement is ongoing and we will report on the outcomes in due course.

IAST has been convened to engage with companies in the Asia-Pacific region with the aim of finding, fixing and preventing modern slavery, labour exploitation and human trafficking. As part of this initiative, in 2021, along with our industry peers, we will be participating in collaborative engagements with companies in the region on how they can more effectively take action and prevent modern slavery risks within their operations and supply chains.

It uses the Global Slavery Index<sup>1</sup> developed by international human rights group Walk Free to assess the risk exposure of the supply chain for each industry and combines this with average wages and margins to create an exposure score for each sector. The supply chain management score uses average sector

supply chain policy scores from our proprietary research tool, CONTEXT, as well as supplier training and human rights-related controversies per sector. The scores together help us understand the modern slavery risk and average sector response.

The tool allows our investor teams to identify potential risks across their portfolios and help to identify where further research or company engagement may be required. We have also applied this tool to Schroders' own global supplier base to categorise and identify suppliers where further due diligence is required.



<sup>1</sup><https://www.globallslaveryindex.org/2018/methodology/prevalence/>



## Reporting mechanisms

Our Group Whistleblowing Policy sets out the internal procedure for reporting and investigating concerns and seeks to ensure that complaints or concerns can be raised without fear of reprisals or detrimental treatment. Employees are able to raise a concern anonymously to an independent third party, Safecall, who provide a confidential global

reporting service through their 24-hour phone line or online portal. In 2020, we extended access to our independently operated Whistleblowing hotline to any external party. Regional freephone numbers are available and reports can be made in local languages. See our 'Raising concerns in confidence' page [here](#).

## Training and communication

We provide training to relevant employees such as those that are responsible for the recruitment of employees and procurement of goods and services. The training is an annual requirement and covers awareness of modern slavery and its consequences, how to spot the signs of modern slavery and how

to take appropriate action if employees have any concerns.

In 2020, we had a 100% completion rate from the employees required to do the training.

## Key Performance Indicators

We recognise that it's difficult to quantify outcomes and impacts of an approach to tackle modern slavery. Over time we will enhance our measurement of assessing the effectiveness of our approach and progress with smarter metrics. Some of these indicators may be more experience-based, including qualitative feedback, case studies or corrective actions. Key Performance Indicators (KPIs) that summarise some of our activities and progress for 2020 are:

- Number of instances of modern slavery (or wider human rights issues) reported in our business or supply chain through our grievance mechanisms = **0**
- Completion rate from employees required to do the modern slavery e-learning = **100%**
- Percentage of critical suppliers that have agreed to our Supplier Code of Conduct = **100%**
- Number of modern slavery due diligence questionnaires issued to higher risk suppliers = **718**
- Number of human rights-related engagements across our investment portfolios = **158**
- Number of modern slavery engagements through collaboration (e.g. with non-governmental organisations or other asset managers) = **59**

## Next steps

We have laid the foundations for our approach to respecting human rights and preventing modern slavery in our business and wider value chain, and are committed to long-term change in all aspects of our activities. We are committed to developing a comprehensive yet proportionate approach and to continually improving our processes to combat slavery and human trafficking. In 2021, we will focus on:

- Reviewing our modern slavery awareness and training offering for different employee groups
- Learning from and enhancing our supplier due diligence and on-boarding process
- Engaging with suppliers to implement best practice
- Reviewing our client screening process for human rights checks
- Integrating slavery exposure scores into our proprietary research tool, CONTEXT
- Continuing to broaden the scope of our human rights-focused engagement

## Approval

This statement has been approved by the Boards of Schroders plc, Schroder Investment Management Limited, Schroder & Co. Limited, Schroder Unit Trusts Limited, Schroder Real Estate Investment Management Limited, Schroder Investment Management North America Limited, Schroder Pension Management Limited, Schroder Australia Holdings Pty Limited, Schroder Investment Management Australia Limited, Schroder Administration Limited and Schroder Corporate Services Limited between 16 March and 30 March 2021 and will be reviewed and updated annually. For our 2019 Slavery and Human Trafficking Statement, please [click here](#).

17 March 2021

**Peter Harrison**  
Group Chief Executive  
Schroders plc



## Annex of entities in scope

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Schroders plc	Schroder Investment Management North America Limited
Schroder Investment Management Limited	Schroder Pension Management Limited
Schroder & Co. Limited	Schroder Australia Holdings Pty Limited
Schroder Unit Trusts Limited	Schroder Investment Management Australia Limited
Schroder Real Estate Investment Management Limited	Schroder Corporate Services Limited
Schroder Administration Limited	

## Annex of footprint countries

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### Americas:

Argentina  
Bermuda  
Brazil  
Canada  
Chile  
Mexico  
Peru  
United States

### Asia Pacific:

Australia  
Mainland China  
Hong Kong SAR  
Indonesia  
Japan  
Singapore  
South Korea  
Taiwan

### Europe, Middle East and Africa:

Austria

Belgium  
Denmark  
Finland  
France  
Georgia  
Germany  
Gibraltar  
Guernsey  
Israel  
Italy  
Jersey  
Kenya  
Luxembourg  
Netherlands  
Spain  
South Africa  
Sweden  
Switzerland  
United Arab Emirates  
United Kingdom