Welcome to Schroders Investor Day 2019

Peter Harrison, Group Chief Executive
15 May 2019
Investing for growth

- Closer proximity to consumer
- Grow Wealth offering
- Expand core business
- Target client longevity
- Grow Private Assets and Alternatives
- Rebalance business towards private markets
- Technology
**Moving closer to our end customer**

<table>
<thead>
<tr>
<th>Start</th>
<th>End</th>
<th>Speaker</th>
<th>Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00</td>
<td>09:10</td>
<td>Peter Harrison</td>
<td>Introduction</td>
</tr>
<tr>
<td>09:10</td>
<td>09:40</td>
<td>Peter Hall</td>
<td>Wealth Management at Schroders</td>
</tr>
<tr>
<td>09:40</td>
<td>10:10</td>
<td>James Rainbow</td>
<td>An introduction to Schroders Personal Wealth</td>
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<tr>
<td>10:10</td>
<td>10:40</td>
<td>Susan Soh</td>
<td>Schroders in Asia: a business strategy for a digital age</td>
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<td><strong>10:40</strong></td>
<td><strong>10:55</strong></td>
<td><strong>Break</strong></td>
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<td>10:55</td>
<td>11:25</td>
<td>Graham Kellen</td>
<td>The digital asset manager</td>
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<td>11:25</td>
<td>11:55</td>
<td>Jessica Ground</td>
<td>Sustainability at Schroders</td>
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<tr>
<td>11:55</td>
<td>12:15</td>
<td>Peter Harrison and Richard Keers</td>
<td>Summary and Q&amp;A</td>
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</tbody>
</table>
Wealth Management at Schroders

Investor Day
Peter Hall, Global Head of Wealth Management
15 May 2019
The Wealth Management sector has attractive features

Source: Schroders and Oliver Wyman “Trends and Opportunities in UK Financial Advice” March 2019. Growth rates are CAGR projections to 2023 and exclude passive and alternatives.
A strong franchise across the UK wealth management spectrum...

...generating significant profits...

<table>
<thead>
<tr>
<th>£m</th>
<th>Schroder Wealth</th>
<th>Benchmark Capital</th>
<th>Wealth Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>268.9</td>
<td>20.9</td>
<td>289.8</td>
</tr>
<tr>
<td>Costs</td>
<td>(182.4)</td>
<td>(14.0)</td>
<td>(196.4)</td>
</tr>
<tr>
<td>Profit before tax(^1)</td>
<td>86.5</td>
<td>6.9</td>
<td>93.4</td>
</tr>
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<table>
<thead>
<tr>
<th>Annualised proforma 2019</th>
<th></th>
<th>Schroders</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Personal Wealth(^2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(51)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Schroders, correct to 31 December 2018.
\(^1\)Before exceptional items. \(^2\)49.9% of 2019 proforma figures.
...and achieving a turnaround in growth

Net new business and annualised net new revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>NNB £bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.0</td>
</tr>
<tr>
<td>2018</td>
<td>1.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>ANNR £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>14.0</td>
</tr>
<tr>
<td>2018</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Net new business as percentage of average AUM

Source: Schroders.
Unique strengths across the spectrum

- Differentiated, aspirational brands
- Unique distribution access
- Benchmark technology
- Schroders multi-jurisdiction booking
- Schroders institutional asset management expertise

Source: Schroders.
Cazenove to build upon existing strong franchises...

...and capture new opportunities

Charities
Number one in UK charities

Family offices
101 families with £10.6bn AUM

Private client lawyers/accountants
Winner 2019 Total Wealth Solutions HNW

Entrepreneurs
One in four SME banking relationships at LBG

City professionals

 Schroders Personal Wealth designed as a standalone JV, drawing upon LBG’s customer base and Schroders’ investment expertise and technology

1. Targets growing need for financial advice in the UK, particularly in pensions for affluent individuals
2. Standalone business with independent Board and entrepreneurial approach, drawing on strengths of two parents
3. Open architecture approach
4. Challenger mentality leveraging digital opportunities

Source: Schroders.
Benchmark Capital to offer award-winning technology to the JV and a complementary channel targeting the affluent segment.

Source: Schroders.
Priority 1:
Strengthen organic growth further

Recruitment
Freeing up capacity
Culture
Retention

Source: Schroders.
Priority 2:
Offer institutional quality investment proposition

<table>
<thead>
<tr>
<th>Segregated portfolios</th>
<th>Sustainable investing</th>
<th>Private Assets</th>
<th>Funds at Institutional rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

Cumulative performance to 31 December 2018 (%)

<table>
<thead>
<tr>
<th>Cazenove Capital Sterling Balanced Portfolios – Direct Equity</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-1.4</td>
<td>15.7</td>
<td>27.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARC Sterling Balanced Asset Private Client Index</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-5.1</td>
<td>10.0</td>
<td>17.1</td>
</tr>
</tbody>
</table>

Source: Schroders. Past performance is not a guide to future performance. The value of an investment and the income from it may go down as well as up and investors may not get back the amount originally invested. Source: Asset Risk Consultants PCI (ARC) www.assetrisk.com. The Cazenove Capital performance numbers are in sterling and net of all fees including our annual management charge, trading commissions and underlying fund fees – including any in-house fund fees. It should be noted that historical performance previous to the merger is based on individual investment processes for Schroder & Co. Limited and Cazenove Capital Management Limited respectively.
Priority 3:
Leverage digital as competitive advantage through scalable and efficient platforms

Prospecting ➔ Onboarding ➔ Client management ➔ Client reporting

Source: Schroders.

Scalable and efficient multi-jurisdiction platform
Priority 4:
Build a unique model in Asia

Independent asset managers

Bank partnerships

Source: Schroders.
Priority 5:

Pursue acquisition opportunities selectively

**Good track record of successful acquisitions and integrations:**

- **C.Hoare & Co**
  - Discretionary assets from long-established UK wealth manager

- **Benchmark Capital**
  - Technology-driven business focused on UK affluent market

- **ThirdRock**
  - Singapore-based independent wealth manager

**Criteria for potential acquisitions:**

- Provide a new capability or enable long-term growth
- Have a good cultural fit
- Generate attractive returns
- Be consistent with delivering organic growth in existing business and strong digital capability

Source: Schroders.
Our goal

Become a top 3 player across charities, HNW and affluent financial planning in UK Wealth Management, drawing upon our:

- unique sources of growth
- leading brands
- global institutional investment expertise.

Be known in our target client segments as the best people to help as trusted advisers.

Source: Schroders
Any questions?
Schroders Personal Wealth – launching June 2019

Investor Day
James Rainbow, Chief Executive of Schroders Personal Wealth
15 May 2019
The new business has generated a lot of interest

In the press...
2,183 articles
700 positive
1,463 neutral

On social...
3,475 mentions online
1,358 tweets

Source: Kantar Media and Brandwatch 1 October 2018 – 7 May 2019.
Market background

There has never been a greater need for financial advice

Changing approach to retirement
In 2018, the percentage of people aged 50–64 in work was 72.4%
In 2010, the same number was 65%

Pensions complexity
1.25m people working today forecast to breach the Pensions Lifetime Allowance

Great wealth transfer
Annual inheritance forecast to rise 66% from £69bn in 2017 to £115bn in 2027

An ageing population
For the first time in history, there are now more people over 65 than under 5

Adviser numbers gradually rebuilding after RDR – but the picture remains very fragmented

A societal need for advice and the challenges of delivering it

- Vanguard research shows investors who use an adviser have an average return 3% p.a. greater than those who DIY
- Research studies by Dalbar, Morningstar, IFI Canada support this
- Value of adviser relationship mainly found to be in investor behaviour, asset allocation and tax optimisation
- Policy recognises the advice gap but little evidence of real progress
- March increase in FOS compensation limit (to £350,000) continues increase in regulatory burden and PII problems for advisers
- Fragmented market has significant consequences
  - Increasing regulatory burden
  - Inability to train our next generation of advisers
  - Inability to invest in new service models
Significant change in mix of fees and commissions since RDR

The advice market in numbers

Source: FCA June 2018, Autus Data Services.
Very few use fixed fees and hourly rates as the sole method of charging.

How do you charge your clients?

Source: Schroders Adviser Survey, November 2018.
AUM based fees

Average % fee based on assets

Source: Schroders Adviser Survey, November 2018.
Average client size remains critically important

56% of clients have assets >£200k while only 1% have assets <£50k

Source: Schroders Adviser Survey, November 2018.
Nearly 80% of advisers see technology as an opportunity. We agree.
Giving you the best of all worlds

Your Personal Wealth Adviser
- Able to consider your circumstances and goals holistically
- Enabled to create the best financial outcomes for you
- National footprint so your adviser is always local to you

Technology that helps, not hinders
- 24/7 online access to your latest financial plan
- View all your investments in one place, in real time

Simple and clear planning solutions
- Straightforward products, aligned to your needs
- Strong investment expertise
- Simple, good value pricing – no hidden fees
No exit charges and no hidden fees

Initial advice
Flat rate

Ongoing advice
Tiered

DPM
Flat rate

Platform
Flat rate
A programme has been established to deliver the stand-alone Joint Venture through five transition states

**Transition states**

<table>
<thead>
<tr>
<th>TS0</th>
<th>TS1</th>
<th>TS2</th>
<th>TS3</th>
<th>TS4</th>
<th>TS5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer comms</td>
<td>Launch of JV OpCo</td>
<td>Benchmark comes online</td>
<td>ACD authorised and funds transferred</td>
<td>Change of ownership</td>
<td>Stand-alone Joint Venture</td>
</tr>
<tr>
<td>- In-scope Customers notified of JV via formal communications</td>
<td>- OpCo Set up under the remit and control of LBG</td>
<td>- Customer consent obtained to move to target Benchmark platform</td>
<td>- New ACD is set-up and operational</td>
<td>- Share sales completed, ownership changes to 50.1% LBG and 49.9% Schroders</td>
<td>- JV exits LBG Transitional Service Agreements (TSAs)</td>
</tr>
<tr>
<td>- Launch of the JV microsite</td>
<td>- Colleagues TUPE into JV legal entity</td>
<td>- Colleagues use both LBG and Benchmark systems</td>
<td>- Funds transferred when customer comms and FCA approval is received</td>
<td>- All customers are on Benchmark</td>
<td>- Future JV products developed and offered to the market</td>
</tr>
<tr>
<td>April 2019</td>
<td>June 2019</td>
<td>July 2019</td>
<td>Late 2019</td>
<td>2020</td>
<td></td>
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</table>
Schroders in Asia: a business strategy for a digital age

Investor Day
Susan Soh, Country Head of Singapore
15 May 2019
Well positioned across Asia

Significant depth and breadth in investment and distribution

- Presence in 8 countries in the region
- AUM and revenues of £90.9bn and £477.3m respectively\(^1\)
- Over 40 years’ investment expertise in Asia Pacific
- Over 900 staff employed in the region, of which 110 are Investment professionals

Source: Schroders, as at 31 December 2018.
\(^1\)Excludes 30% stake in BOCOM and 25% stake in Axis.
Getting closer to clients in Asia

Strategic stake, partnership and acquisition over the past year

- Strategic stake in WeInvest
- Partnership with Maybank
- Acquisition of ThirdRock

Source: Schroders.
The evolving landscape
The financial ecosystem and the client are changing

**Technology**
- Digitisation of data
- Automation

**Investors**
- Millennials demand convenience
- Increased awareness of preferences

**Regulators**
- Digital banks, non-FIs
- Open banking

**Distributors**
- Scaling
- Emphasis on user journey
- Personalisation

How should asset managers reinvent themselves?

Source: Schroders.
The reinvention journey
Strategy for a digital age

Productivity enhancement
Efficiencies through automation and digitalisation

Strategic acquisitions
Technology/digital capabilities e.g. WeInvest

Distribution enablement
Digital tools supporting distributors

Provider of solutions
Transition from a product provider to a provider of solutions

Source: Schroders.
Getting closer to the end client
Sparking smarter relationships

Schroders strategic capabilities
Equities, Fixed Income, Multi-Asset
Private Assets & Alternatives

AI as a service
Advisory as a service
Platform as a service

AI augmented Solutions
Model Portfolio Services
Life goals

investIQ
Alternative risk profiling

WeInvest
SchrodersGO
Digital training

Over 500 Investment professionals worldwide
Over 200 years’ experience of Investment markets

Source: Schroders.
# Platform as a service

Support intermediaries on their digital transformation journey

## WeInvest

**Wealth technology provider**

- End to end digital investing experience for RM assisted clients
- Cloud-hosted infrastructure and API
- Risk profiling, thematic products and strategic market place
- Middle and back office integration

## SchrodersGO

**Chat bot for client servicing**

- Phase 1: *Real-time fund and market info*
- Phase 2: *Thought Leadership*

## Digital training

**Digital sales training**

- Investment 101
- Gamification
- Product Training
- CPD hours

Source: Schroders.
Advisory as a service

Partnering with intermediaries to enhance wealth advisory

Result: getting closer to clients, improved client longevity

Source: Schroders.
Aspirations – AI as a service
Harnessing client data in an open banking environment

Source: Schroders.
Examples of B2B2C partnerships in Asia

Through client-centric solutions and digital tools

- Invest IQ as alternative KYC Tool
- Client-centric solutions
- SchrodersGo, digital training rollout

Local distributor. Source: Schroders.
A client-centric solution with a Singapore bank

Where the client is truly at the centre of an investment solution

Source: Schroders.
Maybank: a life with principles

ESG, Shariah, Sustainability, Philanthropy

Leverage ratio

Financial instruments

Prohibited activities

Purification

Interest-taking deposits

Source: Schroders.
Strategic benefits

- Get closer to the end client by delivering customised solutions focused on solving client-specific problems
- Improve the longevity of the intermediary – client relationship, by becoming the financial partner for life
- Increase cost efficiency of our business by using technology
Any questions?
The digital asset manager

Investor Day
Graham Kellen, Chief Digital Officer
15 May 2019
Enabling disruptive technologies

We are at a unique ‘Super convergence’ point in technical evolution: a 4th industrial revolution

Last 3 years focused on understanding and enabling innovative technologies

Our work over the next 3 years will be enabling the adoption of the following:

- Cloud
- Big data
- Intelligent agents
- Mobile
- Social
- Deep learning
- A.I.
- Analytics
- New interfaces
- Blockchain
- Robotics
- Next gen visualisation

Source: Schroders.
Digital strategy and innovation focus areas

Core area of organisational focus and support

- Customer experience improvement
- Operational processes digitisation
- Business model digitisation strategy
- People and organisation retraining

Key enablers

- Analytics and data science
- FinTech and innovation
- Emerging technologies

Source: Schroders.
Customer experience improvement
Technical sophistication – digitally savvy and native clients

Connecting with the increasingly connected client

Source: Schroders.
Changing user experience

Experience is now a vital part of the ‘Product’

Every user interaction, client facing financial tool or service delivered must be:
- Client-centric
- Omni-device and touch aware
- Intuitive and ‘smart’
- Frictionless
- Engaging UI/UX
- Cohesive holistic design
- Consistent style and brand

Source: Schroders.
Customer engagement digitsation

Key area of focus

- Content personalisation
- Preference capture
- Hyper personalisation of marketing
- Digital interaction tracking
- Client interaction data analysis
- Machine learning based client action insights

Source: Schroders.
Operational processes digitisation
Robotic Automation Programme
Intelligent automation results 2019

- 79 bots delivered to date
- 100+ FTE benefits achieved
- 5 offices around the globe have benefited from RPA

- 10 functions using bots to execute tasks
- 200 staff trained to run and manage bots
- POC on machine learning and natural language processing completed

Source: Schroders.
The Data Insight Unit’s vision

Using data science and machine learning to unlock the value in data for decision making

**Provide data science research service**
Unlock the value in data by engaging in research-on-demand to help our investment teams make higher-conviction decisions

**Make available new data assets**
Find, acquire and make available new sources of information as Data Assets for the firm

**Build insight products**
Scale that value by building Insight Products which anticipate opportunities or generalise frequent requests

**Expertise in data science**
Our expertise is in Data Science tools and techniques: Intelligence Augmentation (IA), Artificial Intelligence (AI), Behavioural Science, and Big Data

Source: Schroders.
Digital investment innovation

The fund manager toolkit is changing

Source: Schroders.
Business model digitisation strategy
Our traditional role

Asset management 1980s–2017

The evolving role of digital in asset management’s client channel

<table>
<thead>
<tr>
<th>Product Manufacture</th>
<th>Distributor</th>
<th>End Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. mutual funds</td>
<td>Bank, IFA, Wealth Manager, DFM, MPS, Insurer</td>
<td>Advised, XO, Robo-Advised, Hybrid-Advised, Discretionary-Managed</td>
</tr>
</tbody>
</table>

Near total focus

Digital 1.0: Marketing
- Acquisition, retention, growth, loyalty
- Focus has been on the distributor ‘as customer’
- Commercial benefit top line, i.e. revenue

Digital 2.0: Sales, service and operations
- Digitisation of the distribution value chain (up to and including the distributor)
- Create capacity to scale and reduce operational risk through RPA etc.
- Commercial benefit bottom line, i.e. cost

2010+

2001+

Source: Schroders.
‘Digital 3.0’

Digital co-creation in the distribution value chain

The evolving role of digital in asset management’s client channel

Product Manufacture
e.g. mutual funds

Remains responsible

Distributor
Bank, IFA, Wealth Manager,
DFM, MPS, Insurer

Co-creation and co-operation

End Investor
Advised, XO, Robo-advised,
Hybrid-advised,
Discretionary-managed

Digital 1.0:
Marketing

Digital 2.0:
Sales, service
and operations

Digital 3.0: Digital Distribution
- Co-operate closely with our strategic distributors, with
digital as a primary channel
- Engage the end investor; inform, educate and entertain
to drive AUM for our mutual benefit
- Provide and benefit from expertise and technology as well
as product

2001+
2010+
2018+

Source: Schroders.
People and organisation retraining
The digital training programme aims to build:

- **Digital confidence**
- **Digital competence**

It has established success criteria and KPIs to allow us to track the effectiveness of training at each tier level.
Asset and Wealth Management leadership are showing a "surprising complacency about technological innovation" when compared to their counterparts in the wider financial sector, according to a report by PwC.

Schroders can exploit this to our advantage.

We have identified areas of greatest opportunity.

And are actively engaging with startups & accelerating the adoption of latest technologies to co-create the future of investment management.

Source: Schroders.
Cobalt programme

We believe that collaboration & innovation is key to solving industry challenges

Schroders startup in residence programme brings innovative and relevant startups into the Schroders environment, develops their propositions and co-creates the future of wealth and asset management.

**Selection criteria**
- Aligned with strategic priorities
- Tangible benefits within 12 months
- Few other enterprise clients in Financial Services
- Can be used across the business
- At product stage
- Compatibility with Schroders’ values

**Startup engagement ‘funnel’**
- **400+** Startups seen
- **150+** Referred to business for interest
- **100+** Intro meetings occurred or being scheduled
- **30+** Working with (PoC or active contract)

**Hackathons**
- Global initiative where teams across the business work intensively on ideas
- 100+ participants
- 69 ideas submitted
- 2 pitch events – APAC followed by Global

**Innovation research trips**
- US – NYC, Seattle, San Francisco
- Israel in 2018
- China planned in 2019

Source: Schroders.
Digital strategy and innovation activity summary

Transforming Schroders

**Customer experience improvement**
- Client engagement digitisation strategy
- Enhanced product & sales analytics strategy
- Co-creating Investment sales support solutions
- API research with sophisticated partners

**Operational processes digitisation**
- Digital 3.0 strategy
- Schroders Personal Wealth design
- Mass customisation research
- Blockchain research

**Business model digitisation strategy**
- Data & insights democratisation
- Foundry (data science work bench) strategy
- AI & Machine Learning adoption strategy
- Robotics process automation

**People and organisation retraining**
- Digital education to enable productivity and adoption
- Technology enablement & acceleration programme
- Cobalt & Fintech engagement programme
- Internal Innovation strategy

Source: Schroders.
Any questions?
Sustainability at Schroders

Investor Day
Jessica Ground, Global Head of Stewardship
15 May 2019
Sustainability

A perfect storm

- **Alpha generation**
  - Environmental and social change is accelerating creating a gap between winners and losers

- **Global challenges**
  - Require finance’s involvement to solve

- **Regulatory pressure**
  - More scrutiny on how companies are being held to account

- **End client interest**
  - Savers are increasingly focused on sustainability-related issues

Source: Schroders.
Large companies have become 20–30% more important to economies and societies over last 20y

Growing pressures to contribute to societies; irresponsible behaviour is becoming a liability

Source: Fortune, IMF, OECD, BEA, Gulling et al., OECD tax database, General Social Survey, American Action Forum, Heritage Foundation, Schroders calculations and estimates. Note: data from Fortune is not available prior to the 1990s; we have estimated the equivalent values, using data from Thomson Reuters.
Sustainability growing in importance
Over 2/3 believe it will become more important

Source: Schroders Institutional Investor Study 2018, conducted between 1–30 June 2018. This study was commissioned by Schroders and undertaken by an independent research agency, CoreData Research, to study institutional investors across North America, Europe, Latin America and Asia to analyse their attitudes towards sustainable investments, investment objectives and risk. Respondents represent a variety of institutions, including pension funds, foundations, endowments and sovereign wealth funds. The 650 institutional respondents were sourced from 15 different countries and were split as follows: 175 in North America, 250 in Europe, 175 in Asia and 50 in Latin America. Statistics in the circles on the right from the Global Investor Study 2018.
Sustainability at Schroders
Our experience and expertise

20 years+
ESG integration

16
dedicated ESG specialists

With
150 years+
combined investment experience

2,200+
engagements in 2018

Across
52
countries globally

With
5,200+
company meetings voted on

A+
UN PRI annual assessment

#1
2017 ShareAction Responsible Investment Survey of European asset managers

Top 5
2017 AODP Global Climate 50 Asset Manager Index

Tier 1
signatory
UK Stewardship Code

But why is sustainability so difficult?

- Variety of definitions and regional differences
- Performance and transparency concerns
- Complex area of investment with a number of different solutions

Source: Schroders.
Majority find sustainable investment a challenge

Global Institutional response

Why do you find sustainable investment a challenge?

<table>
<thead>
<tr>
<th>Reason</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance concerns</td>
<td>51%</td>
</tr>
<tr>
<td>Lack of transparency and reported data</td>
<td>48%</td>
</tr>
<tr>
<td>Difficulty measuring and managing risk</td>
<td>33%</td>
</tr>
<tr>
<td>Cost</td>
<td>29%</td>
</tr>
<tr>
<td>Investment committee is not comfortable making sustainable investments</td>
<td>15%</td>
</tr>
<tr>
<td>I do not believe in sustainable investments</td>
<td>18%</td>
</tr>
<tr>
<td>I do not consider there to be any challenges to investing in sustainable investments</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Schroders Institutional Investor Study 2018, conducted between 1–30 June 2018. This study was commissioned by Schroders and undertaken by an independent research agency, CoreData Research, to study institutional investors across North America, Europe, Latin America and Asia to analyse their attitudes towards sustainable investments, investment objectives and risk. Respondents represent a variety of institutions, including pension funds, foundations, endowments and sovereign wealth funds. The 650 institutional respondents were sourced from 15 different countries and were split as follows: 175 in North America, 250 in Europe, 175 in Asia and 50 in Latin America.
The broad spectrum of sustainability and ESG

It spans financial and social investments

**Financial benefits**

- Integrated
  - ESG research
  - Voting
  - Engagement

- Sustainable
  - Best in class
  - Controversy avoidance

- Screened
  - Excluding companies involved with certain activities or industries

- Impact
  - Specific social benefit
  - Potential for financial return

- Philanthropy
  - Address societal challenge(s)
  - No financial return for investors

**Social benefits**

Source: Schroders.
Schroders Sustainability Accreditation
Providing clarity on how ESG factors are considered

Screened
Negative screening beyond cluster munitions and anti-personnel mines

Integrated
Sustainability is a building block of the investment process

Sustainable
Sustainability is a cornerstone of the investment process

Source: Schroders, as at 28 February 2019.
Engagement
Increasingly important

2018 engagement topics

<table>
<thead>
<tr>
<th>Environmental products and services</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity</td>
<td>Customers</td>
<td>Accounting practices</td>
</tr>
<tr>
<td>Climate change</td>
<td>Data security</td>
<td>Auditors</td>
</tr>
<tr>
<td>Environmental policy/ strategy</td>
<td>Health and safety</td>
<td>Board committees</td>
</tr>
<tr>
<td>Environmental supply chain</td>
<td>Human capital management</td>
<td>Board structure</td>
</tr>
<tr>
<td>Forests</td>
<td>Human rights</td>
<td>Business integrity</td>
</tr>
<tr>
<td>Pollution</td>
<td>Labour standards</td>
<td>Corporate strategy</td>
</tr>
<tr>
<td>Waste management</td>
<td>Product safety</td>
<td>Governance oversight</td>
</tr>
<tr>
<td>Water management</td>
<td>Social policy/ strategy</td>
<td>Remuneration</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>Shareholder rights</td>
<td></td>
</tr>
<tr>
<td>Transparency and disclosure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of engagements

Source: Schroders, as at 31 December 2018. Top ten topics we engaged with companies are shown in bold.
Can ESG be done passively?

<table>
<thead>
<tr>
<th>Name</th>
<th>MSCI pre event</th>
<th>MSCI change</th>
<th>MSCI post event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>A</td>
<td>+1</td>
<td>BBB</td>
</tr>
<tr>
<td>Auto</td>
<td>BBB</td>
<td>+3</td>
<td>CCC</td>
</tr>
<tr>
<td>Industrial conglomerate</td>
<td>AAA</td>
<td>+3</td>
<td>BBB</td>
</tr>
<tr>
<td>Healthcare</td>
<td>AAA</td>
<td>+6</td>
<td>CCC</td>
</tr>
<tr>
<td>Manufacturing conglomerate</td>
<td>AAA</td>
<td>0</td>
<td>AAA</td>
</tr>
<tr>
<td>Restaurant group</td>
<td>A</td>
<td>+1</td>
<td>BBB</td>
</tr>
<tr>
<td>Leisure</td>
<td>BB</td>
<td>+2</td>
<td>CCC</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>AA</td>
<td>+3</td>
<td>BB</td>
</tr>
<tr>
<td>Financial</td>
<td>A</td>
<td>+3</td>
<td>B</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>B</td>
<td>+1</td>
<td>CCC</td>
</tr>
<tr>
<td>Retailer</td>
<td>BBB</td>
<td>+3</td>
<td>CCC</td>
</tr>
<tr>
<td>Div. Financial</td>
<td>A</td>
<td>+1</td>
<td>BBB</td>
</tr>
<tr>
<td>Retailer</td>
<td>BB</td>
<td>+2</td>
<td>CCC</td>
</tr>
<tr>
<td>Retailer</td>
<td>A</td>
<td>+1</td>
<td>BBB</td>
</tr>
<tr>
<td>Financial</td>
<td>BBB</td>
<td>+3</td>
<td>CCC</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>AA</td>
<td>-1</td>
<td>AAA</td>
</tr>
</tbody>
</table>

Average rating pre and post controversy: 3.69 +1.06 4.76

Source: Thomson Reuters, MSCI, Schroders., based on data as at 31 January 2017. Ratings adjusted as to numbers as follows: AAA=1, AA=2, A=3. BBB=4, BB=5, B=6, CCC=7. Companies mentioned are for illustrative purposes only and are not intended to be a recommendation to buy or sell any security.
Expanding on traditional analysis

Into poorly understood areas

A company’s sustainability is dependent on more than just financial metrics

Source: Schroders.
Expanding on traditional analysis

In an evidence based manner through Context

Themes
735 global ESG trends for 47 sub-sectors

Metrics
~150 data points from 50 sources

Companies
10,000 companies covered

Time
2 years in the making

Source: Schroders. As at 31 December 2018.
Expanding on traditional analysis

In an evidence based manner through Context

Context calculated Score: 41%
Context analyst Score: 44%

Consumer good company vs. peers

- **Employees**: Glassdoor employee rating: 3/5 compared to 3.5/5 for the sector
- **Governance**: Lowest level of audit and nomination committee independence
- **Employees**: Training hours per employee significantly worse than sector

Source: Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.
But why is sustainability so difficult?

**Investment insight**
A deeper understanding of how the world is changing that can evolve over time

**Delivering alpha**
A proprietal evidence based way of identifying winners and losers

**Better stewardship**
Active ownership to mitigate the risks that can not be eliminated

**Investment focused**
Products that meet beneficiary expectations in performance and sustainability terms

The views and opinions contained herein are those of the Schroders Sustainable Investment team and are subject to change. No investment strategy or technique can guarantee future results.
Any questions?
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