

FUNDING THE FUTURE

Investing in climate action



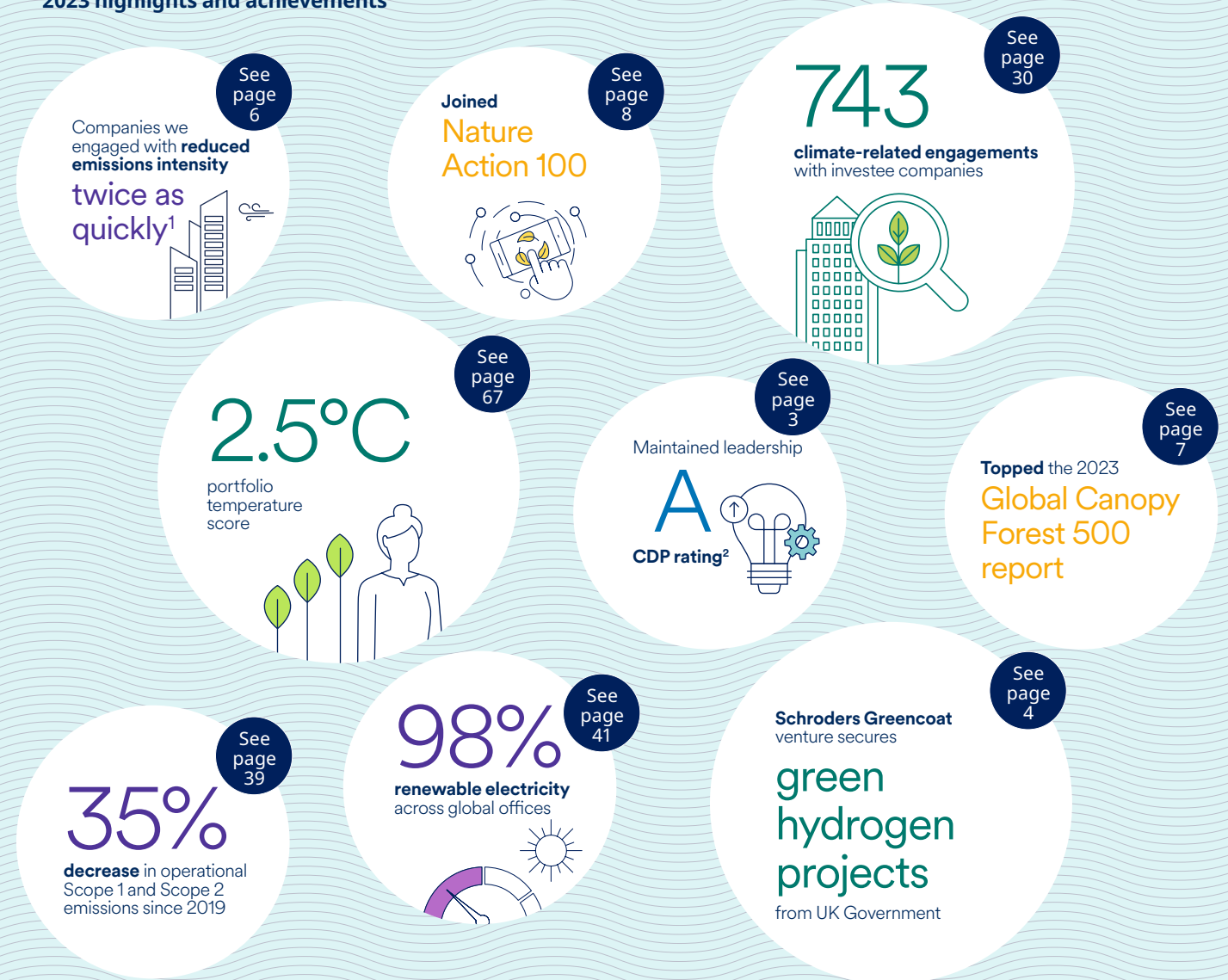
Schroders plc Climate Report 2023 in line with recommendations
by the Task Force on Climate-related Financial Disclosures (TCFD)

Schroders

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2023 highlights and achievements



1. Compares the change in Scope 1 and Scope 2 emissions intensity of MSCI ACWI IMI constituents we engaged on climate topics since 2021, with companies from the same index we did not engage with over that timeframe.
 2. 2023 CDP questionnaire (for 2022 reporting year).



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Our role in the transition to a net zero, nature positive future

We are a leading provider of active asset management, advisory and wealth management services. Recognised widely as a leader in sustainability. Few investment managers can match the combination of capabilities and global reach that we offer.

This breadth of services across public and private markets allows us to design distinctive solutions for the diverse needs of clients. They look to us to provide excellent long-term investment outcomes, and it is our duty always to act in their best interests.

That is a responsibility we take seriously – and we believe that when we succeed for clients, society and the wider world benefit too.

As a global investment manager, it is our responsibility to deliver excellent investment performance for our clients. Our understanding of how the impacts of climate change and biodiversity loss will affect assets and investments helps us to do this.

We believe that every economy, industry and company will need to plot a net zero path to remain competitive. Research from the United Nations (UN) suggests that unpriced climate and nature risk could wipe billions off the value of the world's food and agriculture companies alone.¹ The huge structural shifts needed to address these threats are already affecting the value of companies across the globe.

We believe that to deliver robust long-term returns for our clients, we must encourage companies to mitigate the climate and nature risks embedded in

their operating models, before they crystallise as financial costs. We can be a catalyst for change, using our expertise and influence to encourage businesses in their transition towards a net zero, nature positive operating model.

Our own analysis indicates that those companies that reduce their greenhouse gas (GHG) emissions more quickly than their peers have tended to outperform.²

Sustainable leadership is key to our business and flows from the long-term outlook at the heart of how we think about our business. Sustainability is integral to the ways we advise many of our clients, solve their problems, and manage their investments for the long term - it is not a standalone concept. We integrate the consideration of sustainability into the way we manage investments and engage with our clients and other stakeholders. Equally,

we integrate investment expertise and client relationships into our approach to sustainability and impact within our own business.

Our role as an active investment manager gives us the ability to engage with our investee companies and help drive sustained change. Our focus is on encouraging and supporting the companies we invest in to establish net zero targets and robust plans for delivery, in order to improve their durability and profitability. We seek value in the opportunities that can be created when companies transition their business models. We aim to develop investment strategies that help our clients to meet their own investment and sustainability goals. Through this process we aim to deliver value for our clients, develop investment strategies that will help contribute to the significant capital reallocation that will be needed and contribute to the transition to a net zero, nature positive future as a result.

While the emissions of the companies that we finance through our investments are more than 5,000 times greater³ than those from our own operations, we believe in leading by example, by managing and reducing the climate impact we have as a business. We have embarked on an ambitious plan to improve our own environmental performance and, in the process, engage our people and suppliers to support our climate goals. Our Group sustainability framework is shown on the left.



1. <https://climatechampions.unfccc.int/unpriced-nature-and-climate-risk-could-wipe-off-billions/#:~:text=About%20the%20research%3A,worth%20over%20USD%242%20trillion>
2. Based on Schroders analysis of listed companies in the MSCI ACWI IMI index. We examined changes in companies' emissions over the last five years, relative to sector peers, and compared the total shareholder returns delivered by companies in each quintile of emissions reductions.
3. Based on 2022 Scope 1 and 2 emissions of investee companies (mandatory in-scope asset classes for Science Based Targets initiative) compared to Schroders' own Scope 1 and 2 emissions.

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Our transition plan and the bigger picture

We have made a number of climate and nature-related commitments to support achieving net zero by 2050, or sooner. These span both the investments we manage and our own operations. These commitments build on years of research, risk analysis, proprietary tool development and action to understand and manage the risks and transition opportunities posed by climate change and biodiversity loss.

We were among the first 20 financial institutions to have our targets validated formally by the Science Based Targets initiative (SBTi). The validation confirmed that our Scope 1 and 2 targets are in line with a 1.5°C trajectory and that our relevant¹ assets under management (AUM) are also targeted to be fully aligned with a 1.5°C pathway by 2040. Climate and biodiversity are intrinsically linked. We have published a Climate Transition Action Plan² and a Plan for Nature.³ We also update our Group Climate Position Statement⁴ and Group Nature and Biodiversity Position Statement⁵ annually. The latter sets out our commitment to the Finance for Biodiversity Pledge,⁶ our target to eliminate exposure to commodity-driven deforestation in the companies held in the investment portfolios we manage by 2025 and the key actions we are taking.

i Further information
For our position statements and key documents see Appendix 1.

Our transition plan has four key pillars: our insights, our influence, our innovation and our ability to use our position to inspire others. A more detailed description of these levers of change can be found on our climate change strategy diagram (see page 11), with the actions we are taking under each pillar, covered in turn, in the Strategy section of this Group Climate Report.

Playing an active role across our sector and beyond

Our activity with policymakers aims to help them to propose and implement measures to support the transition and provide clear direction to companies and investors. By monitoring and influencing regulatory trends at their beginning, we aim to support the development of a business environment which is conducive to Schroders' strategic objectives. In 2023, we provided feedback on 12 consultations relating to sustainability regulations or initiatives.

We play an active role in a range of climate and nature-related coalitions and initiatives. These include initiatives to improve transparency and disclosure around climate data, collaborate on company engagement, encourage emissions reductions and establish opportunities to mobilise capital in areas that will support the transition, such as natural capital.

i Further information
For a list of key initiatives and organisations we work with and a summary of our 2023 activity, see Appendix 2.

We believe that corporate transparency and accountability is important. As well as seeking to hold the companies we invest in to account on behalf of our clients, we report and disclose our own progress as transparently as possible.

Our 2023 CDP climate change questionnaire response (for year end 2022) achieved a leadership level score of A for the second consecutive year. This top ranking was achieved by fewer than 2% of the more than 21,000 companies scored by CDP,⁷ establishing us as a leader in corporate transparency and performance on climate change.

1. Current in-scope asset classes for SBTi, which represent more than 50% of our AUM, encompass listed equities (common and preferred stock), corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs).
2. Schroders Climate Transition Action Plan
3. Schroders' Plan for Nature
4. Schroders Group Climate Change Position Statement.
5. Schroders Group Nature and Biodiversity Position Statement
6. <https://www.financeforbiodiversity.org/about-the-pledge/>
7. <https://www.cdp.net/en/companies/companies-scores>





Group Chief Executive’s message

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The way we value investments is changing – and must continue to change



We have compelling evidence that our approach is working.

Peter Harrison
Group Chief Executive

2023 saw climate change warnings break into new territory. Not only was it the hottest year on record, but also the first year where every day registered a temperature of more than 1°C above the pre-industrial level. Persistently higher readings across seasons meant that in 2023 global temperatures averaged almost 1.5°C above their pre-industrial average – the limit set out in the Paris Agreement.¹

Even without evidence this stark, it has long been our view that climate change is among the greatest risks investors face. We believe that the transition to a cleaner global energy system represents a revolution that will transform economies and societies. Companies face no choice: they will be a part of that disruption.

At an international level, response to this disruption is proving slow and inconsistent, which is hindering some financial institutions’ willingness to proactively manage the risks and opportunities created. We saw this at the UN Climate Change Conference (COP 28) for example. In fact, the polarisation of views around climate issues continues to increase. In 2022, Schroders was among 11 managers blacklisted by the State of Texas for our supposed refusal to do business with fossil fuel firms. As we said at the time, this portrayal of our position was wrong: our primary aim is to maximise returns for our clients over time.

Down at a company level, however, the picture is both far more unified and positive. We see this through the view we have of our clients, as well as through our knowledge of the thousands of companies we invest in all over the world. Of our largest clients, for example, more than 75% have made climate commitments.

Through our engagement with companies we invest in, we have a thoughtful view of how sectors and firms are taking action. We continue to invest significantly in the analysis and tools that allow us to analyse companies’ performances across many metrics.

Using our voice and influence to encourage companies to plan and prepare for decarbonisation is at the centre of our climate strategy. We set out to analyse the pressures individual firms are likely to face as the energy transition gains momentum and help them steer through these successfully.

This form of genuine active ownership is vital to support the change we believe is needed to deliver our clients’ investment goals. As you will read on pages 5 and 6, we have compelling evidence that our approach is working.

Many among our clients and the wider investment community share the view that the disruption wrought by climate change is unavoidable. In our 2023 survey of 770 global institutional investors, comprising owners of assets worth \$35 trillion, two-thirds saw the transition to net zero as spurring innovation leading to “significant opportunities”.²

While there is an expectation that climate considerations apply broadly to portfolios, many institutions actively want to target specific transition investments. Almost half cited renewable energy infrastructure as best placed to capture decarbonisation benefits. Natural capital and biodiversity is another issue on investors’ radar, as the focus moves on to include the historically overlooked value of nature services.

Schroders’ growing focus on private markets, including renewables, reflects this sentiment. We see a crucial role in finding new ways to connect capital with economic and environmental needs and the investment opportunities they will create. Large global insurers are already some of the biggest backers of Schroders Greencoat windfarm infrastructure, for example, but other investors are finding innovative ways to gain exposure. On a more local scale, in late 2023 six local government pension schemes came together to pool capital

earmarked for Schroders Greencoat renewables infrastructure across south west England.

The same world view that drives our investment strategy drives our view of our own business, and we hold ourselves to the high standards we expect of the companies we invest in. In 2022 we were among the first financial institutions – and the largest asset and wealth manager – to have our targets formally validated by the Science Based Targets initiative. We are making strong climate progress in our own operations.

The scale of the transition and its timescale – measured in a generation or less – is going to radically change the values of assets as well as the way in which those values are assessed. Our responsibilities to our clients mean we must be at the heart of this change, acting proactively to benefit from disruption rather than reacting to changes after they unfold.

Climate commitments

more than 75%

of our largest clients have Paris-aligned targets

“Significant opportunities”

2/3rds

of global institutional investors see “significant opportunities” in the transition to net zero

1. <https://climate.copernicus.eu/copernicus-2023-hottest-year-record#:~:text=Samantha%20Burgess%2C%20Deputy%20Director%20of,than%20the%20pre%2Dindustrial%20period>
2. <https://www.schroders.com/en-lu/lu/professional/insights/schroders-institutional-investor-study-2023-how-investors-are-responding-to-inflation-and-geopolitics-threat/>

Global Head of Sustainable Investment’s message

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Unlocking value in transition



“Investing in transitioning companies and assets is more likely to provide sustained investment returns.

Andy Howard
Global Head of Sustainable Investment

Our climate strategy reflects a long-held conviction that climate change will be an unavoidable and disruptive influence on economies, industries and investments in the coming years.

Leaders of countries representing 85–90% of global economic output and carbon emissions have set goals to reach net zero emissions over the coming decades. Peter’s comments on the previous page underline the uncertainty over the timing and pace of political action to deliver those goals. With countries representing over half the world’s economic output due to go to the polls in 2024, we expect the sentiment of political signals to fluctuate.

Notwithstanding those uncertainties, a transition towards a net zero global economy looks inevitable. Clean technologies have become competitive with traditional hydrocarbon-based alternatives in areas that account for more than half of global emissions¹, easing social and political resistance to change. With global average temperatures already hitting levels very close to the 1.5°C limit over pre-industrial levels that global leaders committed to in Paris in 2015, whether or not governments take tougher action tomorrow, we believe that the pressure to deliver changes will only grow.

All portfolios are exposed to the risks and opportunities that climate change presents. Every economy and industry will be impacted to some extent. The only question is whether those risks and opportunities are considered and managed, or whether managers wait for them to crystallise before reacting.

1. Clean technologies are competitive with traditional alternatives in power generation and passenger transport (automobiles), which together account for around half of global emissions.

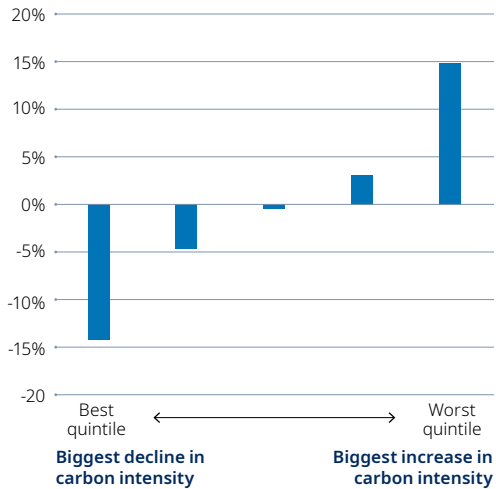
As a result, establishing a proactive commitment to transition our business and the portfolios we manage toward a net zero destination was logical. It is a natural extension of our view that climate change is an unavoidable, disruptive and important investment trend. However, while the destination is critical, the journey we take to reach it will determine the effect on investment returns, as well as the contribution to global emissions reduction goals.

Setting a decarbonisation target is relatively easy: calculate baseline emissions, establish targets and define the line that connects them. However, we approach climate change as an investment challenge, rather than a constraint to operate within – a tailwind to investment performance rather than a headwind. Investing in transitioning companies and assets across the market, rather than simply avoiding some sectors, is more likely to provide sustained investment returns.

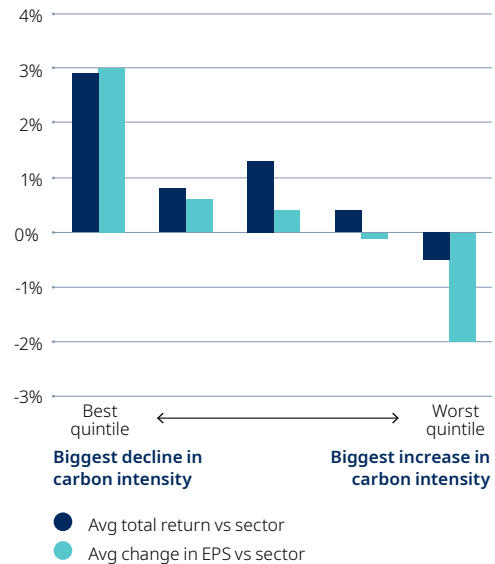
Rather, climate action must be embedded into investment processes. The rollercoaster ride in clean energy sectors, and recovery of oil and gas companies in recent years has reminded us that seeking or avoiding climate risks or opportunities is not an investment strategy in isolation. Valuation and fundamental insights are critical to ensuring that climate exposures are considered alongside a myriad of other factors.

Our climate strategy focuses on decarbonisation in the companies and assets we hold in portfolios, rather than avoiding those with higher carbon footprints. Companies able to decarbonise more quickly than sector peers have outperformed in recent years, underlining the value that can be unlocked – for investors as well as society – as companies act to mitigate their carbon exposure.

Five-year change in carbon intensity, by quintile of intensity change



Five-year change in TSR and EPS, by quintile of intensity change





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We based our Climate Transition Action Plan,¹ published in 2021, on encouraging and supporting that transition in portfolio companies. Engagement is at the heart of that strategy, and the volume of climate-focused engagement we undertake across Schroders has risen accordingly in recent years. That strategy will only work if our engagement efforts support robust and meaningful action by portfolio companies.

The rising volume of climate-focused engagements across Schroders provides a foundation for deeper analysis of the relationship between those engagement efforts and their effects. We have developed ActiveIQ – a proprietary database used across many of Schroders’ investment teams – to track engagements with investee companies and management teams on a range of sustainability-related topics, including climate change.

Since 2021, we have logged engagements with more than 1,000 companies on climate topics, primarily emission reduction goals and transition plans. That data set provides a basis to compare the changes we have seen among engaged companies with those of companies we did not engage with.

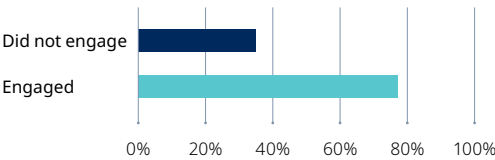
That analysis makes it clear that the strategy we have adopted is succeeding so far. Relative to peers, the large global companies we have engaged with since 2021:

- were more than twice as likely to publish new emission-reduction targets
- reduced their emission intensity twice as quickly
- outperformed by approximately 4% annually.

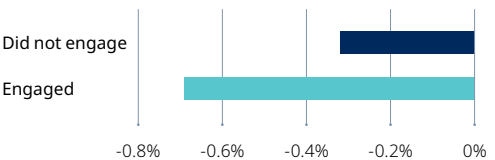
The results are plotted in the charts on the right, comparing trends in constituents of the global equity MSCI ACWI Investable Market Index (IMI) according to our engagement on climate topics.

We realise that there are many reasons companies set targets or take action to reduce their emissions beyond our engagement with them. We do not claim our climate engagement is the sole – or even main – factor driving the changes we have detailed here.

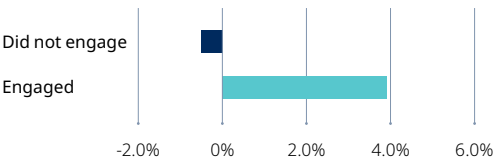
Percentage of companies setting new emission targets²



Trend pace of annual emissions intensity reduction²



Total shareholder return relative to market average²

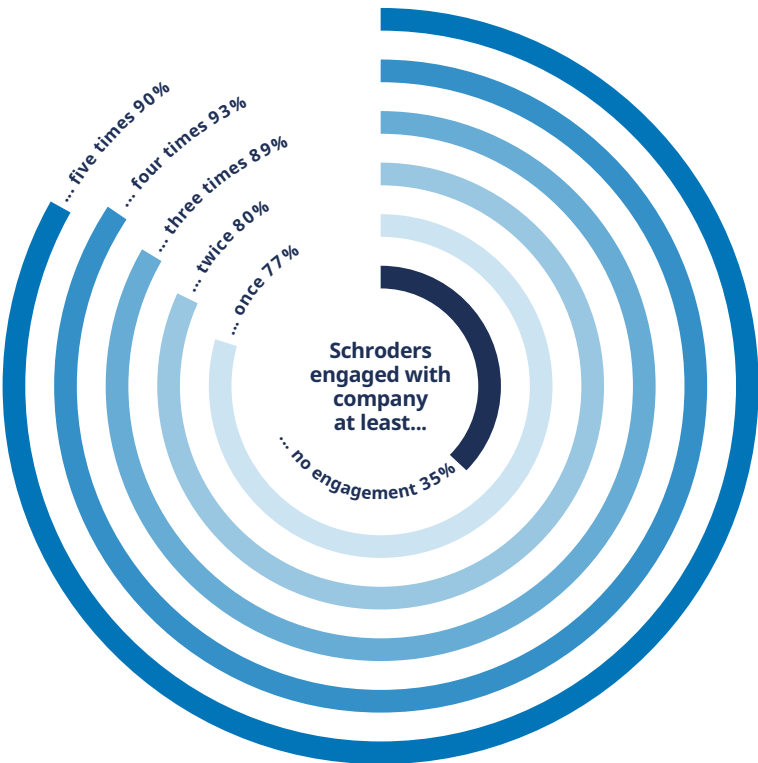


1. Schroders Climate Transition Action Plan.
2. MSCI, Refinitiv, Schroders Engagement database (ActiveIQ), Schroders calculations. Note: Analysis is based on constituents of the MSCI ACWI IMI global equity index. We examined the proportion of companies setting a new emissions intensity target since the start of 2021 (includes companies that previously had targets), the trend pace of annual emissions reduction (since 2019, reflecting lags in reporting emissions data) and total shareholder return relative to the simple average of all index constituents.

The same picture typically holds true based on the intensity of our engagement. Where engagement has so far been limited, the likelihood of companies taking action has been lower than those in cases where we have had the opportunity for sustained engagement and dialogue.

The engagement programme that underpins our transition strategy was calculated based on the assumption that engagement would result in companies being 10% more likely to establish transition plans than those we did not engage with. Although we are early in our multi-decade transition journey, the results we have seen to date give us comfort that we are on the right track.

Percentage of companies setting new emission targets since 2021, based on intensity of Schroder engagement²



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A growing focus on nature

Some of the same forces that have led to the climate crisis are becoming evident in a wider range of nature and biodiversity-related challenges. Climate change is one of the principal drivers of nature loss. It is estimated that climate change induced temperature increases may threaten as many as one in six species at the global level.¹

Conversely, nature is one of the principal solutions for the climate crisis. Nature-based solutions (NbS) can provide as much as a third of the mitigation needed until 2030 to achieve the targets of the Paris Agreement.² However, nature's capacity to provide these benefits is being eroded quickly by the pressures caused by economic development and growth. Close to \$7 trillion is invested globally each year in activities that have a direct negative impact on nature from both public and private sector sources – equivalent to roughly 7% of global gross domestic product (GDP).³ Protecting biodiversity rich, high carbon value ecosystems such as tropical forests, peatlands and mangroves is a priority to maximise this mitigation potential.

As a result, it is unsurprising that many societies, policymakers, companies and investors have become increasingly focused on nature. Nature-related risks are starting to crystallise as financial and investment risks. Helping to articulate and

manage this, the Taskforce on Nature-related Financial Disclosures (TNFD) released its final recommendations in 2023.⁴ This is a critical step forward in achieving the Global Biodiversity Framework's 2030 target for companies and investors to disclose their risks, dependencies and impacts on biodiversity.⁵

We have integrated relevant nature-related information into this Group Climate Report, to start to align with these recommendations. We are continuing to work in earnest to meet the nature-related commitments we have made, including our commitment to eliminating exposure to commodity-driven deforestation in the companies held in the investment portfolios we manage by 2025. We are pleased to see that our efforts have been recognised by Global Canopy in their Deforestation Action Tracker, where we were highlighted for our "significant progress".⁶

We plan to undertake our first iteration of a TNFD Locate, Evaluate, Assess and Prepare (LEAP) assessment⁷ over the course of 2024 to support our commitment, as a TNFD "Early Adopter" (see page 9), to report next year. In the face of the risks, dependencies and impacts we will identify through this process, we are committed to taking action to tackle the risks in the investments we manage on behalf of our clients and to our business.

Given the recent publication of the Finance for Biodiversity Foundation's guidance on target setting⁸, we will reflect on how best to develop our nature-related commitments, consistent with our clients' goals, so that these become stronger and more comprehensive.

Our actions and commitments to achieve this will be integrated into our climate change strategy and performance measurement.

Insights

We are developing a holistic biodiversity assessment which will encompass the quantification of deforestation risk and management, leveraging insights from the development of our deforestation scorecard and exposure analysis. On completion, we will look to integrate that analysis into established analytical tools. We are drawing on our proprietary model, ThemEx – which assesses Sustainable Development Goal (SDG) alignment – to highlight companies which can help accelerate a nature positive future.

1. <https://www.unep.org/news-and-stories/story/five-drivers-nature-crisis#:~:text=Global%20warming%20is%20already%20affecting,species%20at%20the%20global%20level>
2. <https://www.worldbank.org/en/news/feature/2022/05/19/what-you-need-to-know-about-nature-based-solutions-to-climate-change#:~:text=Nature%2Dbased%20solutions%20are%20actions,well%2Dbeing%20and%20biodiversity%20benefits>
3. <https://www.unep.org/resources/state-finance-nature-2023>
4. <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/>
5. <https://www.cbd.int/gbf/targets/>
6. https://globalcanopy.org/wp-content/uploads/2023/11/DAT_Report_2023.pdf
7. https://tnfd.global/wp-content/uploads/2023/08/Guidance_on_the_identification_and_assessment_of_nature-related_Issues_The_TNFD_LEAP_approach_V1.1_October2023.pdf?v=1698403116
8. https://www.financeforbiodiversity.org/publications/nature_target-setting_framework_for_asset_managers_and_asset_owners/





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Influence

A significant focus for us this year has been delivering on our intention to eliminate commodity-driven deforestation from the investment portfolios we manage by 2025.

In 2023 we engaged with 399 companies on biodiversity.¹ Of these, 73% were on deforestation and the remainder were on other sub-themes such as sustainable food and water, nature loss, circular economy, pollution and waste. We also joined Nature Action 100 (NA100) and participated in letters to 100 companies calling for urgent action to protect and restore nature and ecosystems. We will participate in several collaborative engagements with NA100 in 2024, where we consider those companies' business models to be closely dependent on nature.

We continued our dialogue with policymakers at the UN Biodiversity Conference (COP 15), calling on them to take urgent action to join up the climate and nature agendas and clarify their plans to accelerate transformation in the real economy and financial services in order to deliver a nature positive future.² We also joined Business for Nature in calling for a robust EU Nature Restoration Law and gave evidence to the UK's Environmental Audit Committee regarding deforestation risk in investee companies. We have continued to contribute to industry groups to share knowledge on investment risks and opportunities relating to nature and biodiversity.

 **Further information**
For more on COP 15, see Glossary.

Innovate

We have focused on building out our capabilities to help clients invest in real assets and NbS that seek to generate strong investment returns as well as accelerate positive change to protect and restore nature.

We have launched products across public and private markets, addressing themes such as the circular economy, food and water and environmental impact.

Inspire

Our direct impact on nature and biodiversity is through our resource consumption and waste management in the operation of our offices around the world. Our strategy is focused primarily on reducing our environmental impact by cutting our GHG emissions across our operational footprint and engaging with our supply chain to do the same. We are also looking to enhance the environments in which we operate. We use the mitigation hierarchy³ – avoidance, minimisation, restoration and offsets – in order to reduce impacts and control any negative effects on the environment.

1. Schroders managing deforestation risk within our investment portfolio.
2. <https://www.schroders.com/en-us/us/intermediary/insights/five-policy-recommendations-for-natural-capital-and-net-zero/>
3. <https://www.thebiodiversityconsultancy.com/our-work/our-expertise/strategy/mitigation-hierarchy/>





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The aim, structure and scope of this Report

This Group Climate Report (the “Report”) aims to give our investors and other stakeholders a better understanding of our climate transition plan and progress. This includes how we manage our business’ and clients’ investment exposure to climate-related risks, our strategic resilience to these risks and the climate and nature-related opportunities we are pursuing.

This Report is in line with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). It also takes into consideration the TCFD’s Supplemental Guidance for the Financial Sector. It sets out how Schroders plc and its subsidiaries (“the Group”, “our” or “we”) incorporate climate-related risks and opportunities into governance, strategy, risk management and metrics and targets, and how we are responding to the expectations of our stakeholders. This Report also integrates some nature-related disclosures, where relevant. In January 2024, the TNFD announced the inaugural “Early Adopters”. We were part of this cohort and we intend to start making disclosures aligned with the TNFD recommendations for our financial year 2024, recognising that data availability remains limited among investee companies and assets. This Report supplements the climate-related financial disclosures in our Schroders plc 2023 Annual Report and Accounts.

Further information
For our climate-related financial disclosures, see pages 30 to 37 of our Schroders plc 2023 Annual Report and Accounts.

The structure of the Report

We have followed the TCFD framework, as outlined in Appendix 3. The Governance section covers the Group’s approach. For Strategy, Risk management and Metrics and targets, the Report is structured so it considers both:

- The investments we manage
- Our own operations

Some of the recommended disclosures for Metrics and targets have been integrated into the Strategy section for coherence.

Further information
For a summary index against the core recommendations, see Appendix 3.

A note on data limitations

We recognise that emissions data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. The data we rely on can also change materially from one year to the next, as data quality improves or estimation methods change. We continue to work to make sure that the data we use is as accurate as possible, but highlight that any outputs should be interpreted as approximate and not precise.

Entity reporting

The following entities within the Group, as a result of being regulated by the Financial Conduct Authority (FCA), are required to publish their own separate TCFD-related reports pursuant to the ESG Sourcebook rules issued by the FCA.

These entities will predominantly rely on this Report when publishing their own. The entities listed below will publish separate TCFD-related entity reports by 30 June 2024:

- Schroder Investment Management Limited
- Schroder Investment Management North America Limited
- Schroder & Co. Limited
- Schroders Greencoat LLP
- Schroders IS Limited
- Schroders Pension Management Limited
- Schroder Real Estate Investment Management Limited
- Schroder Unit Trust Limited

Materiality

We listen to our stakeholders in a number of different ways and use the information they provide us with to identify the issues that are important to them and consequently, that are important to our business.

When assessing materiality, we consider how the Group is affected by climate change, as well as the Group’s own impact on the climate. This Report includes a range of topics that we believe are relevant to our business and that are of interest to investors and other

stakeholders. Materiality is considered to be the threshold at which issues become sufficiently important to our investors and other stakeholders that they should be reported publicly.

We know that what is important to our stakeholders, as well as emerging sustainability reporting frameworks, will evolve over time. We will continue to assess our approach to materiality so that we continue to report on what is of relevance to our stakeholders.



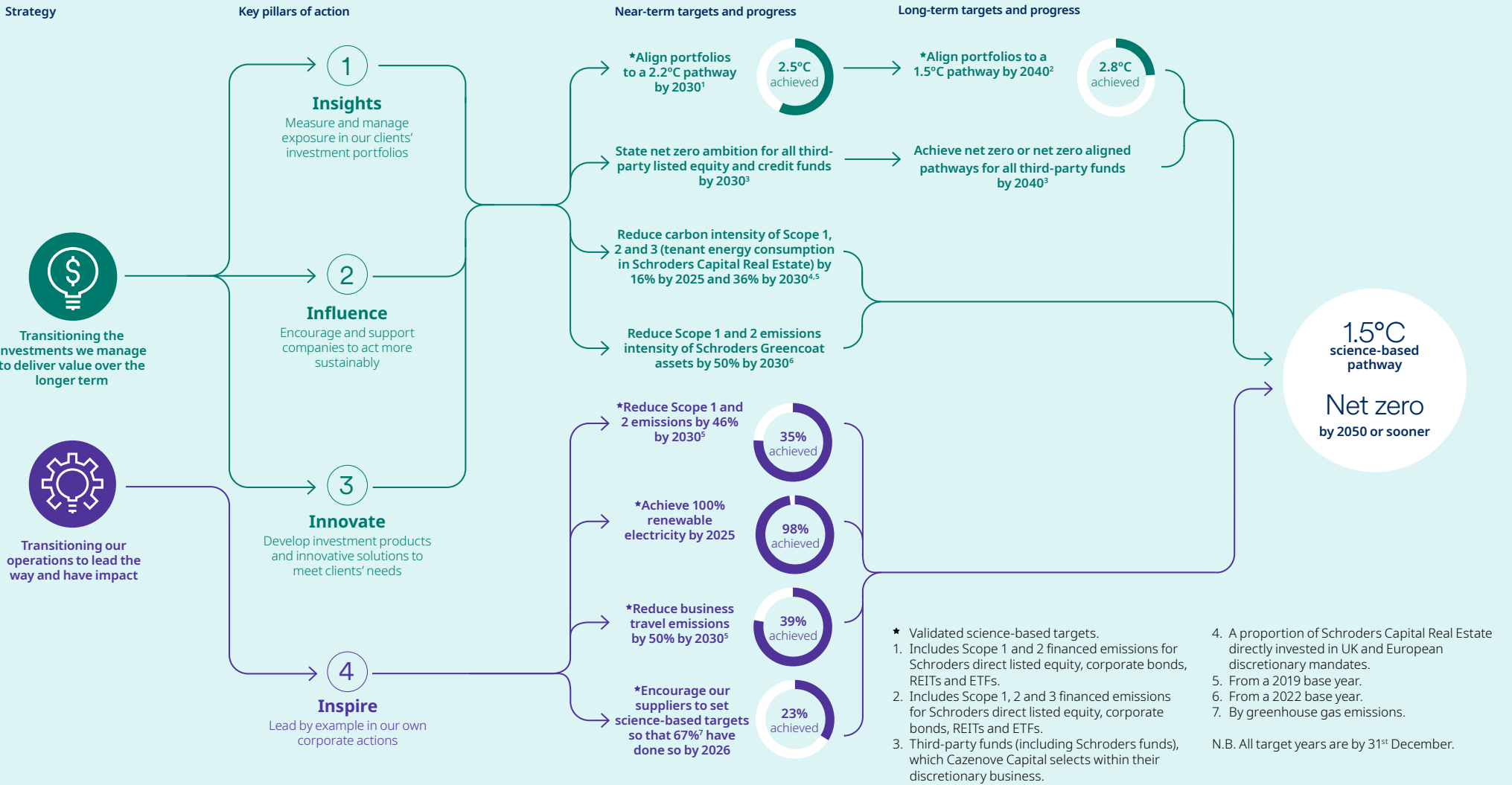
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Our climate change strategy





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Top-down: embedding climate risks and opportunities into our business strategy and financial planning

Sustainability is a core part of our strategy and therefore is considered during the strategic and financial planning processes.

Business model and planning

- The business planning process considers both the risks and potential opportunities that may impact the Group materially and assesses the need for business model changes to respond to these risks and opportunities, over a five-year period.
- This review is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams.
- Examples of a business model change made was increased capital expenditure on our proprietary sustainability tools.

Revenue assumptions

- Our revenue assumptions consider forecasted assets under management (AUM) and what impact changes in client behaviour could have on total AUM.
- We have expanded our offering in the sustainability product space due to investor appetite, with the ambition of directing capital into sustainable channels where demand has proven strong, increasing revenues for the Group.

Dedicated specialists

- We have over 50 dedicated sustainable investment specialists across the Group, which has more than doubled in the past three years.
- Those individuals include climate specialists in research, analysis, operations, investment and active ownership.

Stress testing

Stress testing is performed on the Group's business plan and considers the impact of a number of the Group's key risks crystallising over the assessment period. This includes consideration of new and emerging risks, identified through the business planning process, that could have a material impact over the five-year planning period. The severe but plausible stress scenarios applied to the business plan include consideration of the following factors:

- a deterioration in the value of our AUM as a result of a severe period of market stress, or the early crystallisation of certain climate change risks
- the impact of a material risk event which could lead to reputational damage and significant outflows of our AUM
- a significant decline in net operating revenue margins reducing projected revenues.

For 2023, we incorporated the output from our investment scenario analysis (see pages 25 to 27) to determine the potential impact of climate change on our AUM over the forecast period. The conclusions from these assessments form the basis of the Viability Statement as set out in the Schroders plc 2023 Annual Report and Accounts.

 **Further information**
For our Viability Statement, see page 47 of our Schroders plc 2023 Annual Report and Accounts.

Bottom-up: our culture of building employee expertise and engagement

Our employees are central to the success of our strategy. It is crucial that we continue to build our expertise and awareness of climate and nature-related risks and opportunities, to support closer relationships with our stakeholders. We all have a role to play in achieving our sustainability goals, whether that is as a trusted adviser to our clients, in applying analysis in our investment teams or contributing to our own operational commitments.

Education and training
Sustainability Curriculum

In March 2023, we launched a dedicated Sustainability Curriculum, developed by our own experts, on our global learning management platform, Spark. This curriculum covers:

- Schroders' climate commitments, climate science and target setting and our climate toolkit
- ESG integration and active ownership, including climate considerations
- natural capital and biodiversity.

Since its launch, over 1,900 of our employees¹ have accessed at least one module in the curriculum, including more than 600 who have completed a climate dedicated module.

Professional qualifications

Beyond internal training, we continue to support our employees through professional qualifications in relation to climate and nature, including:

- Chartered Financial Analyst (CFA) Institute Certificate in ESG Investing
- CFA UK Certificate in Climate and Investing.

Communicating with our people

The Sustainable Investment team provide regular updates to both our Investment and Client Group teams through monthly meetings (for example, Sustainability for Investors and Sustainability for Client Group). In this forum, the Sustainable Investment team present on a specific topic or theme. The meeting provides a platform to discuss the topic in greater detail and to help investors understand the implications for their analysis. Topics covered during 2023 included:

- climate materiality research, our climate toolkit, climate engagement and voting (including specific company examples) and TCFD reporting
- our deforestation engagement programme, deep dives on our biodiversity and water engagement toolkits
- knowledge sharing on key initiatives such as Nature Action 100 (NA100) and the Taskforce for Nature-Related Financial Disclosures (TNFD).

Employee action and engagement

Employee engagement is a key component of our corporate sustainability strategy. The components to support engagement include:

- Podcasts: The "Making an Impact" series, a short digital digest designed to build understanding around sustainability-related topics
- Forums: We held two Sustainability Forums, where we invited employees to hear about sustainability commitments and initiatives across the Group
- Community: Our employee-led initiative, Schroders Planet Positive, continues to build momentum. Over 300 employees follow the community, which shares climate actions and, in 2023, hosted a clothing Swap Shop and Repairs workshop in London
- Newsletters: We engage our people through our regular corporate sustainability newsletter, Step Change, on sustainability topics including climate and nature
- Volunteering: For Earth Day in April, our employees supported six impact-led environmental events and initiatives across the globe through volunteering.

Internal training
Sustainability Curriculum
launched

Earth Day
Six impact-led environmental events and initiatives
for employee volunteering across the globe

1. The average number of employees for 2023 was 6,390.

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Risks and opportunities

The decarbonisation of the global economy poses a number of risks and opportunities. This section summarises how we identify and manage the climate risks and opportunities in our clients’ investment portfolios and in our own operations, as well as our actions and the progress we are making. The Risk management section (pages 47 to 54) provides more detailed information on our risk management framework and the impact of climate on the Group’s principal risks.

Identifying risks and opportunities

Exposure in our clients’ investment portfolios

By setting and meeting our targets, we expect the assets we invest in to be exposed less to the risks of the transition. To embed this across our investment business, our consistent, principles based framework for the integration of ESG factors now requires each investment desk to consider climate-related risks and opportunities explicitly. We complement this process with an annual accreditation requiring each investment desk to articulate how these factors are incorporated into their investment process. This annual submission is reviewed and approved by the central Sustainable Investment team.


 **Further information**
For more information on ESG integration, please see the Glossary.

Our own operations

We carry out an annual inventory of all relevant GHG emissions. This helps us understand where the risks and opportunities are in our direct and indirect operational activities. Our key operational risks and opportunities are managed by the business functions. For example, the physical risks and transition opportunities for our offices are managed by Workplace Services; our company car fleet is managed by Human Resources (HR); and our supplier due diligence is managed by Procurement and relationship managers within the business. These business functions are supported by the Corporate Sustainability team. The Group Sustainability and Impact Committee (GSI Committee) recommends the overall strategy and monitors progress against our targets.

The tables on pages 14 to 16 focus on our assessment of the risks and opportunities categorised as per the TCFD recommended disclosures.

For investment risks, where the assessment is marked as “Quantitative”, the impact to our investments has been calculated using Climate Value at Risk analysis, which is applied across our listed equity and credit holdings accounting for over 50% of our AUM. Otherwise, the risk is assessed qualitatively by the relevant business teams. For risks and opportunities related to our own operations, “Quantitative” impact assessment includes estimating the impact on our emissions reduction pathway. Otherwise, risk has been assessed qualitatively.


 **Further information**
For more detail on how we identify, assess and manage climate-related risks, see pages 47 to 54.

Physical risks

Physical risks reflect the risks associated with long-term changes in the climate, resulting in more extreme weather events which may impact future business activities; the value of investments; risks to our businesses and property assets; and those of our suppliers and other partners.

Transition risks

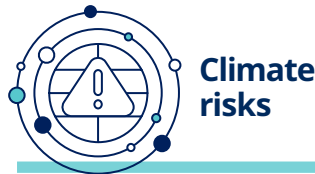
Transition risks reflect the risks stemming from changes in the economy that will be required to limit long-term temperature rises, including changes in demand for goods and services, and costs to companies, sectors or asset classes. These may result from new or enhanced corporate climate change laws and regulations, changes in demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of greenhouse gas (GHG) emissions.

 **Further information**
For more detail on the transition and physical climate scenarios we have used, see Appendix 4.





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Investment portfolio risks	Description	Timeframe	Impact			Assessment	Business impact	Actions to mitigate risk
			1.5°C	2°C	3°C			
Transition: Current regulation	Potential risk of regulatory breaches from existing climate-related regulation	Short	●	●	●	Qualitative	Regulatory fine	We have invested significantly in data and technology infrastructure, data security, and infrastructure to support portfolio analysis and monitoring. We have a sustainability regulatory programme that assesses systematically the impact of new climate regulation and supports with the implementation of live regulation.
Transition: Future policy and legal	Changes to climate-related regulation that impact our investee companies' products and services	Medium	●	●	●	Quantitative	Reduced revenues	We include the consideration of climate risks and opportunities in our annual ESG integration accreditation process. Examples include climate risk scorecards by our infrastructure debt business, and a maturity scale assessment adopted by our wealth management business.
Transition: Market	Climate change impacting our product demand through changing client behaviour	Short	●	●	●	Qualitative	Reduced revenues	We have developed our new Climate Product Framework, aligning our private and public markets products to client decarbonisation outcomes. We conduct client surveys, for both institutional and retail clients, to assess product demand.
Transition: Reputational	Perception of not having met our net zero commitments	Medium	●	●	●	Qualitative	Reduced revenues and/or litigation risk	We have established our climate engagement programme (outlined in more detail on pages 28 and 29).
Physical: Acute	The impact on investee company operations from extreme weather events	Medium	●	●	●	Quantitative	Reduced revenues	Where data is available, we undertake scenario analysis to determine the exposure of our investments to the physical risks of climate change.
Physical: Chronic	The impact on investee company operations from long-run changes in the climate	Long	●	●	●	Quantitative	Reduced revenues	To the extent data allows, we undertake scenario analysis to determine the exposure of our investments to the physical risks of climate change.

We consider these risks and opportunities over the following time horizons:

Timeframe
Short term 0–5 years Medium term 6–10 years Long term 10+ years

Impact rating
● Low ● Medium ● High

 **Further information**
For more detail on our chosen risk horizons, see page 49.









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Climate risks continued

We consider these risks and opportunities over the following time horizons:

Timeframe
Short term 0–5 years Medium term 6–10 years Long term 10+ years

Impact rating
 Low  Medium  High

Operational risks	Description	Timeframe	Impact			Assessment	Actions to mitigate risk
			Operational impact on Schroders	Science-based target impact	Rating		
Transition: Policy and legal	Increased carbon pricing on our own emissions	Long	Increased costs	N/A		Qualitative	Our specialist teams monitor and analyse the impact of regulatory change. Business change teams integrate regulatory requirements into business processes.
Transition: Policy and legal	Increased regulatory requirements	Short	Increased costs	Scope 3 supply chain target		Qualitative	Our specialist teams monitor and analyse the impact of regulatory change. Business change teams integrate regulatory requirements into business processes.
Transition: Technology	Costs to transition to lower emissions technology for own emissions	Medium	Increased costs Increased GHG emissions	Scope 1 and 2 target Scope 3 business travel target RE100 target		Quantitative	We carry out feasibility studies and modelling at property level. We implement specific initiatives dependent on technology (for example, building management system (BMS) upgrades, onsite renewables, electric car charging points).
Transition: Market	Increased volatility in energy prices due to supply chain disruptions	Short	Increased costs Increased GHG emissions	Scope 1 and 2 target RE100 target		Quantitative	We monitor contracts at property level. Where we procure directly, we carry out energy market analysis and a tender process to achieve a competitive price. RE100-compliant contracts are prioritised and, where possible, onsite renewables are being pursued.
Transition: Reputation	Perception of not having responded appropriately to climate challenges	Short	Reduced revenues	N/A		Qualitative	We monitor external benchmarks and emerging best practice (for example, CDP) to improve performance. We are implementing a detailed Climate Transition Action Plan.
Physical: Acute and chronic	The impact on physical operations of extreme weather events or changes in temperature	Short	Increased business disruption, capital expenditure and insurance costs	Scope 1 and 2 target		Quantitative	We use a real estate climate risk model (provided by Verisk Maplecroft). We conduct risk assessments of our office locations, evaluating 23 individual acute (for example, drought, flood, severe storm) and chronic (for example, heat stress, water stress, air quality) risk indicators.



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We consider these risks and opportunities over the following time horizons:

Timeframe
Short term 0–5 years Medium term 6–10 years Long term 10+ years

Impact rating
 Low Medium High

Investment portfolio opportunities	Description	Timeframe	Impact			Assessment	Business impact	Actions to take advantage of the opportunity
			1.5°C	2°C	3°C			
Technology	New revenue opportunities for our investee companies from patents in technologies tackling climate change	Short-Medium				Qualitative	Increased revenue	We have developed new tools that enable investment teams to assess whether companies stand to benefit from the net zero transition.
Products and services: Climate mitigation	New revenue opportunities from investment strategies focused on mitigating climate change, such as investments in renewable infrastructure and green technology	Short-Medium				Qualitative	Increased revenue	We continuously develop new investment strategies that focus on different themes arising from the net zero transition, such as the Global Energy Transition strategy, or our investment in Schroders Greencoat.
Products and services: Climate adaptation	New revenue opportunities from investment strategies focused on supporting climate adaptation, such as investment in flood defences or nature-based solutions	Medium-Long				Qualitative	Increased revenue	We develop new investment strategies that focus on investing in the infrastructure and technologies that aim to protect communities from the impacts of climate change, such as the Sustainable Food and Water strategy.
Market	Increased demand for climate-focused investment strategies due to increased regulation impacting our clients	Medium				Qualitative	Increased revenue	We have established a Decarbonisation Group to develop a framework that will support clients with their decarbonisation investment objectives.

Operational opportunities	Description	Timeframe	Impact			Assessment	Actions to take advantage of the opportunity
			Operational impact on Schroders	Science-based target impact	Rating		
Resource efficiency	Increased energy efficiency of offices	Short	Decreased GHG emissions and operating costs	Scope 1 and 2 target		Quantitative	The implementation of ISO 14001 environmental management system (EMS) certification, energy audits, feasibility studies and modelling at a property level inform our energy-efficiency practices. We have introduced specific energy efficiency initiatives, for example, implementing BMS upgrades.
Energy source	Lower emission sources and increased resilience of energy for offices and car fleet	Short	Decreased GHG emissions. Short-term increase in costs	Scope 1 and 2 target RE100 target		Quantitative	We conduct energy audits, feasibility studies and modelling at property and fleet level. We have introduced specific GHG emission reduction initiatives (for example, implementing onsite renewables, switching to hybrid/electric company cars).

The tables above set out our assessment of different climate-related scenarios, enabling us to adapt and respond to climate related risks and opportunities and take appropriate mitigating actions where required. This analysis and framework supports our ongoing strategic and business model resilience in respect of climate-related challenges and risks.



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The investments we manage

Group commitment

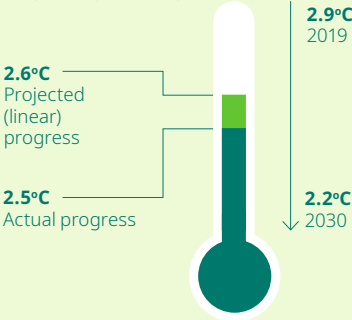
Transition our managed portfolios to a 1.5°C aligned pathway

Targets

Near term

Align portfolios to a 2.2°C pathway across Scope 1 and 2 emissions by 2030

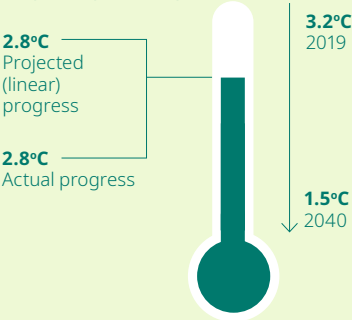
Progress against target



Long term

Align portfolios to a 1.5°C pathway across Scope 1, 2 and 3 emissions by 2040

Progress against target



Actions

- Integrated the explicit consideration of climate risks and opportunities into our ESG Integration Accreditation Framework.
- Launched the Decarbonisation Working Group to help clients establish and manage their decarbonisation commitments.

1. A proportion of Schroders Capital Real Estate directly invested in UK and European discretionary mandates.
2. Third-party funds (including Schroders funds), which Cazenove Capital selects within their discretionary business.
N.B. All target years are by 31st December.

Wider commitments

Decarbonisation commitments across private markets and wealth management

Other climate targets

Private markets targets

Schroders Capital Real Estate

Reduce carbon intensity of Scope 1, 2 and 3 emissions (tenant energy consumption) by 16% by 2025 and by 36% by 2030 from a 2019 base year¹

Schroders Greencoat

Reduce Scope 1 and 2 emissions intensity by 50% by 2030 from a 2022 base year

Actions

- Schroders Greencoat started switching asset import electricity consumption to fully renewable tariffs across portfolios
- Schroders Capital Real Estate launched an audit programme to identify asset-level decarbonisation strategies.

Wealth management targets

Near term

State net zero ambition for all listed equity and credit funds by 2030²

Long term

Achieve net zero or net zero aligned pathways for all funds by 2040²

Actions

- Convened a working group of industry peers to engage with asset managers.
- Published our Wealth Management Climate Transition Action Plan.



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Insights: Measure and manage exposure in our clients' investment portfolios

The investments we manage are exposed to climate risks and opportunities and the net zero transition. This exposure is not consistent across asset class (see Figure 1), region, or sector, so being globally diversified puts us in a strong position to identify opportunities. In Schroders Capital, we have sought opportunities to invest in solutions that aim to tackle climate change. This is evidenced by our acquisition of a leading renewables infrastructure investment manager, Greencoat Capital (now Schroders Greencoat) in 2022.

This disparity in exposures across asset classes is why we cannot take a single approach to the integration of climate-related risks and opportunities by our investment teams. Different factors will be more relevant to certain asset classes. An Implied Temperature Rise (ITR) metric that assesses a company's net zero ambition will

be less relevant for an infrastructure strategy that aims to assess the emissions saved over the lifetime of the asset: a wind turbine replacing a coal power plant, for instance.

To tackle this challenge, in 2023 we upgraded our ESG Integration Accreditation Framework, requiring each of our more than 65 investment desks to outline how they:

1. systematically consider climate-related risks and opportunities in their investment process
2. evidence with case studies how they have engaged on the topic of climate.

This framework is global, covering Schroders' public markets, private markets and wealth businesses. It is principles based, requiring each of the business areas to consider climate-related risks and opportunities in a way that is relevant to them. This is why for this Report we have split our "Insights", "Influence" and "Innovate" sections across these three businesses.

The ESG factors may not be the primary factors that influence an investment decision.

For certain businesses acquired more recently, we have not yet accredited the integration of ESG factors into investment decision-making. A small portion of our business where the integration of ESG factors is not practicable or possible, for example, our legacy businesses

or investments in the process of being liquidated, and certain joint venture businesses are excluded.

Further information
For more detail on the integration of ESG factors, please see the Glossary.

Figure 1 Asset class return impacts to 2030 and 2050 in the 2°C scenario¹



1. Marsh McLennan, Investing in a Time of Climate Change, 2019, <https://www.marshmclennan.com/insights/publications/2019/may/investing-in-a-time-of-climate-change.html>

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Our approach in Public Markets

Although data gaps remain in reported emissions, particularly with Scope 3 and in emerging markets, listed equity and credit markets have significantly better data availability and history when compared with other asset classes. This has enabled us to develop a suite of climate tools called the Climate Analytics Framework (see Figure 2). It assesses companies' exposure to climate risks and opportunities, the mitigating actions they are taking, and the outcomes of those actions. The aim of this toolkit is threefold:

1. to support the Group to monitor and manage our progress towards our net zero targets
2. to provide our investment teams with insights to help to identify unpriced climate risks and untapped opportunities to generate value in the transition
3. to support our clients in attaining their climate and decarbonisation objectives.

We deconstruct our framework on pages 20 to 22, highlighting the questions that each component aims to address. We have then used a global equity portfolio to illustrate how our models answer those questions.

Figure 2 Climate Analytics Framework





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Could a net zero transition be a risk or an opportunity for my portfolio?

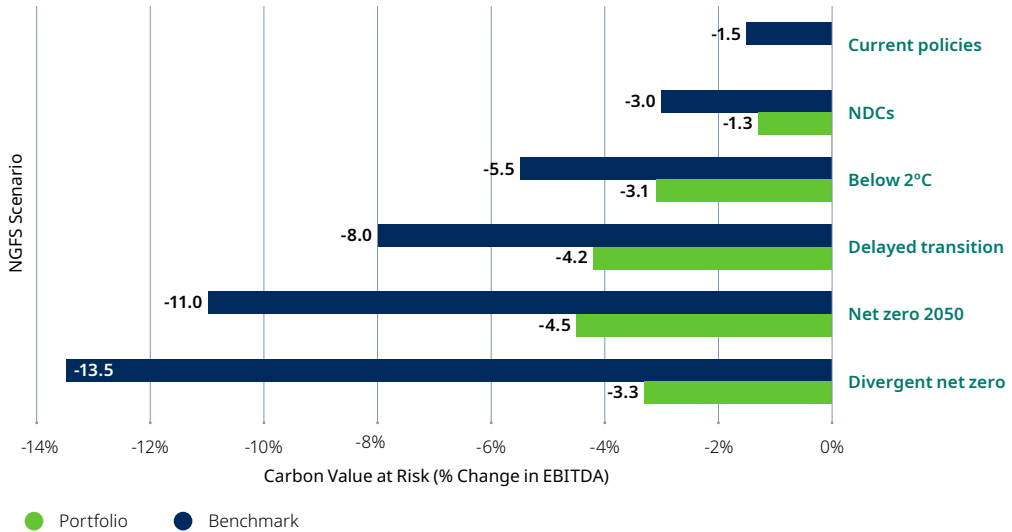
Government policies focused on reducing GHG emissions can either be punitive, focusing on high emitters, or a stimulus, to drive investment into low carbon technologies. Both create risks and opportunities, which is why we developed Carbon Value at Risk (VaR) to assess company and portfolio exposure. It assesses the impact of carbon prices on company profitability under different climate scenarios, helping to identify the companies that may stand to lose or gain value under different carbon prices.

Figure 3 shows the results for the illustrative global equity portfolio versus its benchmark. This analysis tells us that:

- 1. the greater the carbon price, the greater the risk to the portfolio
- 2. the strategy is less exposed to the risk of carbon prices than its benchmark.

The model does not assess a company's actions to mitigate climate change or to transition its business model. We use our Climate Action Tracker analysis to assess this.

Figure 3 Portfolio Carbon VaR results



Which companies are the most carbon intensive in my portfolio?

The starting point for analysis of a portfolio's emissions profile is to look at its current emissions across Scopes 1, 2 and 3 relative to each company's revenue, based on the available data. This adjusts for company size, enabling a fairer assessment.

For this portfolio, we can see in Figure 4 that the mandate has a lower carbon intensity than the benchmark. Within the portfolio, we can see in Figure 5 that the utilities, energy and materials sectors have the greatest contributions to the portfolio carbon intensity.

Figure 4 Portfolio Weighted Average Carbon Intensity (tCO₂e/\$m invested)

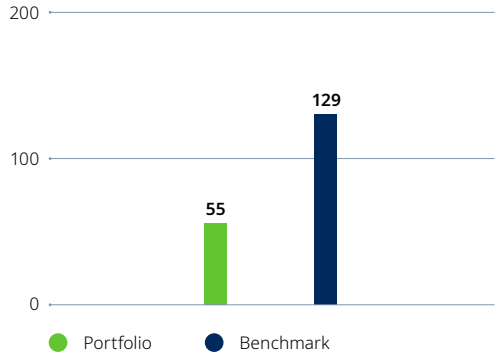
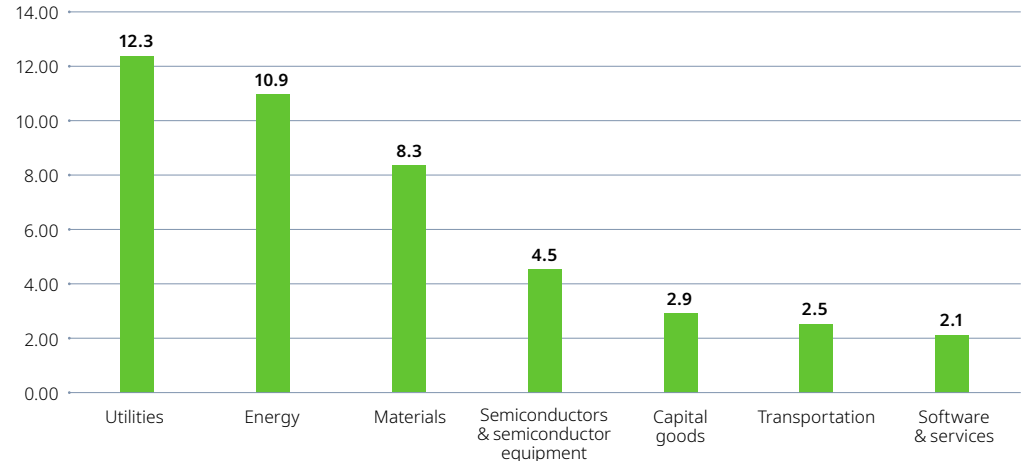


Figure 5 Top sectors contributing to portfolio carbon intensity (tCO₂e/\$m invested)



1. Carbon VaR model uses carbon prices from the Network for Greening the Financial System (NGFS) transition scenarios.

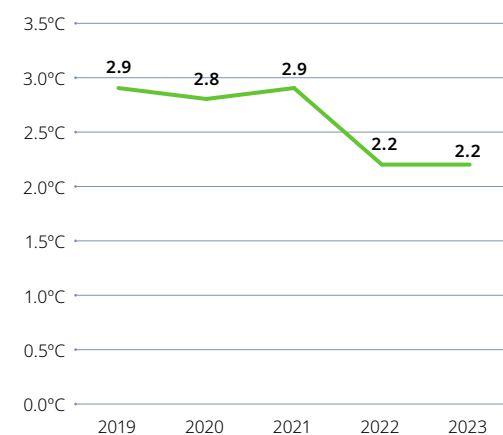


What transition pathway is my portfolio aligned to?

A company that is well positioned for a low carbon transition must take steps to decarbonise its business. Decarbonisation starts with climate ambition, primarily through the setting of targets. By comparing a company's current emissions to their decarbonisation targets, and then comparing them to science-based transition scenarios, we can calculate their portfolio temperature score. This is presented in degrees Celsius (°C) using our net zero model, facilitating easy comparison at both company and portfolio level.

For this portfolio, we can see in Figures 6 and 7 the change in the portfolios mid-term and long-term temperature scores.

Figure 6 Temperature alignment mid-term
Scopes 1 and 2



Key



Climate outcomes



If the companies in my portfolio meet their targets, how will the emissions profile of my portfolio change?

Once we understand the climate ambition of companies' targets, we can project what this could mean in actual carbon emissions reductions over time. If we assume that companies will meet their targets, our Portfolio Emissions Pathway tool can enable us to assess the future emissions profile of the portfolio.

Using the current emissions profiles of held companies, we can see in Figure 8 that the portfolio's carbon intensity would drop 43% by 2030 and almost 60% by 2050. We can further break down the results by sector or region to understand the greatest contributors to the reduction.

Figure 7 Temperature alignment long-term
Scopes 1, 2 and 3

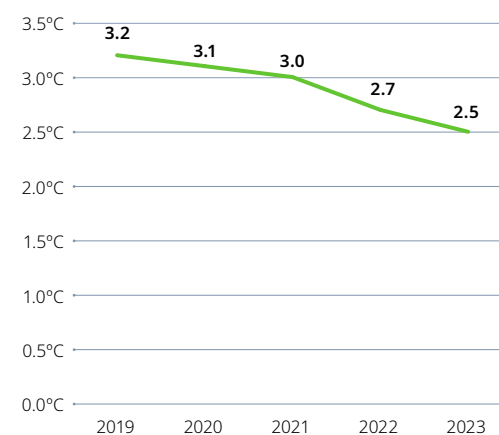
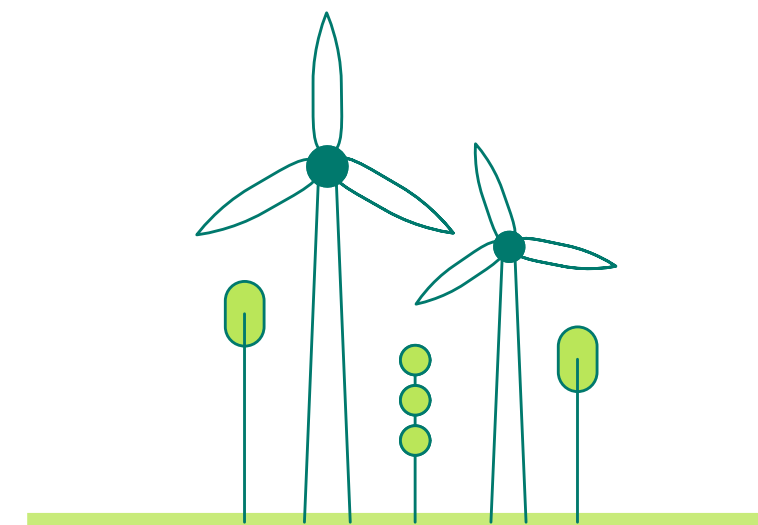
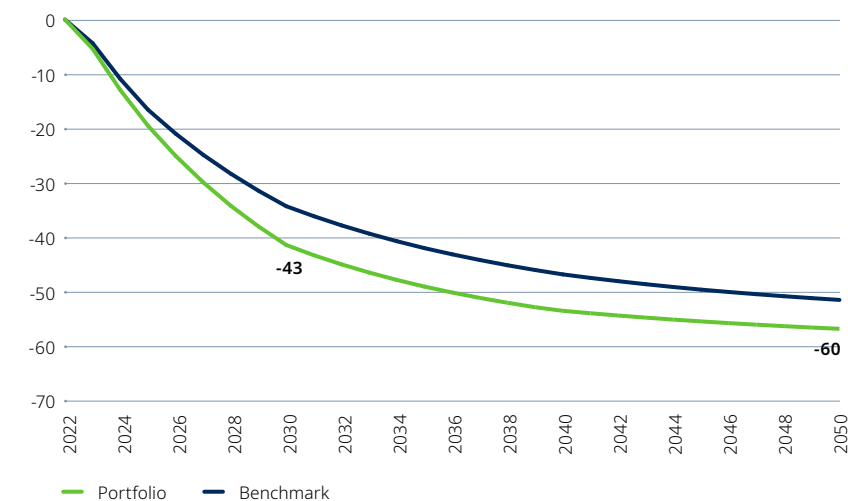


Figure 8 Emissions reductions implied by company Scope 1 and 2 targets (%)





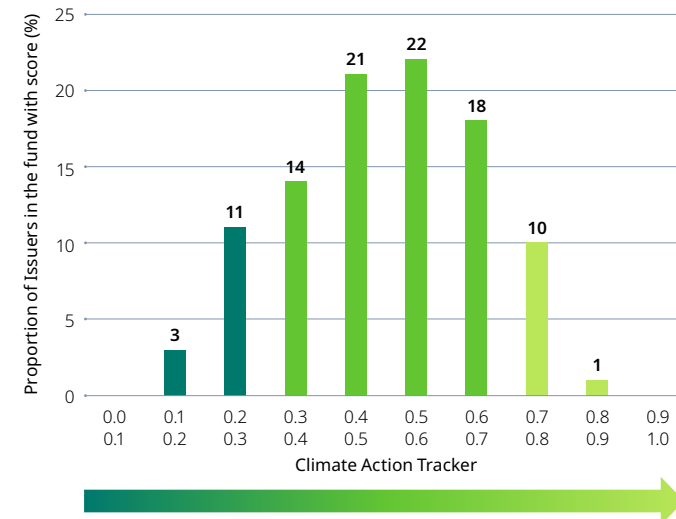
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What actions are companies taking to mitigate climate risk and decarbonise their operations?

Companies can take many different actions to mitigate climate change and manage climate risks within their operations beyond setting targets. This climate action can be measured through an assessment of both qualitative and quantitative factors using our Climate Action Tracker, outlined in Figure 9. Companies that can evidence action give us greater confidence in their ability to meet their goals.

If we aggregate the scores to portfolio level, we can see in Figure 9 that the portfolio gets an overall score of 0.5, with 1 being high and 0 being low. While Figure 10 shows that most companies score between 0.3 and 0.7, there are some leaders and laggards. This insight informs our climate prioritisation process.

Figure 10 Distribution of Climate Action Tracker scores



Key

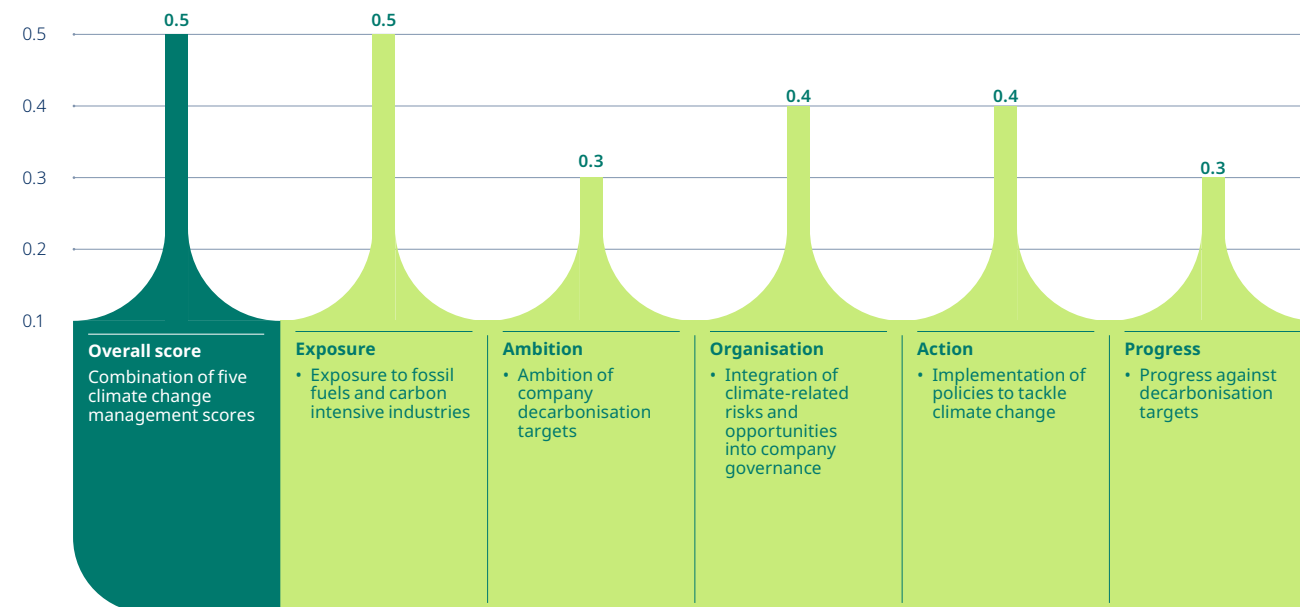


Climate action



Climate outcomes

Figure 9 Portfolio Climate Action Tracker scores



Source: Schroders Climate Action Tracker (beta version), input sources into the Tracker include Schroders SustainEx, Schroders Net Zero models, MSCI, CDP and Refinitiv

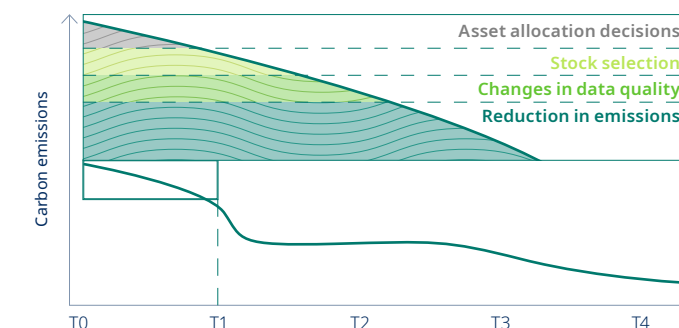


What has driven the change in my portfolio's emissions?

There can be many non emissions-related factors that reduce portfolio emissions. Attributing this change is key to understanding the real world climate outcomes of the portfolio. Broadly, this can be broken down into four categories (see Figure 11):

1. asset allocation decisions
2. stock selection
3. changes in data quality
4. reduction in real world emissions.

Figure 11 Attributing portfolio emissions reductions





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Our approach in Private Markets

Over the course of 2023, the same climate integration expectations were rolled out for Schroders Capital as for listed assets, setting a minimum set of expectations for climate assessment and reporting, irrespective of the asset class.

Schroders Capital sits across four pillars: real estate, infrastructure, private equity; and private debt and credit alternatives. Each pillar integrates climate in a differentiated manner, based on how climate change materialises in investments and the availability of data and methodologies to assess climate change risks and opportunities.

Within the four pillars, proprietary scorecards have been developed to assess environmental, social and governance (ESG) considerations for each investment. All scorecards integrate climate change risks and opportunities. The climate change categories are then weighted based on their materiality for specific sectors, regions, or asset types, and contribute to the overall sustainability score for each investment.

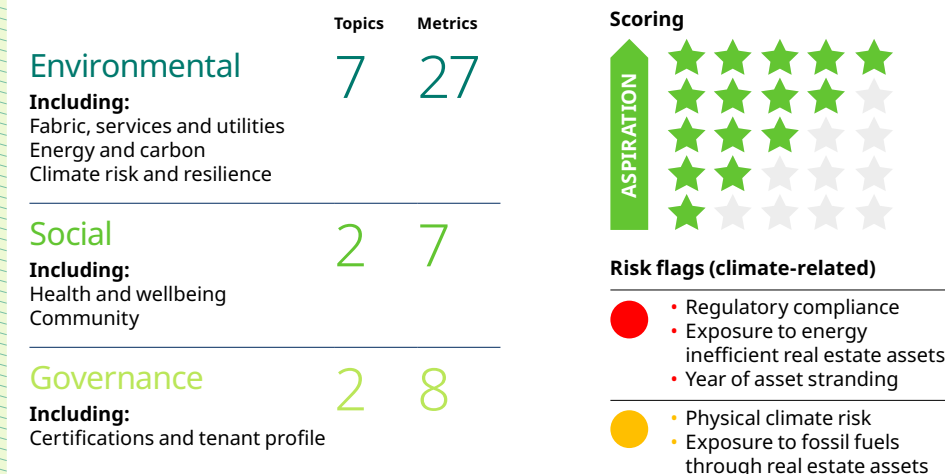


Our assessment of climate change will prioritise quantitative data where possible, given its specificity to the investment and easy comparability with other investments. Where quantitative data is not available, we apply qualitative climate assessments, mapping an asset or company's climate actions against a set of criteria.

Over the course of 2023, we have progressed in both quantitative and qualitative climate assessments within asset class pillars; examples include mapping sector-specific climate risks and opportunities in infrastructure debt and researching and progressing with an updated geospatial physical risk analysis in real estate.

Forward-looking indicators, such as net zero alignment, are at different development stages based on the asset class and associated methodologies. Our most advanced business is in direct real estate, where we have had a net zero approach since 2020, using Carbon Risk Real Estate Monitor (CRREM) to model pathways at both asset and fund level. We believe that external initiatives are a key way in which to increase the availability of data and methodologies; these initiatives include providing feedback on methodologies selected by the Science Based Targets initiative (SBTi) within its net zero consultation, and joining iC International, a specific private equity and credit initiative that develops emissions reporting and decarbonisation roadmap guidance specific to private asset classes.

Private markets sustainability scorecard for Real Estate



In our real estate business, we utilise a proprietary ESG scorecard to determine sustainability-related opportunities, manage risks and prioritise actions throughout the building lifecycle.

The scorecard is structured on sustainability aspects across 11 core topics. Physical risk assessments, asset-level sustainability and net zero carbon audits are used to support scoring. Red and amber flags are used to denote material risks against pre-determined thresholds.

The scorecard is applied at the acquisition stage to effectively screen potential investments. The results are used to support wider climate and sustainability assessments to develop asset and fund-level objectives, and feed directly into asset-level Impact and Sustainability Action Plans for direct landlord-managed assets. Assets are reassessed on an annual basis with the aim of continual improvement and to track performance against sustainability objectives set for mandates.



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Our approach in Wealth Management

We invest on behalf of our clients in funds run by a range of asset managers. In fact, over 70% of our discretionary assets under management are invested in this way, through both Schroders’ and other managers’ funds.

Under the Net Zero Asset Managers initiative (NZAM), the way asset managers choose to set and report against their net zero targets is “methodology neutral”. There are three main target-setting methodologies which NZAM endorses: the Paris Aligned Investment Initiative’s Net Zero Investment Framework (NZIF), SBTi for Financial Institutions, and the Net Zero Asset Owner Alliance’s Target Setting Protocol (TSP).

As a Group we have chosen the SBTi methodology to assess and report the current portfolio temperature score of our assets. However, not all of our underlying managers have followed suit; many have adopted other methodologies. As part of our net zero commitment within our wealth management business, we use the SBTi methodology in line with the rest of the Group to establish targets for our direct investments, where we have full control of the chosen methodology. For our indirect investments, where we delegate that control to managers, we will use a different methodology to establish targets. Given that these indirect investments form part of the Group’s commitment, we will also report against the SBTi methodology for these investments, but for disclosure purposes only. This approach ultimately leads us to the same long-term destination.

Net zero targets for indirect investments

We analyse the climate risks and opportunities of our indirect investments within wealth management at two levels:

1. Firm-level: on an annual basis, we send out a 60-question sustainability questionnaire to all managers on our buy list. In 2023, 20 of those questions were climate-focused. These concentrated on net zero commitments, a published climate action plan, membership of climate initiatives, disclosure of operational and/or financed carbon emissions, “Say on Climate” shareholder resolutions, and director voting.

2. Strategy-level: as part of our annual fund due diligence, we are undertaking a net zero alignment assessment of the strategies. This assessment leverages the NZIF and is adapted for indirectly held assets in third-party investments.

We analyse the strategies to determine if they fall into one of five categories (see more in Figure 12):

- not aligned
- committed to aligning
- aligning to a net zero pathway
- aligned to a net zero pathway
- achieving net zero.

A strategy will be deemed to be on a net zero trajectory if it is considered to be “aligning to a net zero pathway”, “aligned to a net zero pathway” or “achieving net zero”.

We are currently undertaking this analysis across our asset base, and will report on our progress against these targets from next year.

Figure 12 Framework for indirect investments: milestones for net zero alignment of active funds

1 Not aligned	2 Committed to aligning	3 Aligning to a net zero pathway	4 Aligned to a net zero pathway	5 Achieving net zero
All other strategies	<ul style="list-style-type: none">• Stating ambition. The strategy has made a commitment to achieve net zero emissions by 2050.	<ul style="list-style-type: none">• Stating ambition. The strategy has made a commitment to achieve net zero emissions by 2050.• Disclosing emissions. The strategy discloses Scope 1 and 2, and material Scope 3 emissions, where the data is available.• Setting targets. The strategy has set short and medium-term emissions reduction targets aligned to a net zero target by 2050 (across Scope 1 and 2 emissions at a minimum) for a material percentage (typically over 40%) of its portfolio. Targets for certain asset classes, for example sovereign bonds, may not be possible at this point in time due to a lack of methodology.• Making a plan. Set out a plan explaining how these targets will be achieved.	<ul style="list-style-type: none">• Raising ambition. The strategy is on course to achieve net zero emissions by 2050 or sooner.• Disclosing emissions. The strategy discloses Scope 1 and 2, and material Scope 3 emissions for the majority of its underlying investments (more than 75%).• Increasing targets. The strategy is meeting short and medium-term emissions reduction targets across Scope 1 and 2 emissions. It has also included material Scope 3 emissions targets for the majority of the portfolio.• Restating the plan. Review the plan, explaining how these targets will be achieved to include new methodologies, best practice and increased ambition.• Reporting against the plan. Evidence progress against the decarbonisation targets set, stating key areas of focus for engagement.	<ul style="list-style-type: none">• Achieving ambition. The strategy has achieved net zero emissions by 2050 or sooner.• Disclosing emissions. The strategy discloses Scope 1 and 2, and material Scope 3 emissions.• Meeting targets. The strategy is meeting short, medium and long-term emissions reduction targets across Scope 1 and 2, and material Scope 3 emissions.• Maintaining alignment. The strategy on the whole has current emissions intensity performance at, or close to, net zero emissions. The underlying companies or assets have an established investment plan or business model which is expected to continue to achieve that goal over time.



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Our approach to climate scenario analysis

We consider climate scenario analysis to be a valuable tool for better understanding a range of possible future states. It can inform investment decision-making and strategy for enhancing risk-adjusted returns, in light of expected climate-driven changes to the economy. We have analysed the exposure of our investment holdings to physical and transition climate risks under a range of climate scenarios. An overview of this analysis can be found on pages 26 and 27.

Climate scenario analysis overview¹

For the analysis shown on the following pages, we have used Morgan Stanley Capital International's (MSCI) aggregated Climate VaR analysis that combines physical and transition impacts under three representative temperature pathways:

- Net zero 1.5°C
- Below 2.0°C
- Above 3.0°C

The scenarios used are not intended to be predictions of the future, but rather highlight the risks and opportunities from different possible outcomes. The models assume no change or adaptation from companies over time. Furthermore, this analysis is based on a snapshot of current holdings and does not consider action to mitigate risk, such as engagement or portfolio changes.

The analysis is based on the exposure to investments in publicly listed equity and corporate bonds. They are referred to here as “covered investments”.

Physical risks analysis

We assess exposure to approximately ten different climate-related hazards. These are grouped under “average” and “aggressive” scenarios and aggregated to an overall “extreme weather climate VaR”.

Transition risks analysis

We align our choice of scenarios to the externally defined set of reference scenarios provided by the Network for Greening the Financial System (NGFS). Some scenarios assume stringent carbon policies and rapid decarbonisation, while others assume slow and uncoordinated policy action. These scenarios cover multiple transition risk stressors such as carbon price, fossil fuel prices and demand, energy mix evolution and emissions pathways.



Further information

For more detail on the transition and physical risk climate scenarios we have used, see Appendix 4.



1. Climate exposure data is mapped to covered investment holdings. Aside from the time series analysis or where stated otherwise, climate risk exposure is assessed from present to end of century, with values expressed in present terms as a proportion of current market value. Note, the underlying models do not take into account investee responses to climate-specific actions.



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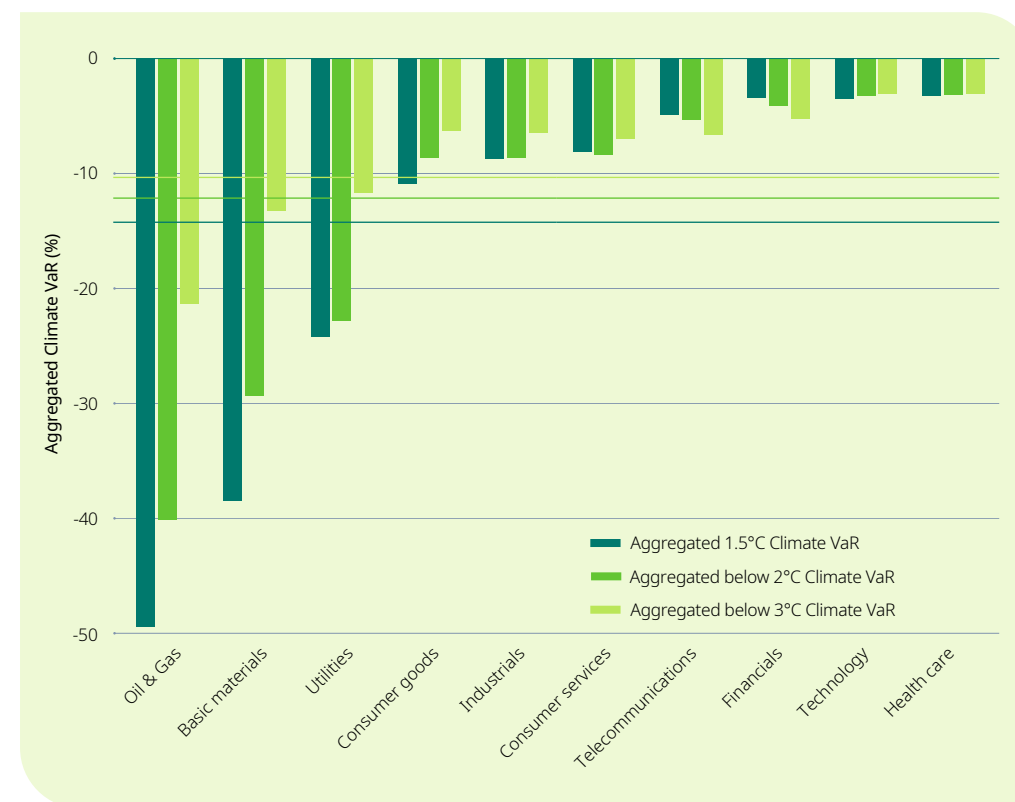
Scenario analysis findings

Exposure of listed securities to aggregated climate-related risks

Under the lens of aggregated Climate VaR in Figure 13, our covered investments are most exposed to climate risks under a 1.5°C scenario, with a potential impact of -14% of current market value. This impact diminishes slightly under 2°C (-12%) and 3°C (-10%) scenarios. In general, the

model shows that transition risks are greater than physical risks. The horizontal lines in Figure 13 represent the aggregated Climate VaR of the covered investments, while the columns represent the value for each individual sector. There are marked differences in the profiles of different sectors of the economy, with aggregated climate risk becoming progressively more concentrated in sectors such as basic materials and oil and gas under more aggressive transition scenarios.

Figure 13 Covered investments exposure to aggregated climate risk, broken down by sector¹



1. Schroders' aggregated sectoral climate risk analysis using MSCI Climate VaR.

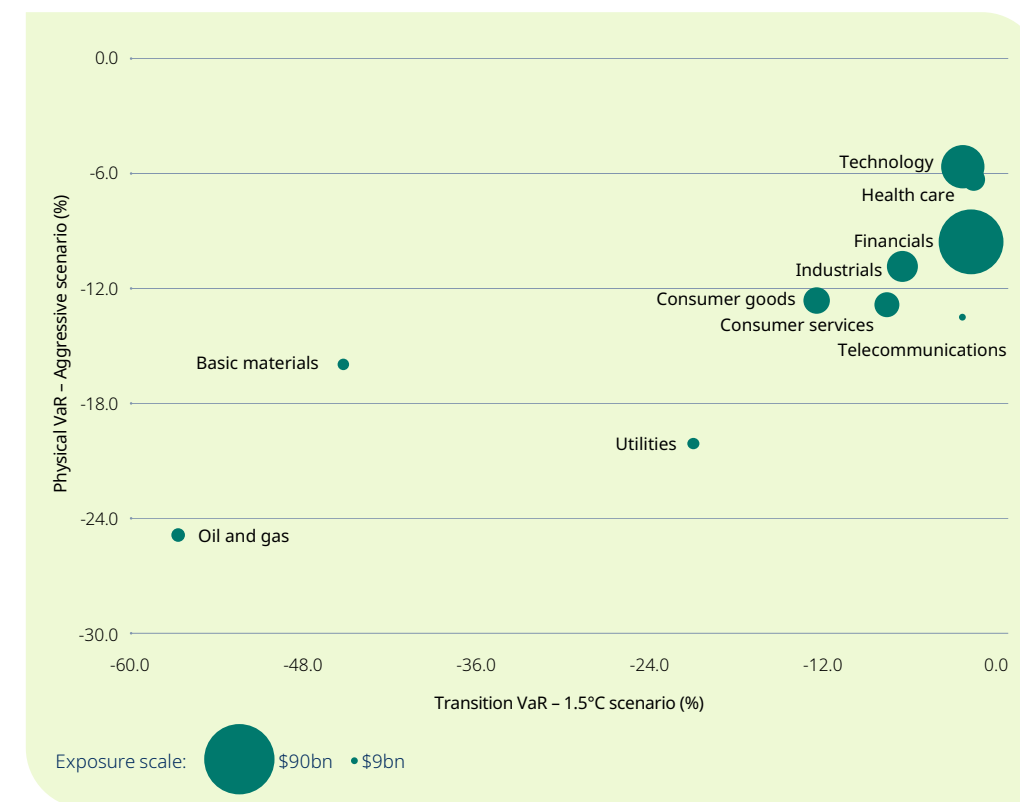
2. Schroders' sectoral analysis of extreme physical and transition risk scenarios using MSCI Climate VaR.

Exposure of listed securities to physical and transition risk

The negative implications of physical climate impacts are outweighed by the transition risk impacts under the stringent policy scenario that will be needed to deliver global climate goals.

Figure 14 below summarises the sector exposures in a high-risk scenario for both physical and transition risks. The size of the bubbles represents the share of our in-scope AUM invested in that sector.

Figure 14 Covered investments physical and transition risk exposure, broken down by sector²





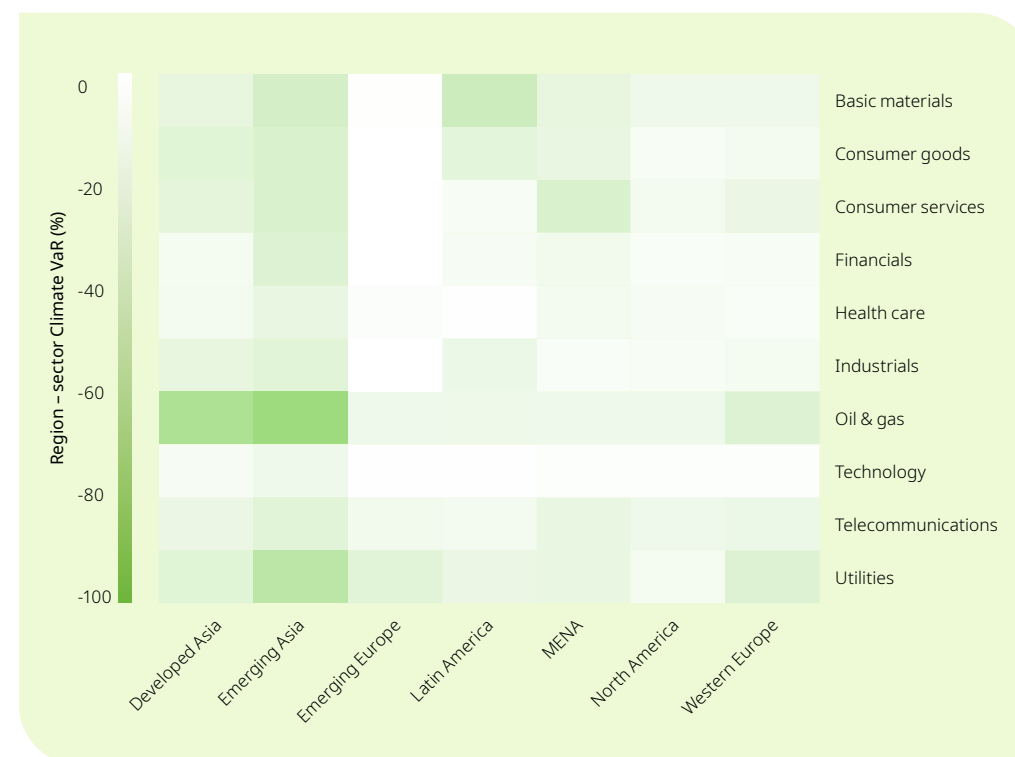
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We have also examined climate risks facing the investments we manage on a regional and sectoral basis, using MSCI's Climate VaR modelling.

On physical risk, the distribution is more homogenous across different sectors of the economy, as Figure 15 shows. The regional variance

is more noticeable, reflecting the ways different parts of the world will be affected by extreme weather events, and that locations closer to the tropics will be more exposed to changes in climate extremes, such as heat stress and heavy precipitation events.

Figure 15 Chosen listed securities' region-sector exposure under the aggressive physical risk scenario¹



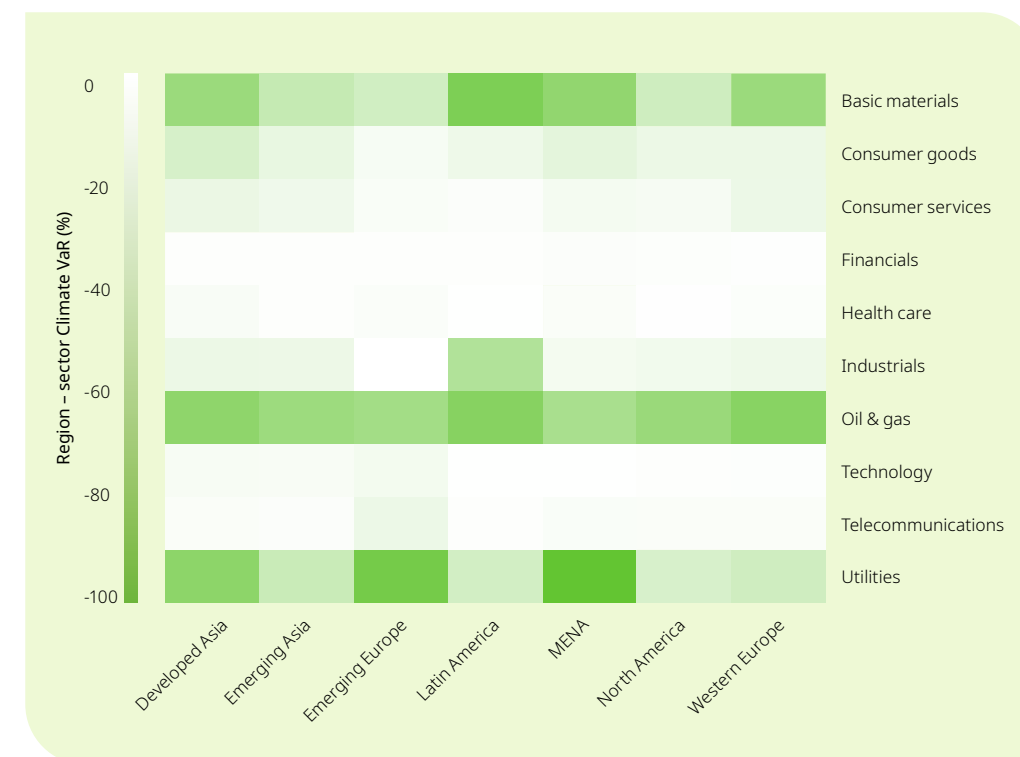
1. Schroders' sectoral analysis of transition risk using MSCI Climate VaR.
2. Schroders' sectoral analysis of physical risk using MSCI Climate VaR.

Conversely, for transition risk, the analysis in Figure 16 shows there to be less regional variance in the level of exposure within sectors, even for some of the most exposed sectors like oil and gas, utilities, and basic materials. This analysis implies that regardless of the footprints of companies in

these carbon-intensive industries, transition risks will be dominant.

It is worth reiterating that the models' conclusions are one view of the world. All conclusions may be subject to change as data and assumptions change or as new models are developed.

Figure 16 Chosen listed securities' region-sector exposure under the 1.5°C disorderly transition scenario²





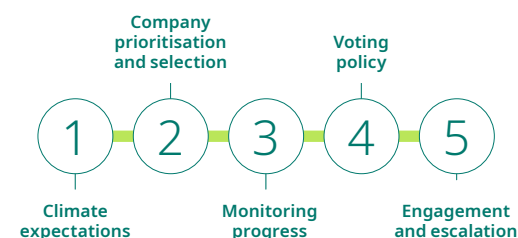
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Influence: Encourage and support companies to act more sustainably

We believe we can most effectively manage climate exposure by engaging with the most material carbon emitters in the portfolios we manage. We do not believe that divestment is the best starting point for investors to decarbonise portfolios. We apply this mindset across both listed equities and corporate bond investments.

Our approach in Public Markets Climate Engagement and Escalation Framework

We have a long history of engagement on climate topics with investee companies, and where relevant, voting in support of climate-related resolutions. Our Climate Engagement and Escalation Framework sets out how we will use our influence. For more information on our engagement strategy, please see our Climate Transition Action Plan (CTAP).¹



1



Climate expectations

We have four climate objectives we expect large and medium-sized companies to adopt:

1. commit to decarbonise business models towards net zero around mid-century
2. set long, medium and short-term targets covering Scope 1 and 2, and material Scope 3 emissions
3. publish a detailed transition plan explaining how they will deliver that transition and meet those targets
4. publish their performance and progress annually.

In addition, we expect companies to report annually on their climate-related risks, and the steps they are taking to manage these risks.

Global energy company case study

Next year our expectations will be:

- ☐ for the company to become a leader in the transition
- ☐ greater insight into capital allocation in green solutions
- ☐ better identification of stranded asset risk
- ☐ understanding on the role of divestment in achieving climate targets
- ☐ align remuneration policy to transition objectives.

2



Company prioritisation and selection

We focus engagement on companies contributing the most to our financed emissions, and where our influence is greatest. Our modelling shows that in the period until 2030, we will need to engage over 1,000 companies. We review engagement priorities annually, taking into account the progress and objectives established in previous years.

● Group priority companies

Our Sustainable Investment team lead the engagements with around 100 of the most exposed companies, working closely with investment desks (portfolio managers and analysts) and climate specialists within the Group.

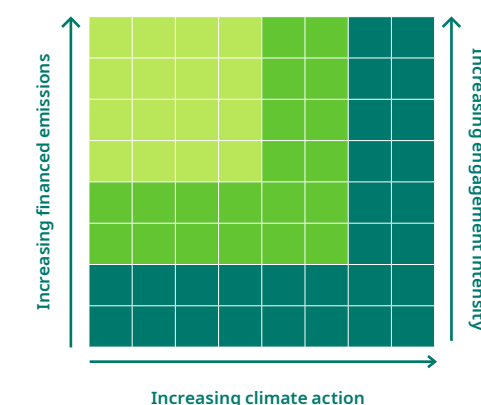
● Fund priority companies

Investment teams lead engagements for the remaining priority companies, supported by our Sustainable Investment team and climate specialists.

● Other companies

We communicate our expectations to, and monitor progress of, other companies.

How we prioritise our engagements



1. Schroders Climate Transition Action Plan.



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3



Monitoring progress

We use a data-driven approach to monitor progress against our expectations and measure the impact of our engagements. ActiveIQ (our proprietary engagement tracking tool) and other proprietary tools allow us to track this at a company and fund level. We use a wide range of metrics to track company performance, including:

- **Ambition** to reduce emissions, such as climate commitments and emissions targets
- **Organisation** changes to facilitate transition, such as leadership responsibility and remuneration policy
- **Action** taken to reduce emissions, such as climate policies and renewable energy use
- **Progress** in decarbonising the company's business model, such as reduced emissions intensity.

4



Our voting policy

In line with best practice, we adhere to a “support or explain” approach to resolutions, aiming to vote in favour of resolutions where they align with our clients’ investment goals. This includes the following:

- **Shareholder resolutions:** In 2023, climate-related shareholder resolutions represented over 25% of shareholder resolutions at companies we invest in. We will continue to support resolutions that align with our climate expectations
- **“Say on Climate” resolutions:** These give shareholders a say to approve a company's climate targets, policy or transition plan. We support these resolutions where we believe they are ambitious and align with our climate expectations
- **Votes against boards:** We use our vote to drive change, for example through voting against board directors in those companies significantly exposed and trailing on climate commitments.

5



Our escalation policy

Where Schroders has engaged repeatedly and seen no meaningful progress, we will escalate our concerns through these methods:



Meeting or otherwise communicating with non-executive directors or the chair of the board



Expressing our concerns via company advisers or brokers



Collaborative intervention with other institutional investors



Withholding support or voting against the board's recommendations



Publicly stating our concerns



Submitting resolutions at general meetings



Requisitioning shareholder meetings



Divesting, which may mean a full or partial exit

Global energy company case study continued

We engaged with the company six times on climate change in 2023, from one-on-one calls and meetings to company-led sustainability events with the CEO and chair.

Through these engagements, we have been able to monitor the company's progress and response to our climate expectations.

We supported management's “Say on Climate” resolution in relation to the company's climate progress report.

We did not support the shareholder resolution on climate targets. Our decision was based on three main factors:

1. the company's aim to transition to a net zero business model while meeting wider societal needs
2. the company already having targets in place that it believes are consistent with Intergovernmental Panel on Climate Change's 1.5°C scenarios
3. our preference for the company not to set targets that could incentivise oil and gas divestments.

In a meeting with the company's CEO, we discussed our support of the transition plan that is already in place, despite hints in the media that the company may change its plans.

We have written to the company's chair outlining our climate priorities. We have asked for clarity on these matters and look forward to continuing our dialogue with the company.

We have cautioned against the company weakening its current targets.



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Climate-focused engagement and voting activity¹

We undertook our first recorded climate engagement in 2002; since then, the scale has risen significantly. Similarly, as the number of shareholder resolutions has risen, so has the extent of our voting.

The increase in activity has risen as our focus on climate change has intensified. Of the more than 1,000 companies we believed it would be necessary to engage with by 2030 to reach our climate commitments, we engaged with 743 companies in 2023. We identified 500 of these to be priority companies.

We operate on a two to three-year engagement cycle starting with clear articulation of engagement objectives with priority companies. Over time, we will continue to engage and monitor company progress towards a net zero aligned business model.

2023 voting activity

Shareholder resolutions (supported)

78%

Votes against directors (companies)

87

Votes against directors (directors)

92

Advance disclosures

6

Companies engaged

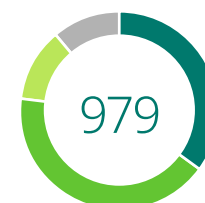


Of which are climate priority companies:

500

The geographic location of the 743 companies are broken down on the right:

Engagement event format



- Email 35%
- Call or meeting (one-to-one) 42%
- Collaborative 12%
- Other 11%

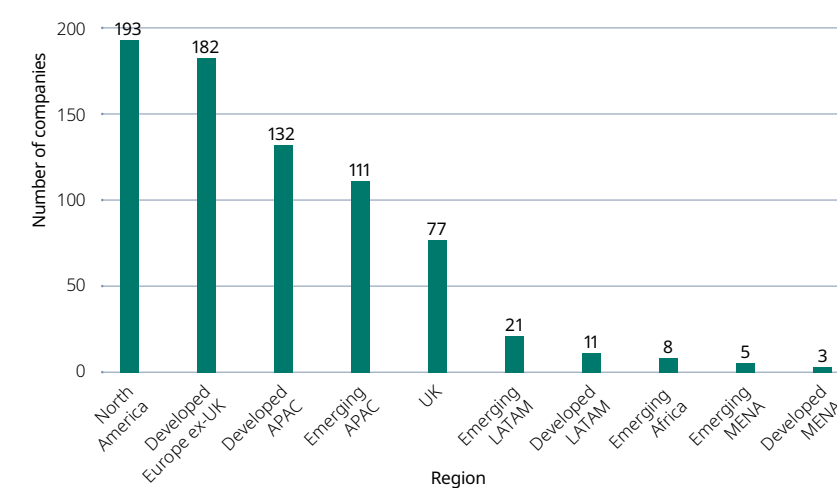
Objectives set



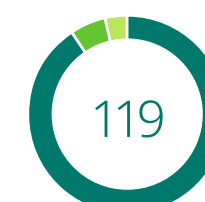
Of which were related to:

- Climate alignment (target setting) 77%
- Climate risk and oversight 13%
- Deforestation 6%
- Just Transition 2%
- Carbon capture and removal 1%
- Climate adaptation 1%
- Other 0%

Companies engaged by region

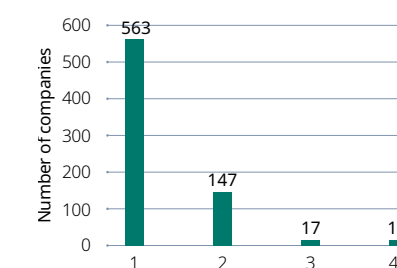


Collaborative engagement events



- Of which are collaborative mass engagements: 108
 - IIGCC Net Zero Engagement Initiative (NZEI), letter
- IIGCC Bank 7
- Other 4

Engagements per company



1. 2023 data extracted from ActiveIQ.



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Case study: driving climate progress and leadership at a European bank



1

Since 2020, we have undertaken regular in-depth engagements with a European bank to really drive climate leadership and encourage them to increase their disclosures, set robust targets and strengthen policies in line with our climate expectations. Over the course of 2020–2021, we asked the bank:

- to review and build on existing fossil fuel policies in line with emerging best practice
- to consider introducing a “Say on Climate” vote
- to consider adding interim climate targets beyond 2025
- to increase visibility over absolute Scope 3 emissions for their total portfolio and individual sectors.

2

We monitored progress over 2022 and determined that the bank had met or partially met the objectives set. In a meeting with management, a further three issues were raised:

- we encouraged disclosure around the bank’s policy towards fracking clients and related lending policies
- we sought that all new financing clients have credible transition plans across high-emitting industries
- we requested pathway progress disclosures to include high-emitting sectors beyond energy and power.

3

We continued our engagement strategy and our engagements ahead of the 2023 Annual General Meeting (AGM), focusing on the topics of thermal coal lending, financed emission disclosure discrepancies, and the bank’s Scope 3 emissions.

Taking into account the resolutions filed at the AGM:

- we continued to engage the bank on tracking their financed emissions and sustainable financing practices in 2023.



1

2

3



4

Influence

Engagement progress and escalation

Jan 2008

Presentation on impacts of climate change on clients
Presentation by Head of Environmental Risk

Sep 2020

Update on climate strategy and progress to date on net zero ambition
Call (with external investor group) with sustainability professional

Jan 2021

Climate strategy webinar
Call with sustainability professional

Jan 2021

CEO letter – engaging with FTSE 350 on net zero ambitions
Email sent to board chair

Apr 2021

Climate change, fossil fuel financing and market forces resolution
Call with board chair

Dec 2021

Meeting with sustainability expert
Meeting one-on-one

June 2022

Discussion on financed emissions disclosure and targets
Call with sustainability professional and Investor Relations

Mar 2023

Follow up meeting on climate
Call with sustainability professional and Investor Relations

Nov 2023

Transition and financed emissions discussion
One-on-one with sustainability professional



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Our approach in Private Markets

At Schroders Capital, our purpose is to provide excellent investment performance to our clients through active management and responsible stewardship in private markets. The unique characteristics of private assets investment strategies – typically longer investment horizons combined with the provision of capital for tangible assets and greater ability to operate and enhance our assets – provides us with an opportunity to build operational and financial value from origination to exit along all the different steps of our investment process.

Prioritisation of engagement activity differs depending on the nature of the asset class and our holdings. However, common threads for consideration are: the materiality of our exposure to the individual asset, the exact relationship with the asset, whether there have been controversies or particular sustainability issues, and whether the company is not progressing against a set of sustainability and impact targets.

Across all four pillars of Schroders Capital, climate change is a key engagement theme. In many cases for private assets, we are first seeking to improve the quality and level of disclosure on climate materiality, emissions and decarbonisation, or to better understand how potential risks have been considered, priced and mitigated. When we directly own a real asset, we seek to ensure how the asset’s impact on climate change can be reduced, how the asset will evolve to ensure it is resilient to climate change, and how the asset interacts with local stakeholders.

How we engage with different stakeholders across our four pillars in private markets



Infrastructure

As an investor in infrastructure assets, Schroders Greencoat acts as an active owner of all assets in which it invests. Schroders Greencoat will in most cases have a representative sitting on the board of each investee company, allowing us to play a direct and active role in monitoring, assessing and influencing the financial, operational and sustainability performance of the investments and assets we manage and ensuring strong governance. There are many stakeholders with which we engage on a continuous basis during the investment period (often 20+ years) to improve the performance of assets, including sustainability outcomes. Examples of key stakeholders we engage with include suppliers, contractors, regulators and local communities.

Schroders Greencoat regularly engages with regulatory bodies. For example, the UK government is reviewing the design of the UK electricity market to enable it to become a decarbonised, cost effective and efficient system. In 2023, Schroders Greencoat engaged with this design process by feeding our views on different low carbon market frameworks back to the government. We provided this feedback through consultation exercises, government workshops and meetings with officials and ministers. The government consultation and design process remains ongoing and we will continue to be engaged where possible and required.



Credit alternatives

We were approached in 2023 for the refinancing opportunity of an investee company operating an oil pipeline network in Europe (invested through one of our old-vintage funds¹). The investment decision was based on a business plan reflecting more stringent climate policy developments, with fossil fuel volumes decreasing as decarbonisation regulations and incentives are gradually implemented. In addition, we engaged in a constructive and collaborative exchange with the sponsor which shared our concerns regarding the sustainable nature of the asset and the need to guide it towards best sustainability practices. Through our active engagement, we managed to implement contractual amendments to better monitor the sustainability trajectory of the asset (e.g. capex focused on sustainability purposes; enhanced sustainability information undertakings; monitoring of sustainability indicators and KPIs), and to structure the investment as a sustainability-linked loan.

1. Investment fund for which the investment period has terminated.



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How we engage with different stakeholders across our four pillars continued



Private equity and private debt

General Partner (GP) engagement: data centre efficiency and cloud reliant business models.

In 2022, Schroders Capital acquired a secondary stake in a French venture capital fund focused on Software as a Service (SaaS), Platform as a Service (PaaS), climate technology, data, cloud infrastructure software, and other technologies. During due diligence, it was unveiled that the GP had not formalised their sustainability approach yet. This became a post-investment action point for the private equity team, which has led to engagement throughout 2022 and 2023. The focus was two-fold: encouraging the GP to adopt best practice sustainability frameworks and industry-specific material sustainability themes. Recognising the potential environmental and climate impact associated with underlying investments (mostly cloud-based technology), we placed a strong emphasis on awareness raising on the energy consumption needs of data centres.

Following our engagement activities, the GP provided a comprehensive account of measures undertaken, including the formulation of a sustainability policy, incorporation of material sustainability themes, and engagement of an external consultant. Notably, the GP initiated engagement with data centre providers including Microsoft Azure and Amazon Web Services in order to facilitate its portfolio companies in accessing relevant environmental information, including KPIs on power usage effectiveness, and water usage effectiveness. They also proactively organised educational sessions for their portfolio companies, in which Schroders Capital was involved. To continue scaling, the GP conducts a full energy profile of each investment, and engages with portfolio companies to assess Scope 1 and 2 GHG emissions and implement robust climate change strategies.



Real estate

Industry collaboration

Schroders Capital Real Estate is responsible for transitioning its assets towards a low or net zero carbon future through active management and stakeholder engagement. Regularly reviewing reporting boundaries and improving data quality and consistency are integral parts of our strategy. This is achieved through active tenant engagement, and collaboration with wider stakeholders such as industry working groups. This engagement is essential to establish well-defined targets, methodologies and realistic decarbonisation trajectories for the real estate sector, which we can apply across our assets and funds.

We actively integrate climate-related risk into our investment process and seek collaboration with peers to exchange views and feedback. In 2023, we have continued our membership of the Better Buildings Partnership, participating in a range of working groups including those on “Investor Engagement” and “Climate Resilience” and have participated in initiatives such as the World Business Council for Sustainable Development’s (WBCSD) Market Transformation Action Agenda.

Our real estate team has actively contributed to the recently published “Investor guide to addressing whole life carbon in real estate” by the Institutional Investors Group on Climate Change.¹ This guide focuses on addressing whole life carbon emissions and decarbonisation strategies in real estate portfolios. Schroders Capital also sponsored the Urban Land Institute’s C-Change programme,² which seeks to mobilise the European real estate industry to decarbonise, with real estate team members supporting the development of a framework for real estate professionals to apply financial impacts to key transition risks. These collaborations help us to maintain a leading position on climate and net zero carbon by shaping industry best practice for reporting and managing risks and opportunities associated with climate change.

1. <https://www.iigcc.org/resources/addressing-whole-life-carbon-real-estate-guide>

2. <https://europe.uli.org/research/c-change>



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Our approach in Wealth Management

Just over half of our managers have made a net zero commitment, yet very few have formally implemented those commitments into their underlying funds. By engaging with those managers to increase ambition on net zero within their funds, our objective is that they, in turn, will put pressure on the underlying companies they own to do the same.

In the next few years, our engagement will be focusing on accelerating progress by building up understanding and sharing best practice. We will concentrate our efforts on the managers still to make a commitment, with a particular focus on those that in our view can easily make one but have not yet done so.

There will be some managers in asset classes such as sovereign bonds and commodities, which will struggle to make a binding commitment through a recognised framework in the next few years given a lack of data and methodology. Our priority with them will be to share best practice and encourage collaboration as part of industry initiatives.

We have established a Climate Engagement and Escalation Framework which sets out how we will use our influence to help drive the transition to a low carbon economy. The framework is made up of five key steps:



Climate Engagement and Escalation Framework



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Our climate expectations vary for indirect and direct investments. When investing in strategies or funds, we are one step removed from investing directly in companies. As a result, the expectations, although aligned, are not identical.

For our indirect investments, we have five climate objectives that we expect managers to adopt:

Our engagement ambition over the next 12 months with indirect investments covers four main areas:

- communicate our net zero commitment and targets, including our policy on coal, to all managers
- engage with managers that have yet to make a net zero commitment – currently approximately 45% have yet to make one

- engage with strategies in our sustainable range, encouraging them to formally set a net zero ambition and implement targets
- identify upcoming climate resolutions at AGMs and engage with managers on how they intend to vote.

- 1

Commit to align assets under management with an ambition to reach net zero by 2050 or sooner as a Group. Managers are encouraged to join industry initiatives, such as NZAM, in order to share best practice, for example, on methodologies and reporting
- 2

Publish a climate transition action plan, setting out how this will be delivered, updating clients on progress regularly
- 3

Filter this ambition down to the underlying strategies, ensuring that climate risks are assessed and decarbonisation goals are stated
- 4

Engage with underlying companies to disclose emissions, set targets, and publish detailed transition plans
- 5

Escalate engagement, where needed, through voting against directors on climate or in favour of climate resolutions.



Cazenove Capital leads on wealth managers for climate action

In September 2023, Cazenove Capital brought together 20 wealth managers – representing over £950 billion of assets under management – for the first wealth manager-led roundtable on net zero in the UK. As an increasing number of managers start to set out their own decarbonisation targets, the aim of this roundtable was to provide an opportunity to share best practice and take collective action.

Key takeaways

1. All managers are broadly aligned in terms of our long-term destination. The key question for most managers in setting a net zero target is still around fiduciary duty.
2. Managers with sustainability-focused clients find the journey to making a net zero commitment easier because of a better understanding by clients of the challenges and nuances – emphasis therefore needs to be on ensuring clients are informed.
3. A key area of focus for most managers is on engaging with the bulk of assets in order to make a meaningful contribution to decarbonisation.
4. There is a desire to coalesce and collaborate more as a group.



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Innovate: Develop investment products and innovative solutions to meet clients' needs

We understand that many of our clients are at different stages of their net zero transition journey and have different views of the climate challenge. This is why we have redesigned our Climate Product Framework (see right) to focus more on our clients' decarbonisation outcomes, while also expanding the options available to our clients.

Since we launched the Global Climate Change (GCC) strategy in 2007, our climate-focused range has grown to over 15 strategies across public and private markets.

Although our aim is for all Schroders strategies to be included in our commitments, given their unique investment approach, their trajectories will vary and may not always be linear.

Climate Product Framework

Lower carbon

Designed for clients that have a decarbonisation objective and want to invest in core strategies

These strategies target a specific emissions reduction profile, either relative to a benchmark or on an absolute basis.

This comprises both "Core" and "Sustainable" strategies.

Climate action

Designed for clients that want to invest in companies transitioning to net zero

These strategies invest in companies who are actively transitioning to a lower carbon business model and are reducing their exposure to GHG emissions.

This comprises both "Sustainable" and "Impact strategies", such as the GCC and Carbon Neutral Credit strategies.

Climate solutions

Designed for clients that want to invest in solutions tackling climate change

These strategies invest in companies that have products and services that actively contribute to specific climate-related outcomes through technological development and innovation.

This comprises both "Sustainable" and "Impact" strategies such as the Global Energy Transition and BlueOrchard Emerging Market Climate Bond strategies.

See more information on "Core", "Sustainable" and "Impact" strategies on page 38.



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Specific approach in Private Markets

One of Schroders Capital's priority areas is developing innovative products with a clear focus on sustainability and impact outcomes. We identify four themes relating to climate change: climate mitigation, climate adaptation, natural capital and biodiversity, and social vulnerabilities. Given our multi-asset exposure, we have capabilities in each of these areas singularly and strategies that cover a whole spectrum of climate themes through multiple private asset solutions.

Private assets investors are at the forefront of providing funding to address climate change; from the direct ownership of renewable energy infrastructure to investing in early-stage companies that are at the forefront of developing low carbon technologies. From this perspective, we currently have exposure to both the climate action and, predominately, climate solutions categories outlined on page 36.




In our real estate business, we have the ability and responsibility to make asset-level decarbonisation and climate resilience decisions. Through the setting of clear and publicly communicated commitments to decarbonisation, supported by ambitious action plans, assets and funds can achieve reductions in carbon emissions and support a net zero carbon future. For our funds where all assets have these commitments in place, we believe this aligns with a “climate action” strategy. To qualify as a “climate solution”, we believe that an asset or fund would need to be already achieving an ambitious climate goal and utilising best-in-class technology and processes to enable users, wider stakeholders or other assets to achieve their climate targets.

Across private assets, we have numerous strategies that are dedicated towards climate solutions both through the lens of climate change mitigation and adaptation. In infrastructure, Schroders Greencoat is a business with 100% alignment to climate solutions, offering strategies in renewable energy

and wider energy transition infrastructure. Other aspects of climate mitigation are nuanced components of responsible consumption and circular economy models. Through BlueOrchard, we offer solutions for climate in emerging markets, in both adaptation and mitigation. Strategies here include access to climate insurance to individuals and small businesses, sustainable infrastructure and, more recently, a focus on carbon sequestration through natural capital allocations.

The climate solution strategies (see page 36), which form part of our impact offering follow the same investment process underpinned by the Schroders Impact Framework. One of the key components of the impact framework is its impact toolkit, providing investment teams a comprehensive, asset class agnostic, assessment tool applicable to the entire investment universe. The climate sections of the impact scorecard (see examples below) include a consistent mapping to impact intents, defining the specific climate objective sought, the Sustainable Development Goals (SDGs),

predominantly SDG 7: access to clean energy, 9: industry, innovation and infrastructure and 13: climate action, as well as key impact indicators measuring the environmental performance of the underlying assets. Moreover, the impact scorecard highlights the asset and investors financial and non-financial contribution and assesses the potential risk of not achieving the impact objectives through a set of nine pre-defined impact risks. The analysis results in a score between 0 and 100 and gives an indication of the asset impact over time.

Example impact scorecard assessment ¹				
What	How much	Who	Contribution	Risks
What is the impact intent of the investment	What is the depth and scale of impact. Includes baseline and target impact indicators	Which stakeholders experience the impact	What is the investee and investor's financial and non-financial contribution	What are the risks that could prevent the intended impact to materialise?
Includes impact objectives mapped to the SDGs	Includes core and asset specific KPIs	Includes context assessment	Includes asset and Schroders' additionality assessment	Includes assessment across nine pre-defined impact risks
<i>Climate impact intent examples:</i> <ul style="list-style-type: none">• Improve access to clean energy• Improve energy efficiency• Develop resilient and sustainable infrastructure• Strengthen climate change resilience and adaptation.   	<i>Impact indicator examples:</i> <ul style="list-style-type: none">• Renewable energy generated• CO₂ emissions avoided• Number of homes powered with clean energy• Reduction in carbon intensity.	<i>SDG need assessment at country level</i> <ul style="list-style-type: none">• Stakeholder assessment including people, planet and industry.	<i>Asset specific additionality includes:</i> <ul style="list-style-type: none">• Carbon payback period• Capacity additionality• Schroders additionality includes:<ul style="list-style-type: none">– Funding construction, operational or transition asset– Engagement with end stakeholders (i.e. local communities).	<i>Impact risks examples:</i> <ul style="list-style-type: none">• External risk: are there external factors that might disrupt impact (e.g. physical risk, economic risk)?• Endurance risk: is there a risk that impact activities won't be delivered for long enough?• Unexpected impact risk: Are there any unintended or unexpected negative impact risks?

1. Schroders, BlueOrchard, Impact Management Project, 2024.



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Supporting our clients with their net zero ambitions

In 2023, we created the Decarbonisation Group, a body of internal climate experts from across our public, private, and wealth businesses. The aim, to identify the challenges our clients are grappling with in decarbonising their portfolios, and to provide useful and practical content to help address those challenges.

This year, the Group published a three-part guide to portfolio decarbonisation¹, as well as tailored materials for certain market segments, such as Wealth Management. These focused on providing clients with insight into the key levers for driving change in a portfolio and how this may vary depending on the type of investment strategy adopted by the client.

Specific approach in Wealth Management: Understanding the different levers to achieving net zero

Before choosing a net zero pathway, it is important to have a good understanding of the two key investment levers through which to achieve a net zero target.

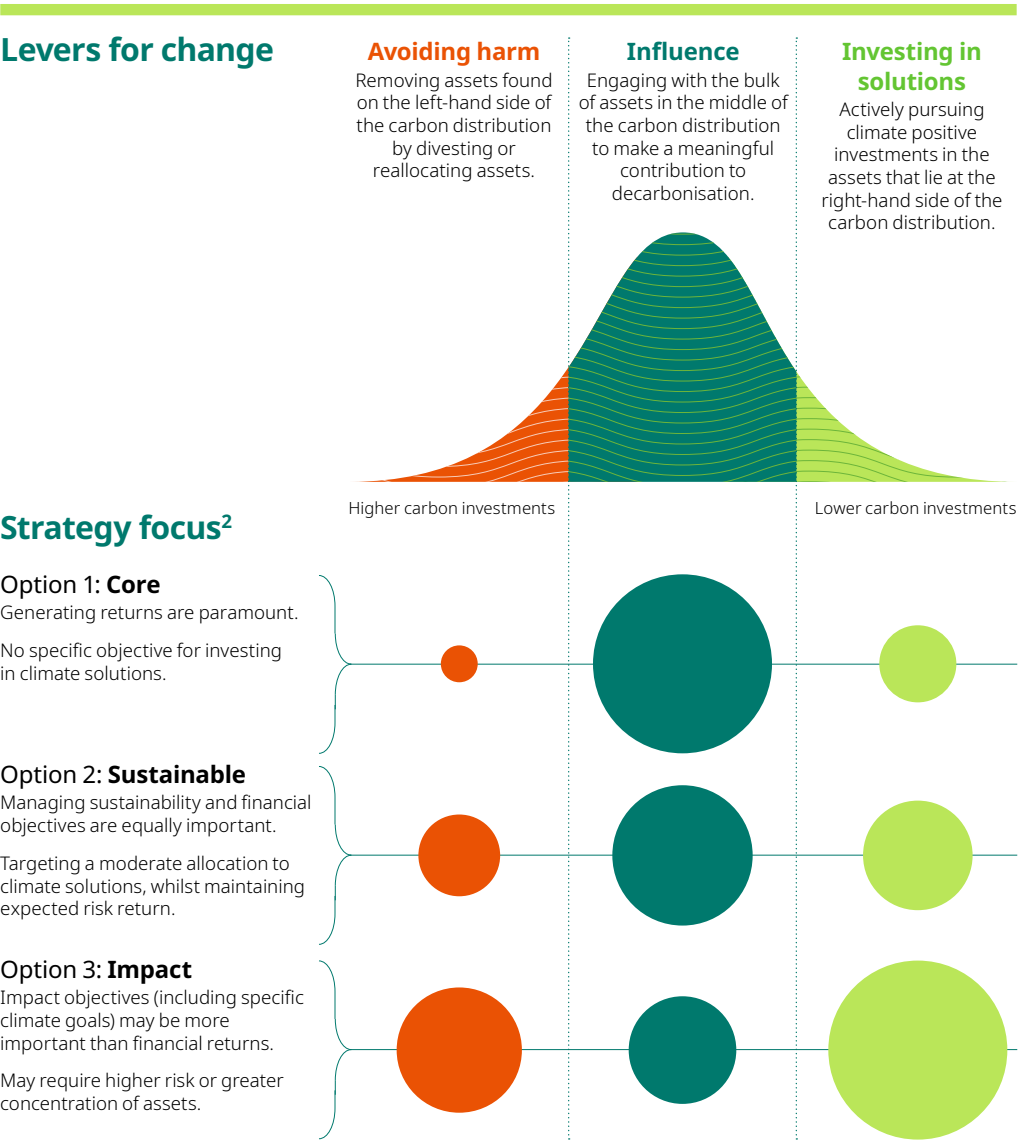
Investment reallocation: such as divesting from the most carbon intensive companies and allocating capital towards companies providing the solutions. Divestment can help manage some financial and reputational risks of investment in the highest carbon assets, reduce reported financed emissions, and may be an important element of ensuring investments align with investor values. Investing in climate positive solutions can directly help solve real world challenges.

Active ownership: using influence as a shareholder or owner to push for more ambitious climate action from the companies, funds or other assets. This can lead to faster and more equitable decarbonisation of these investments, thereby contributing to real world GHG reductions, as well as having positive effects on asset values if executed successfully. It includes dialogue, engagement and voting.

In addition, the overall market trajectory is broadly towards decarbonisation. With increasing regulatory pressure and consumer expectations, this trend is likely to continue and accelerate.

Three main approaches to net zero within portfolios

We have outlined three example approaches we believe reflect the preferences of the majority of our clients. Our default option for clients is to manage climate risk, alongside other risks, to generate returns (Option 1: “Core”). This involves prioritising engagement rather than divestment, working with managers and companies to set net zero targets and tracking progress. For those clients wishing to go further, we have two other options with specific sustainability (Option 2) and impact (Option 3) objectives, which use both investment reallocation (avoiding harm and investing in solutions) alongside active ownership. If clients have tailored or specific net zero requirements we can, of course, vary these approaches to accommodate them.



1. Investor’s guide to decarbonisation: part 1, part 2, and part 3.
2. The bubbles represent the importance of each of the three levers within a client’s portfolio. This is for illustrative purposes only.



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Our own operations

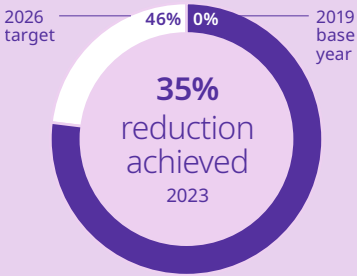
Our operational climate change strategy focuses on reducing our environmental impact by decreasing energy demand, increasing energy efficiency and switching to low carbon sources of energy. We also engage with our suppliers to encourage and support them in setting their own science-based targets.

Direct activities: offices and fleet

Reducing our greenhouse gas emissions

Our target
Reduce Scope 1 and 2 (location-based¹) emissions by 46% by 2030 from a 2019 base year

Progress against target



N.B. All target years are by 31st December.

Inspire: Lead by example in our own corporate actions

Our progress

In 2023, our total Scope 1 and 2 GHG emissions decreased by 35% from the 2019 base year and decreased by 2% compared to 2022. Specifically, our total Scope 1 GHG emissions decreased by 40% from the 2019 base year and decreased by 16% compared to 2022, and our total Scope 2 GHG emissions decreased by 34% from the 2019 base year and increased by 1% compared to 2022.

The SBTi defines a 4.2% reduction in GHG emissions in linear annual terms, to be in line with a 1.5°C trajectory. This means that our 2023 Scope 1 and 2 GHG emissions should represent a minimum of a 16.8% reduction against our 2019 base year emissions, on which we achieved a 35% reduction. Although we recognise our progress will not be linear, we are currently on track with a 1.5°C aligned science-based pathway.

A main cause of reduction to our Scope 1 GHG emissions was the decrease in gas use in our London headquarters, due to the recalibration of our heating system. Fugitive emissions have also decreased due to fewer leakages as a result of increased leak detectability. We also saw a significant reduction in company car emissions since 2019 due to fewer business miles being recorded, and an increased uptake of hybrid and electric vehicles.

While Scope 2 emissions have decreased since 2019, they have increased 1% since 2022. As we have set our target using the location-based methodology,¹ our Scope 2 emissions are largely determined by the emissions intensity of the grid in that particular location. The majority of our operations (49% by square metres) are located in the UK. In 2021, the UK increased the use of coal and natural gas due to fuel shortages, increasing the emissions intensity of the national grid by 7.2%.² Therefore, emissions increased despite our electricity consumption (kWh) decreasing since 2022 (due to the implementation of energy

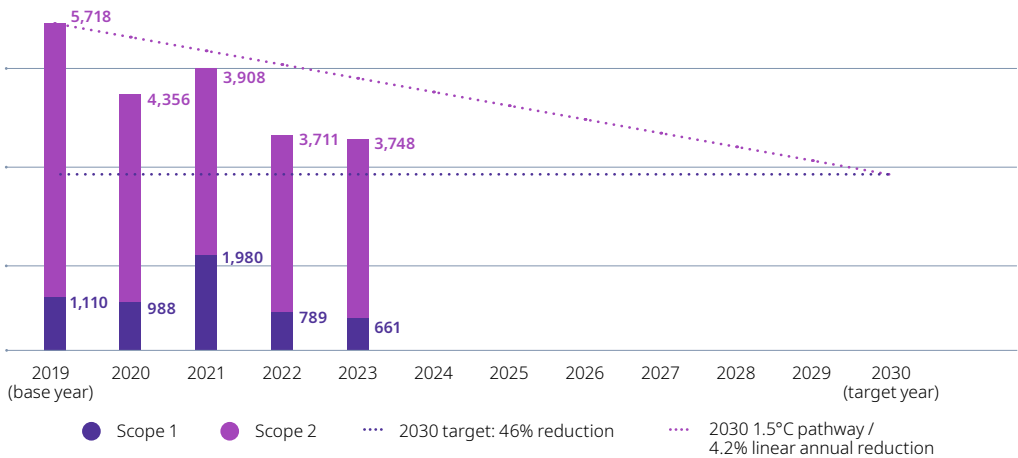
efficiency measures). For more information on our methodology see page 41.

External factors have the potential to impact our Scope 2 emissions reduction trajectory. However, should the governments meet their grid decarbonisation commitments, our emissions reduction pathway to 2030 and beyond will be achieved.

Despite a 3% increase in employees, Scope 1 and 2 emissions per employee have decreased from:



Scope 1 and Scope 2 emissions performance and pathway to 2030 (tCO₂e)



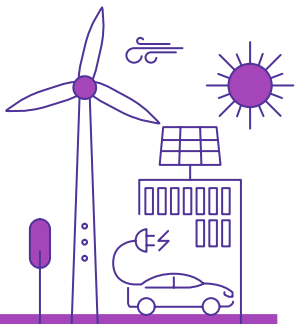
1. In line with SBTi guidance, we have chosen the most ambitious target for our Scope 2 emissions and have therefore set our target using the Scope 2 location-based methodology. Location-based targets are challenging because, rather than electricity sources we procure directly, the emissions they measure are largely determined by the emissions intensity of national grids, which is beyond our control. Our percentage of renewable electricity sourcing can be found on page 41 and does not contribute to our Scope 1 and 2 emissions reduction target.

2. The Department for Environment, Food and Rural Affairs (Defra) 2023 emission factors used to calculate our Scope 2 emissions are based on 2021 national grid data.



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“70% of our Scope 1 and 2 emissions are covered by net zero action plans.”



Our actions
Reducing energy consumption in our offices
We continue to develop site-specific net zero action plans to reduce our emissions and meet our science-based targets. These include energy efficiency measures, building on best practice, and taking advantage of emerging technologies. To date, we have developed net zero action plans for our largest global operations, including our London headquarters, Schroders Campus in Horsham, and our office in Luxembourg, and we have started rollout in Asia-Pacific. These sites represent 70% of our Scope 1 and 2 emissions and are therefore a significant focus of our emissions reduction strategy.

These action plans have been supported by decarbonisation audits, which included an assessment of how existing plant can be optimised and consumption reduced, how sources of fugitive emissions can be removed, as well as the viability for onsite renewables. As we look to electrify our buildings to reduce the use of fossil fuel sources, including gas, our renewable electricity plan will become more important (for more detail, see page 41). The action plans are also underpinned by our ISO 14001 environmental management system (EMS).

Our office sustainability selection criteria support our science-based targets, and are applied when considering new office locations and to support “stay versus go” decisions. We have developed a methodology to estimate the impact of our Scope 1 and 2 emissions as a result of moving into a new office. The GHG emissions impact and office sustainability credentials are key considerations for our Group Capital Committee property assessments. In addition, we continue to implement green lease clauses to require data provision, green electricity procurement and support on sustainability initiatives. We also review existing leases for opportunities to align with these criteria.

These processes were recently applied to a number of our European offices, where we decided to consolidate our offices in the same location, into one, more energy efficient building.

Implementing environmental management systems
We are certifying our largest office sites to the ISO 14001 EMS standard to address site-level environmental risks and to set appropriate targets. We aim to certify the buildings contributing to 80% of our building-related Scope 1 and 2 emissions. Sites are included in our certification if they are a material contributor to emissions, have a significant headcount (within the top ten globally) and are of strategic importance to the business.

To date, our global headquarters in London (in 2020), New York, Hong Kong (in 2021), Schroders Campus in Horsham, Luxembourg and Singapore offices (in 2022) have achieved certification. In 2023, we successfully re-certified our system for another three years and also expanded the certification to our Frankfurt, Sydney and Schroders Greencoat London offices. Collectively, these buildings are responsible for 82% of our building-related Scope 1 and 2 emissions and cover the primary office location of 76% of our employees.

We are audited by an independent consultancy and by an independent audit body each year to maintain our certification, holding us to account against our site-level targets and legislative requirements. These audits also provide recommendations for continual improvement.

In 2024, we will commence ISO 14001 EMS implementation in our Taipei office, which will cover a further 3% of our building-related Scope 1 and 2 emissions. We continue to align our smaller office locations with these ISO 14001 EMS principles and procedures.

Making our company car fleet more sustainable
We have over 150 leased cars across the world. Company car emissions contribute 19% to our Scope 1 emissions, which is why we have committed to transition our company car fleet to be hybrid or fully electric by 2025 (with a strong preference for fully electric, unless impractical), with the aim of being fully electric by 2030. In 2023, 78% of our fleet was hybrid or electric. Annually we review all vehicle types against lease expiry dates to support the switch to low or zero emission cars. We recognise the global supply challenges impacting on lead times, which means we are now considering earlier lease renewals. We are also reviewing opportunities to install electric vehicle (EV) charging points in our offices, where we have operational control, to support employees to make the transition. Where we do not have operational control, we are engaging with landlords to understand their plans to adopt EV charging facilities.





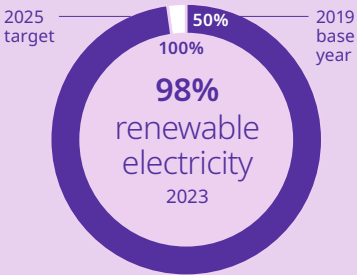
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Direct activities: offices and fleet

Increasing renewable power

Our target
Increase annual sourcing of renewable electricity to 100% by 2025¹

Progress against target

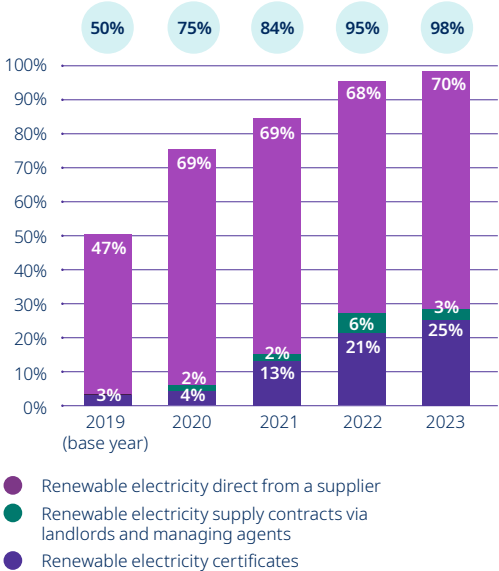


Electricity use contributes 90% of our Scope 2 GHG emissions, which is why we are committed to using or procuring 100% renewable electricity for all our owned or leased offices globally. This is in addition to reducing our location-based emissions on an absolute basis. In 2019, we joined RE100, a global corporate renewable energy initiative bringing together the world’s most influential businesses to help accelerate change towards zero carbon electricity grids at scale.

Our progress

In 2023, we increased the annual sourcing of renewable electricity to 98%² compared to 95% in 2022. Our 2023 figures are in line with the RE100 criteria, which will be assessed and verified in our CDP 2024 submission (with scores published late 2024). This 3% increase in renewable electricity sourcing was primarily due to the increased purchase of renewable electricity certificates (RECs) for our global locations, where we could not directly influence the electricity supply, as well as electricity contracts being changed to renewable-based supplies.

Renewable electricity consumption (RE100 progress)



Our actions

Site-level action plans are being developed to look at the opportunities to install onsite renewables, procure Power Purchase Agreements (PPAs), switch to green electricity tariffs or buy renewable electricity certificates. We will continue to pursue the highest impact strategies for consuming and purchasing renewable electricity (see below) and look to diversify our procurement profile, to source direct methods such as renewable electricity generation, as well as indirect methods. We will review our approach annually to align with the recommendations and criteria set by RE100.

For the locations where we cannot procure electricity in line with the RE100 criteria (2%) due to lack of availability of in-country renewables, we have purchased RECs from nearby locations. On this basis, we have sourced 100% renewable electricity, 98% of which meets the RE100 criteria.

1. For all offices owned or leased by Schroders (to cover the boundary of all Scope 2 emissions within our financial control as defined by the GHG Protocol).
2. Progress towards our RE100 target is verified as part of our annual CDP submission.

Best practice renewable electricity procurement

1. Install renewable electricity

Installing and generating renewable electricity. This provides a high level of control and transparency of renewable electricity claims. It also directly reduces Scope 2 GHG emissions.

We will assess the feasibility for onsite renewable electricity installations at offices we own or control and review opportunities for owned offsite installations.

2. Buy renewable electricity from a supplier

Buying an electricity supply directly from the energy supplier where all renewable sources are known and verified. The control of supply terms and contract length is beneficial, given the current uncertainty in the energy market.

Currently, our “green” contracts are procured from retail providers; however, we are reviewing opportunities for PPAs with renewable electricity generators.

3. Obtain renewable electricity supply contracts via landlords and managing agents

Engaging with landlords and managing agents to buy renewable electricity contracts for offices where we do not control the supply.

When leases are up for review or new offices are acquired, “green” lease clauses are included, where feasible, to support the provision of an RE100- compliant renewable electricity contract.

4. Buy renewable electricity certificates

Buying renewable electricity certificates (also known as energy attribute certificates) guarantees that the amount of electricity we consume from the grid is generated and returned into the same grid from renewable sources.

This route is used when we are unable to influence the electricity supply, for example, when our electricity is procured by a landlord or service provider. Currently 25% of our electricity consumption is supported by renewable energy certificates; our goal is to reduce this proportion and shift more of the consumption into the other three methods listed above.

Renewable electricity procurement hierarchy



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Direct activities and value chain: flexible working, biodiversity and resource use

Establishing flexible working and supporting our employees with their own emissions

Since 2020, we have calculated employee homeworking emissions – the additional emissions resulting from working from home – to understand the impact of flexible working, prompted by the impacts of COVID-19 and our Flexible Working Charter.

Based on an open-source homeworking carbon calculation methodology,¹ we surveyed our people to understand average working habits and used various industry sources to estimate the emissions associated with the additional heating and cooling, lighting and use of technology from working from home. Each year our methodology is reviewed to include up-to-date emissions factors and industry insights.

i Further information
For our policies, position statements and key documents, see Appendix 1.

We received a total of 2,363 responses, representing 37% of our global workforce. In 2023, our homeworking GHG emissions decreased by 13% to 605 tCO₂e. The decrease in emissions was due to the number of days working from home, on average, reducing compared to 2022, despite employee headcount increasing by 3% compared to 2022. We will continue to develop and monitor this emerging category of GHG emissions reporting. Although it is only optional to report these emissions under the GHG Protocol, with flexible working being a new norm, from 2023 we are including them within Scope 3 category 7 (employee commuting) emissions.

Through the same annual survey, we also collect data to measure GHG emissions from employee commuting. In 2022, we launched a new ultra-low emissions vehicle salary sacrifice scheme for employees in the UK to incentivise the switch to an electric vehicle.

This is being supported by reviewing the potential for additional electric charging points at our UK offices. We are also engaging with landlords internationally to understand their plans for installing charging facilities where we do not control the building operations. Where relevant, this will support a reduction in commuting emissions.

Reducing our biodiversity impacts and resource consumption

Our direct impact on nature and biodiversity is through our resource consumption and waste management in the operation of our offices around the world. Our strategy is primarily focused on reducing our environmental impact by cutting our GHG emissions, as described on pages 39 and 40. We also look to enhance the local environments surrounding our office sites, where possible.

Waste

Moving towards a more circular economy that limits waste and pollution and promotes reuse and recycling is good for climate and nature. We want to reduce resource consumption and improve waste management in our offices around the world.

We are taking steps to manage our waste effectively through waste avoidance and reduction and by improving our recycling rates. Our commitment to this is supported by our ISO 14001 EMS through which our waste management operations (including waste from electrical and electronic equipment (WEEE) and other hazardous wastes) are audited to be in line with best practice.

In 2023, we produced 399 tonnes of waste globally, of which 71% was recycled. In our London headquarters, our total waste produced decreased by 38% from 2019 levels. Despite average monthly occupancy returning to 2019 levels at our London headquarters in 2023, waste produced remained low, due to the impacts of waste reduction initiatives.

We also separate, weigh and analyse our waste daily into nine waste disposal streams to maximise recycling efficiency and identify areas for improvement. This has resulted in recycling rates in our London headquarters improving from 75% in 2019 to 89% in 2023. Where recycling is not possible, waste is converted to energy. For example, food waste is sent to an anaerobic digestion plant, which breaks it down into fertiliser and biogas, which in turn is converted into a clean supply of electricity and heat.

Water

We have increased our water use monitoring across our global operations and verified consumption data for 89% of our office operations. In 2023, our global water use was 9m³ per employee. This is in line with the latest Real Estate Environmental Benchmark (REEB) typical water use benchmark.² This data has been reviewed against the outcome of our Verisk Maplecroft analysis (see page 54) to understand water consumption in areas of water scarcity and inform our future environmental management strategy. In 2023, approximately 23% of our offices were located in areas currently identified as having extreme water stress risk scores. These office locations account for 11% of our annual water consumption.

Our highest consuming site is our London headquarters, where the total water consumed increased by 19% from 2019 levels and decreased by 18% compared to 2022. This decrease was due to an increase in water efficiency measures to prevent leakages and over-irrigation. We have also introduced a water management plan to reduce consumption further and improve water quality.

i Further information
For our operational GHG emissions, see page 74. For our waste and water data, see page 75.



From 2023, we are including homeworking emissions within our Scope 3 GHG emissions reporting inventory.

Biodiversity

We occupy more than 80 offices globally, predominantly in urban or city centre locations. Our Schroders Campus, located in Horsham in the UK, is located near a biodiversity-sensitive area. The campus is located 90m from Warnham Site of Special Scientific Interest (SSSI). The site has protected status due to the quality of fossils preserved in the limestone present beneath the clay substrate. The area is also home to a number of protected species. To manage this, we undertake periodic biodiversity surveys, with the goal to preserve and promote native flora and fauna at the campus. We have also introduced an environmental management plan to prevent pollution from the site. The site is also ISO 14001 certified.

1. <https://info.eco-act.com/en/homeworking-emissions-whitepaper-2020>
2. https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/2020%20Real%20Estate%20Environmental%20Benchmarks_2.pdf



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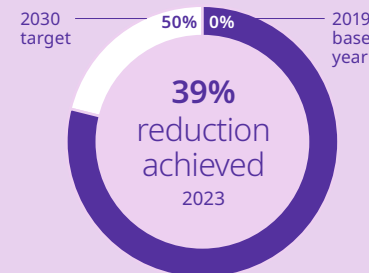
Value chain: business travel and supply chain

Reducing business travel

Our target

Reduce absolute business travel GHG emissions by 50% by 2030 from a 2019 base year

Progress against target



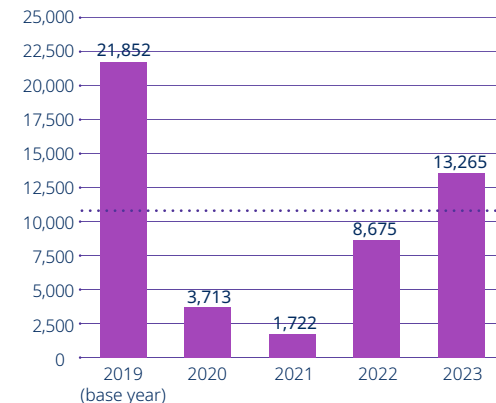
Our operational Scope 3 value chain emissions (excluding our financed emissions) are about 31 times larger than our Scope 1 and 2 emissions. As 96% of these Scope 3 emissions relate to business travel and our supply chain, we have chosen to set additional targets for these areas.

Our progress

Our business travel GHG emissions have decreased by 39% from the 2019 base year, but have increased by 53% compared to 2022. There has been a significant reduction in business travel emissions compared to 2019 levels, due to the impact of the COVID-19 pandemic. However, we are seeing a rebound in our emissions as business travel continued to increase in 2023, particularly international air travel.

Our employee headcount increased from 6,196 in 2022 to 6,390 in 2023 and our business travel GHG emissions per person also increased. They were 2.1 tCO₂e per full-time equivalent (FTE) employees compared to 1.4 tCO₂e per FTE in 2022.

Scope 3 business travel emissions performance (tCO₂e)



..... 2030 target: 50% reduction

Our actions

Resetting business travel behaviour

Business travel is a necessary part of the way we work and collaborate. At times we need to meet in person with clients, stakeholders and each other. However, we continue to challenge ourselves on the purpose, frequency and mode of travel. This is endorsed by our Group Travel Policy, which encourages business travel to be kept to a minimum by requiring a clearly defined business purpose for each journey. It also promotes the use of more sustainable transport methods where appropriate.

So that our employees can meet and collaborate effectively online, we will continue to invest in communication technologies to reduce the need to travel.

Data insights and analytics

In December 2023, we launched improved travel reporting capabilities. This will improve our sustainability reporting insights, allowing us to analyse the travel spend and emissions data, and enable employees to make more climate-conscious decisions on travel. Decisions will also be underpinned by stricter governance on travel.

As part of this work, we also reviewed how we can align our 2024 travel budget process to manage and reduce our emissions. We will review feasibility for implementing specific carbon budgets as a mechanism for keeping emissions under a certain threshold.

Selecting sustainable travel partners

Sustainability is an important consideration when selecting travel agencies or preferred airline partners. We have undertaken benchmarking analysis to review our preferred airline suppliers to understand their sustainability commitments and plans to decarbonise air travel. Our top six airline partners all have net zero commitments – four of these have committed to set targets or have had their targets validated by the SBTi. Our analysis also demonstrated that 78% of air travel (by mileage) in 2023 was on airlines that have science-based targets or climate commitments.

Further information
For our policies, position statements and key documents, see Appendix 1.

We are seeing a rebound in our emissions as business travel continued to increase in 2023.





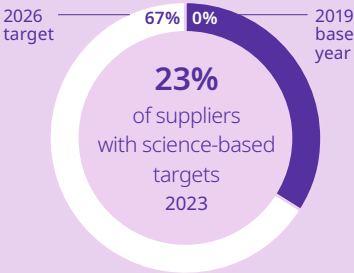
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Value chain:
business travel and supply chain

Supply chain and engagement

Our target
Encourage our suppliers to set science-based targets so that 67% in scope¹ (by GHG emissions) have done so by 2026.

Progress against target



Our long-term ambition is to have a sustainable supply chain and a procurement function which fully integrates ethical and environmentally responsible practices into a competitive and successful purchasing model.

By setting a supplier engagement target we are able to influence decarbonisation efforts within our supply chain, as well as benefit from building higher-quality supplier relationships, which will enhance efficiency, transparency, and resilience across the value chain.

Our progress

In 2023, 23% of our suppliers in scope¹ (by GHG emissions) set a science-based target. This compared to 25% in 2022 and 1% in the 2019 base year. These suppliers also represented 22% of our total supply chain spend.

We define science-based targets as those that align with the SBTi criteria or are validated by the SBTi to be in line with a 1.5°C pathway covering Scope 1, Scope 2 and Scope 3 emissions. We accept other frameworks and certifications that meet SBTi criteria, including the Carbon Trust's Route to Net Zero Standard (Advancing) and the SME Climate Commitment. We will continue to adjust our methodology to acknowledge other emerging frameworks and certifications aligned with the SBTi criteria.

Our supplier GHG emissions are calculated using a spend-based methodology using GHG Protocol guidance and the latest UK Government Department for Environment, Food and Rural Affairs (Defra) emissions factors. The 2% reduction from 2022 is a result of our supplier spend (both total spend and spend profile) evolving, as to be

expected, but also changes to the emissions factors.² These changes have resulted in higher emissions from sectors that contribute to a high proportion of our spend.

Our headline target, however, does not paint the full picture. We are seeing progress in regards to the numbers of suppliers setting science-based targets, 121 had set targets by 31 December 2023, compared to 50 in 2022. Also 9% of suppliers (by GHG emissions) have committed to do so in the next two years (compared to 2% in 2022). A further, 5% of suppliers (by GHG emissions) set Scope 1 and 2 targets aligned with 1.5°C, signalling an indication of their ambition to set Scope 3 targets in due course. We have also mapped our suppliers with alternative climate commitments, that do not align with the SBTi criteria. We will continue to monitor their alignment with the SBTi criteria and engage with them to do so.

The increase in number of suppliers setting or committing to set science-based targets from 2022 represents progress, but there are challenges besides supply chain and emissions factors changes. There are disparities in national climate policies and gaps in sector-specific

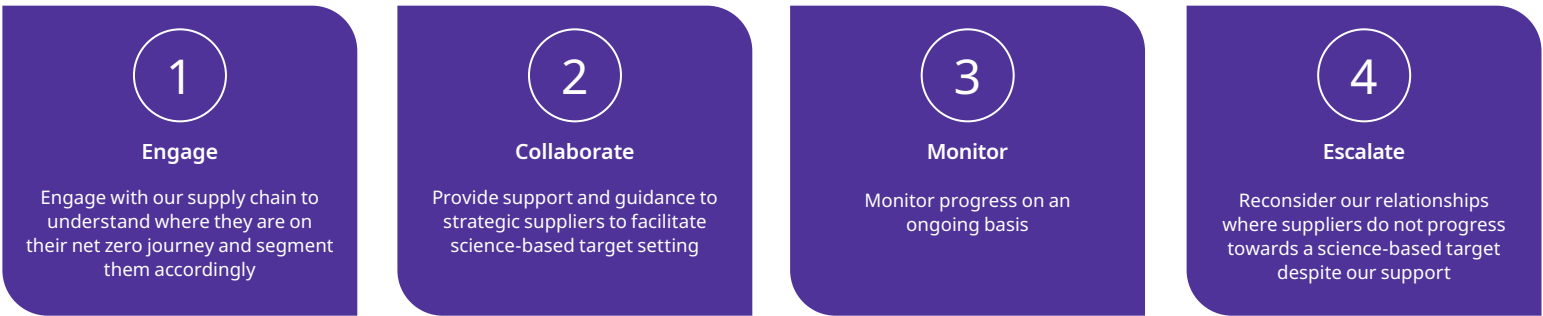
guidance, which can act as a barrier for some suppliers and industries.

To improve accuracy of our supplier emissions data, we will look to gather and track suppliers' reported Scope 1 and 2 emissions data. This will also support our ability to set a future supplier emissions reduction target after 2026.

Our actions
Supplier engagement:

We collaborate with suppliers to drive change, recognising that continuous engagement is crucial. Successful supplier engagement requires multiple approaches and levers. Taking a similar approach to that of our Active Ownership team with investee companies, our supplier engagement approach is designed to provide differing levels of support based on the maturity level of the supplier's current sustainability ambition. We believe that successful supplier engagement will promote collaboration and support our climate goals. This means investing time in understanding our key suppliers, their businesses and drivers, and helping them understand the same of us. Our supplier engagement approach is shown below.

Supplier engagement approach



1. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.
2. Defra emissions factors are updated annually, based on latest data availability and methodology enhancements.



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Following on from sharing our climate expectations with more than 200 priority suppliers in 2022, in 2023 we focused on more in-depth conversations.

As part of the “collaborate” phase of our supplier engagement approach, we had engagement sessions with more than 30 suppliers to exchange insights and key lessons, share resources and understand their future climate ambitions.

Our engagements have highlighted that economic and geopolitical factors impact suppliers in prioritising climate action. This is most notable in regions where sustainability regulation has only recently come into force or is still being established. In addition, many of our suppliers are smaller organisations, and are often less able to resource programmes of activity effectively. They can also lack subject matter expertise to be able to measure, commit, act, and report on climate initiatives.

Supporting suppliers

We launched our Supplier Climate Action Programme in November 2023. This programme, focuses on supporting suppliers to baseline their GHG emissions and set science-based targets. Initially, we have selected three strategic suppliers with whom we have long-term relationships, to be guided through the target-setting process over a six-month period. As part of this programme, we have formed a climate engagement network, bringing together suppliers who have already set targets to share their experiences with those just starting out on the process.

The content of this programme supplements existing resources we use to support supplier action. Bringing all these materials and knowledge together helps to embed our ability to support and engage suppliers effectively, as well as to increase our employees’ understanding, as they have the direct relationships with the suppliers. In the spirit of collaboration, we also share templates, tools and resources with incumbent suppliers.

We have worked with several UK-based small and medium-sized enterprises (SMEs) by signposting to the SME target-setting route, sharing resources, and supporting their progress. One SME supplier completed the SBTi submission process in less than a month with our help.

In June 2023, the five SME suppliers we funded to participate in the Heart of the City “Foundations for Responsible Business” programme completed their 12-month course. The programme aims to enable each SME to create and implement a sustainability strategy (covering environment, people and community). Feedback from the cohort was excellent, with three of the five suppliers intending to set science-based targets. We have maintained close contact with those participating to offer support and keep up-to-date with their progress.

Supplier expectations and oversight

Clarifying our expectations of suppliers and strengthening our governance and oversight also help us influence and change supplier behaviour. We do this in a number of ways.

We mandate that all material suppliers (those that have the most significant impact on our Group’s operations and value generation), and new suppliers (with a spend of more than £50,000) provide written confirmation of their compliance with our Supplier Code of Conduct¹ or their equivalent. This requires all suppliers to have environmental policies and processes in place and to meet the minimum standards our Supplier Code of Conduct sets out. Material suppliers are expected to measure Scope 1, 2 and relevant Scope 3 emissions using the GHG Protocol, set near and long-term science-based targets and have transition plans in place.

We aim to include a contractual obligation within our standard terms (to set a science-based target by 2026) in all new and multi-year commitments with material suppliers.

Suppliers with science-based targets or commitments are given a significant weighting in the evaluation processes. Should potential suppliers not be willing to make that commitment, even with our support, we have – for the first time in 2023 – removed them from consideration in tender processes where there have been suitable alternative providers.

In 2024, we plan to channel supplier spend to those suppliers that have set science-based targets or have committed to do so where possible, providing potential revenue opportunities to those suppliers who align with our strategic goals.

We continue to explore ways in which we can collaborate with peers across industries so that we can work together to drive action and progress across our supply chains in support of our individual and collective corporate sustainability goals.

1. Schroders Supplier Code of Conduct.





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Our carbon offsetting project portfolio

Global

Renewable energy portfolio

Canada

Darkwoods forest conservation

China

Karst mountain afforestation

USA

Mississippi Valley restoration

Sierra Leone

Gola rainforest REDD+

Ghana

Community reforestation

Beyond value chain mitigation and the role of carbon credits

Our primary focus is on our decarbonisation plan, leveraging our own actions and influence to reduce GHG emissions. We also believe that, as we reduce our emissions on an absolute basis and transition to net zero, there is a role for carbon offsetting. This is to neutralise emissions that will be released while we transition and the residual emissions at the point of net zero. Purchasing carbon credits is not a replacement for reducing value chain emissions; however, we believe purchasing high-quality carbon credits in addition to reducing emissions along a science-based trajectory can play a critical role in accelerating the transition to net zero at a global level.

There is a limited carbon budget to prevent global warming of 1.5°C above pre-industrial levels and carbon offsetting helps preserve and extend this budget. The voluntary carbon market helps direct finance to climate action projects in emerging and developing economies and these often have additional benefits such as biodiversity protection, pollution prevention, public health improvements and job creation. Carbon credits also support investment into the innovation required to lower the cost of emerging climate technologies.

Since 2019, we have been purchasing carbon credits to mitigate impacts beyond our value chain. This means we have offset our Scope 1, 2 and all relevant and reported operational Scope 3 emissions (for example, emissions from business travel, employee commuting and homeworking) with Climate Impact Partners.¹ The only exclusions are emissions associated with suppliers and our investments, where we have engagement programmes in place. As a result of these actions, we have met and exceeded the requirements of Climate Impact Partners' CarbonNeutral® company certification, which is achieved in accordance with the CarbonNeutral Protocol.²

In 2022, we expanded our global offsetting project portfolio to support our future offsetting needs. The portfolio includes six projects, five of which (69% by volume) are nature-based solutions (NbS) projects focused on forest protection and reforestation. The projects we support are designed to protect and enhance biodiversity by avoiding and reducing emissions through nature conservation or removing emissions through nature restoration.

Over time we will increase the proportion of carbon removal projects in our portfolio, over emissions reduction projects, and support the longer-term development of the net zero offset market. 55% of our current project portfolio are removals projects.

The Climate Impact Partners' carbon finance projects we support are verified to an International Carbon Reduction and Offset Alliance approved international certification standard and have passed Climate Impact Partners' proprietary enhanced due diligence process. Three of the five NbS projects are also recognised under Verra's Climate, Community and Biodiversity (CCB) standard.

In 2023, the Integrity Council for the Voluntary Carbon Markets³ (ICVCM) published its "Core Carbon Principles" and "Assessment Framework" to set new threshold standards for high-quality carbon credits. They have also published a "Claims Code of Practice", which provides a framework for clear and consistent corporate claims around offsetting. Further guidance is expected in 2024. We will continue to assess the developments in the market to align with best practice.



Further information

For our operational GHG emissions, see page 74.
For more information on our carbon offset projects, see pages 94 to 97 of our 2023 CDP response.⁴

- <https://www.climateimpact.com>
- <https://www.carbonneutral.com/the-carbonneutral-protocol>
- <https://icvcm.org>
- Schroders 2023 CDP response
N.B. The 2023 CDP response is based on the 2022 reporting year.

RISK MANAGEMENT

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Building a robust framework

The Board of Schroders plc (“the Board”) has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. Non-executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Board Audit and Risk Committee (BARC). Risks associated with climate change are embedded in the Group's risk management processes. Furthermore, given the importance of climate-related risks to our business, “Sustainability risk including climate change” has been identified as one of our key risks.

Respective business areas are responsible for identifying, monitoring and reporting on relevant risks and controls. The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer (CFO). The CFO has responsibility for the risk and control framework of the Group.

The first line of defence against undesirable outcomes is the business functions themselves and line managers across the Group. Heads of each business area take the lead on identifying potential risks in their area – including those relating to climate change – and on implementing and maintaining appropriate controls to manage these risks, including through the Risk and Control Assessment (RCA) process. Oversight functions, including Risk, Compliance, Legal, Governance, Finance, Tax and Human Resources (HR), supplement line management and constitute the second line of defence. The Compliance Assurance team reviews the effective operation of relevant key processes against regulatory requirements.

Our Investment Risk Framework is a good example of the lines of defence in operation in respect of climate change. Investment desks use a variety of tools and metrics to determine appropriate investment decisions. The second-line Investment Risk teams perform independent review and, where appropriate, challenge climate risks within portfolios on a regular basis. Any conclusions or action points from this independent oversight and review are discussed with the relevant investment teams as well as the appropriate Asset Class Risk and Performance Committees, where climate risk is a key part of the agenda. The independent Investment Risk function also reviews investment portfolio compliance, with any binding commitments related to climate risk described in investment process documents and policies disclosed to investors. Quantitative risk analysts within Investment Risk independently review the climate models and tools used by investment teams.

Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme reviews the key risks to the Group, including climate change, and provides recommendations to improve the control environment. The team also carries out thematic compliance monitoring work.

Risk appetite

For each of our key risks (excluding strategic risks, as these risks mainly comprise factors that are external to our operating model), risk appetite statements are approved by the Board, and apply to the Group. Our risk appetite in respect of “Sustainability risk including climate change” focuses on:

- firm-wide exposure to physical and transition risks and our science-based targets
- ongoing development of investment tools to help fund managers to measure and manage the risks facing their investments as well as an established governance process

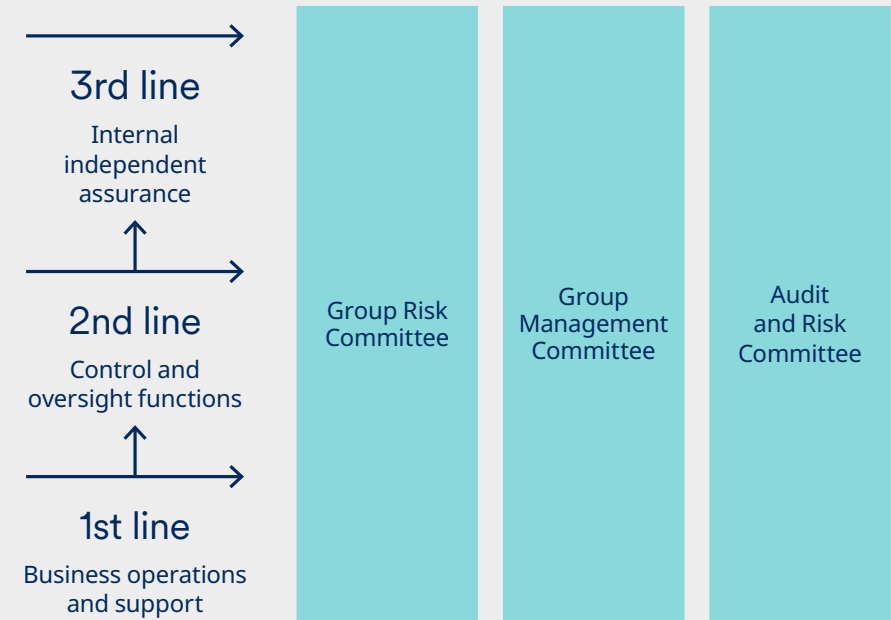
- development of products and engagement with clients, investee companies and policymakers on their requirements.

Each risk appetite statement is supported by a number of metrics and tolerances to enable us to provide an assessment of risk position against risk appetite. Risk position versus appetite is formally assessed on an annual basis and is reviewed and challenged by the Group Risk Committee (GRC), Group Management Committee (GMC) and the BARC before submission to the Board.

In addition to the Group risk appetite statement, entity-level statements and measures quantify the entity risk position against appetite. These are for each of the applicable key risks and are approved by their respective Boards. They include “Sustainability risk including climate change”.

Three lines of defence

Business areas, as the first line of defence, take the lead in identifying and assessing potential risks in their area, and implementing and maintaining controls to manage these risks. This includes risks relating to climate change.

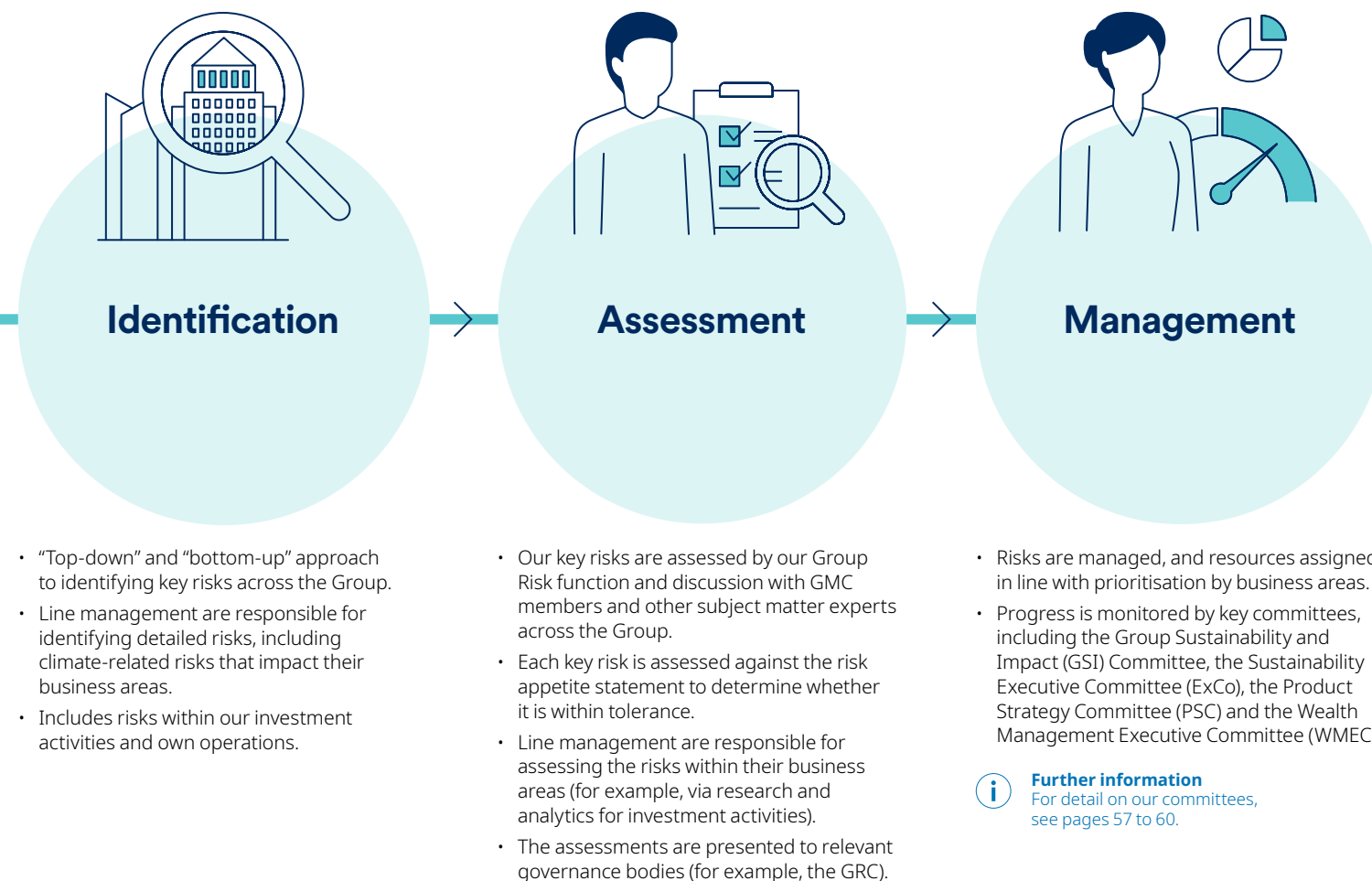




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Risk management life cycle

The risk management life cycle is relevant for our own business operations, and for the investment management business we perform, regardless of product types or investment strategy.



Further information
For detail on our committees, see pages 57 to 60.

Climate change risk assessment timeframes

In line with industry best practice and regulatory expectations, we consider climate risks through the lens of physical risks and transition risks.

Further information
For the definitions of physical risks and transition risks, see page 13.

We consider these risks in the context of the following timeframes:

0–5 years

Short term
0–5 years is consistent with the Group's strategic and business planning and forecasting period and the period for which we assess the viability of our business model. It is in line with our RCA methodology, which states that business areas identify and assess risks that may crystallise in the next five years. For example, our physical climate risk assessments for our offices are aligned with our RCA methodology. It is also the approximate timeframe for which our clients hold their investments with us.

6–10 years

Medium term
6–10 years is the time horizon defined as “near term” by the Science Based Targets initiative (SBTi) so these two terms can be used interchangeably. This is the timeframe over which we would expect to see the effects of our engagement with management teams result in material changes in the climate exposures of investee companies, and failure to do so should lead us to conclude that those engagements are not delivering the targeted outcomes.

10+ years

Long term
In periods longer than 10 years, the physical impacts of climate change will become particularly pronounced and the strength of political action to tackle climate change will have become clearer. Currently, different climate scenarios can have varying implications for our business.



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How we identify and assess risk

We periodically assess the risks faced by our business using both a “top-down” and “bottom-up” approach. The “top-down” approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. Existing risks and emerging risk trends are reviewed in light of the current internal and external environment, geopolitical factors, market conditions, changing client demand and regulatory sentiment. The regulators’ aims to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. The “bottom-up” approach uses results from RCAs, trends in risk events and high-impact issues logged in our operational risk database. The results of these assessments are used to inform our key risks, which are presented to the GRC prior to the GMC, BARC and Board. We then review the list of key risks to identify a subset that are the Group’s principal risks, which are those most likely to impact on our strategy, business model, external reputation and future performance. Our principal risks are disclosed in our Schroders plc 2023 Annual Report and Accounts.

“Sustainability risk including climate change” is one of our key risks and is also identified as a principal risk in the Schroders plc 2023 Annual Report and

Accounts. We define this risk as failure to understand, accurately assess and manage investment risk associated with sustainability factors within assets and portfolios, and to appropriately articulate the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate sustainable products or to meet our clients’ expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk is owned by the Global Head of Sustainable Investment.

However, climate change is a pervasive risk across many of our risk types, and we detail in the table on page 51 how climate change impacts these risks.

At a more granular level, we expect individuals with functional responsibilities to identify potential climate-related risks and address them for their areas of responsibility. These risks are identified through a variety of different mechanisms, including regular strategic reviews of our business and product offerings, detailed RCAs carried out across the Group and ongoing monitoring of the regulatory landscape. Risks within the companies in which we invest may be identified through detailed research and analytics. The identification process is supplemented by second-line functions, including Risk, Compliance, Legal, Governance, Finance, Tax and HR, which provide insight on relevant risks across the Group, external risks and regulatory requirements. Risks are reviewed and prioritised based on their impacts, by the ExCo for investment, PSC for products, the Private Assets Product Development Committee and investment committees for private asset products, WMEC for wealth management, and the GSI Committee for our own operations, taking into account our risk appetite where relevant.

Regulatory landscape

The Sustainability Regulations Steering Committee oversees the progress of sustainability regulatory change programmes, as well as monitoring emergent sustainability regulations and determining their high-level impact on our Group sustainability strategy and supporting operations. The Sustainability Regulations Steering Committee receives input on planned or potential sustainability-related regulation from our Public Policy and Compliance teams, which actively engages with relevant regulators, industry trade associations and other bodies in our key markets of the UK and EU. Once the business implications of new legal and regulatory requirements are defined, the relevant sustainability regulations programme workstreams deliver the necessary change to our business operations. The Sustainability Regulations Steering Committee oversees the progress of these workstreams, including monitoring and mitigating associated risks and issues.

Where necessary, risks and key issues from the Sustainability Regulations Steering Committee are escalated to the ExCo and GSI Committee for resolution.

Further information
For detail on the Sustainability Regulations Steering Committee, see page 59.

Once new regulations, including climate regulations, are embedded in the business, relevant risks and issues related to maintaining compliance are logged in our operational risk management tool. This tool holds key operational risks, risk events (for example, errors and breaches), issues and associated actions. Group Risk owns the framework for operating this tool and oversees the resolution of the matters logged. Group Compliance actively reviews compliance-related risk events and issues, and reports on substantive concerns to each meeting of GRC and quarterly to BARC.





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The impact of climate on our Group’s principal risks

Given the importance of climate-related risks to our business, “Sustainability risk including climate change” has been identified as one of our key risks and is monitored using our risk appetite metrics. It is also disclosed in the Schroders plc 2023 Annual Report and Accounts as a principal risk to the Group.

The following table details our other principal risks, the extent to which climate change impacts each of these, and their associated GMC risk owner during 2023.

Key risks considered to be high impact are highlighted by:

Business model disruption (Group Chief Executive) Climate change may drive the evolution of financial products and changes in regulation, resulting in transition risks that may impact our business model.	Investment performance risk (Co-Heads of Investment) Investment performance may be impacted if the focus on sustainability leads to poorer performance outcomes. In addition, there is a risk that portfolios do not meet their sustainability outcomes, which may have a detrimental effect on our ability to retain assets under management (AUM).	Financial instrument risk (Chief Financial Officer) We expect the value and liquidity of financial instruments to be significantly impacted by climate and nature risks, as investor and consumer sentiment on sustainability issues evolves and businesses are required to transition to a lower carbon environment. Fundamental valuations will be impacted, and there will be an increased capital flow into new financial products and instruments to finance the transition.	Operational process risk (Chief Risk Officer) Operational processes are impacted by climate change and nature risks to the extent that they are new or need to be adapted in order to facilitate investment analysis, product development and reporting, among others. Errors within these processes may therefore impact our reputation, or our regulatory compliance or require financial compensation.
Changing investor requirements (Group Chief Executive) Climate change risk is expected, in the medium term, to materially impact client considerations when determining their investment strategies, and therefore, the need for our investment offerings to appropriately reflect that. Furthermore, clients may require that our own activities adhere to specific carbon footprint thresholds before engaging us as an investment manager. Our failure to meet these targets may have a detrimental reputational impact.	Reputational risk (Global Head of Marketing and Communications) Our reputation with clients and shareholders may be impacted if: we are perceived as not responding appropriately to climate challenges, due to the complex nature of assessing the impact of our investee companies’ operations on climate change; and/or we fail to meet our science-based targets; and/or we fail to meet our commitment to carbon neutrality. We may also face the risk of clients feeling misled by the marketing of sustainable and climate funds, should the sustainability credentials of an investment or product be unintentionally exaggerated or misrepresented.	Information security and technology risks (Chief Technology Officer) We do not envisage that climate change risks will impact information security risk. However, our ability to assess and monitor climate change risk is dependent on the availability of appropriate technology (for example, the platforms that our analytical tools reside on).	Product strategy and management (Head of Europe) Climate change risks materially impact our product strategy in order to ensure we offer clients the products that help them to achieve their investment objectives.
Fee attrition (Group Chief Executive) We may suffer fee attrition if clients move to more passive products if they offer appropriate sustainability and climate change considerations when compared with active management.	Conduct and regulatory risk (Chief Risk Officer) Numerous climate-related regulatory requirements continue to be implemented globally across the financial services industry. Our failure to meet these requirements may result in regulatory sanction and/or litigation. Regulators continue to take varying approaches to sustainability, making implementation more difficult and scrutiny of greenwashing risk remains high.	Market returns (Group Chief Executive) Market returns may be significantly impacted by climate change risks in the short to medium term, and both physical and transition risks may impact market valuations and yields. Geopolitical risks may increase as greener economic policies are implemented worldwide in order to transition from fossil fuels.	People and employment practices risk (Global Head of Human Resources) Employees may be harder to retain or attract if we do not actively address climate change risks.

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Management of our investment risks



Climate change risk has been embedded into our existing processes and controls across the Group, alongside specific sustainability and climate-related governance and decision-making bodies. We provide more detail here on key processes and how these have been further developed to integrate climate change risk.

Investment research and decision-making

Our fund managers across our public markets focused investment desks, including Equities, Fixed-Income and Multi-Asset, will make investment decisions based on detailed analysis (for example, of investee companies and macroeconomic views). In order to review climate-related risks within that investment analysis, we have developed a number of proprietary tools and metrics to support the assessment of each investment and each portfolio's aggregate exposure to climate-related risks and opportunities. Fund managers and oversight functions use dashboards to provide users with access to the metrics, along with measures from

external third-party ESG rating providers, to enable effective oversight and reporting. The reporting and oversight include consideration of portfolio coverage. Coverage is defined as the proportion of assets (by value) within each portfolio that has been assigned a score by the tools. The analysis performed to date using proprietary tools and metrics in our Climate Analytics Framework has focused on listed equity and credit markets.

Further information
For our proprietary tools and metrics, see page 19.

Qualitative assessments complement the proprietary quantitative tools; the results are recorded in our CONTEXT system, and are generated from proprietary insights, meetings and interviews. We also make use of external measures, such as Morgan Stanley Capital International (MSCI) Carbon Emissions and MSCI ESG analyses.

Occasionally the proprietary tools described above can be employed for the assessment of private market investments; however, sustainability metrics, such as Carbon VaR and SustainEx™, do not generally provide adequate coverage across private markets. We have developed an environmental management system (EMS) for the asset management of our direct real estate in the UK and Europe (certified to ISO 14001) to manage sustainability and impact risks and opportunities, and to develop resilience and performance of our portfolios and assets. As a complement, tools

specific to real estate – such as the Carbon Risk Real Estate Monitor (CRREM) and Verisk Maplecroft's Global Risk Dashboard – help to utilise operational carbon and asset location data to understand specific transition and physical climate risks.

In 2022, Schroders developed a unified impact framework aligned to the Operating Principles for Impact Management (the "Impact Principles") and the Impact Management Project, which brings together the impact expertise from BlueOrchard, asset class-specific expertise from Schroders Capital and sustainability expertise from Schroders, and covers both public and private strategies. This is intended to ensure that a consistent approach to impact investing is used across the Group.

For private markets, we have developed an umbrella framework inspired by the Impact Principles to align with market best practices. This means that sustainability and impact considerations are gradually embedded wherever relevant across our investment processes, and supports the consistent development of our ESG-integrated, sustainable and impact strategies, while accounting for each business's specificities.

Over the course of 2023, a private market ESG risk dashboard has been introduced with a common standard of sustainability metrics across all four private asset classes. The quarterly dashboard has gone through two iterations and continues to be enhanced in order to support effective oversight and transparency of sustainability risks (including climate risk) across private markets. Climate risk is integrated within the dashboard, with this area being the focus of the next enhancements. The climate risk sections seek to ensure that each business is considering key climate risks within their business processes, and appropriate transparency and awareness of climate risks across the platform.

Wealth Management integrates the consideration of ESG factors into its investment process. An initiative is underway to enhance access to sustainability metrics within the wealth management investment process, including employing the Group's sustainability data and dashboards where possible.

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Investment Risk Framework

To oversee the management of climate risks within our investment activities, we have embedded climate change into our second-line oversight processes. Day-to-day dialogue, review and challenge of climate risk with the investment teams are complemented by more formal discussions, as part of the quarterly Asset Class Risk and Performance Committee meetings. These committees are attended by asset class heads within the investment division, senior members of their direct management team and independent Risk, Compliance and Product Governance teams' representatives.

The climate-related models and tools are covered by our Group Model Governance Policy, with the models subject to review by our Model Validation team within the central Group Risk function. This review is intended to make sure they are conceptually sound, implemented as intended, robust in terms of controls and appropriately understood by the user base.

 **Further information**
For our policies, position statements and key documents, see Appendix 1.

In addition to the investments in portfolios, we also focus our oversight process on the counterparties with which we transact. The ESG components of external credit ratings are one of the factors that our independent Group Credit Risk team takes into account when undertaking credit analysis. We use insights from our internal tools to facilitate the oversight and assessment. For example, internal ESG scores are assigned in our CONTEXT system using a methodology created by the central Sustainable Investment team; these scores are used for the assessment of our derivatives counterparties. Outliers result in further discussion with the investment teams and a clear business case must be made to justify continued use.



The Investment Risk Framework is also applied for the deployment of our own capital where we invest our balance sheet into new funds via our seed capital programme. We use our proprietary tools to analyse and assess the extent to which our own financial assets are exposed to climate-related risks and opportunities. Seed capital investments are recommended for approval by the Group Capital Committee, which is chaired by the CFO and attended by the Group Chief Executive. We have implemented a number of sustainability measures and targets for our seed capital portfolio, which are reported to and reviewed by the Group Capital Committee.

Product development process


We assess our product range and client demand continually to ensure our offering effectively meets client needs in respect of climate change mitigation. As part of this activity, we monitor the strength and direction of asset flows into sustainable and climate-related funds, and look for opportunities to create products and solutions that help clients to meet their goals and obligations, including mitigating climate change risk. This information and insight inform our product strategy, is discussed in whole or in part in a number of forums of which the Group Chief Executive is a member, including the PSC and GMC, which he chairs.

We follow policies and guidelines regarding the development and dissemination of marketing materials and client communications to reflect applicable regulatory requirements. This includes the review and approval of materials by specialist staff and appropriate compliance training.

 **Further information**
For detail on our committees, see pages 57 to 60.

Company engagement

Active ownership and engagement with our investee companies are fundamental parts of our strategy to deliver excellent investment returns for our clients. As investors of our clients' capital, we aim to take an active role in our investee companies' progress to decarbonise by focusing on the companies that contribute the largest amount to our Scope 3 financed emissions. Our active ownership efforts seek to encourage better disclosures from investee companies and to improve data availability to assess climate-related risks. We monitor and measure the impact of our engagement using a proprietary application called ActiveIQ. It caters to approximately 300 investors that have engagement requirements, in addition to the Sustainable Investment team. The system records and measures engagements: for example, tracking activity by objective and measuring progress with milestones. In addition, as the number of climate-related resolutions has risen, we have refined and adapted our voting approach in this area. We aim to vote in favour of these resolutions where they align with our net zero commitments, having taken the specific circumstances of the company and the resolution's legal effect into account.

 **Further information**
For more detail on our voting policy, see page 29.

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Management of our operational risks



Our operations, in respect of our offices and third-party providers, are managed by our Workplace Services and Procurement functions, reporting to the CFO, which have processes in place to mitigate and control the risks associated with climate change and nature. These functions are supported by the Corporate Sustainability team, and the GSI Committee recommends the overall strategy.

Reflecting our ambition to be a leader in sustainability, we actively monitor emerging best practice across our sector and beyond. The Group monitors current climate and nature-related initiatives (for example, pledges, commitments and memberships), with relevant individuals assigned responsibility for meeting voluntary commitments. New climate and nature commitments require an impact assessment and approval from the relevant business function as well as other key roles within the business (for example, Sustainable Investment, Corporate Sustainability and Communications) and, depending on the profile or impact of the initiative, the GSI Committee.

Transition risk assessment

Individual business functions are responsible for identifying and assessing climate change transition risks that impact their business areas and functional responsibilities. The identification process is supplemented by second-line functions, including Compliance, which provide insight on relevant risks and regulatory requirements. For example:

- Our Workplace Services, Global Technology and Procurement teams carry out first-line assessment of technology and market risks and opportunities regarding capital goods or new technology for our offices and services from external suppliers
- Business-wide policy and legal risks are assessed and monitored by our second-line Compliance team and Sustainability Regulations Steering Committee
- Business-wide reputational risks are monitored by our Corporate Sustainability, Sustainable Investment, Group Risk and Communications teams.

Physical risk assessment

We carry out a strategic review of our offices on a periodic basis, which includes a detailed assessment of risks and opportunities associated with our existing offices. We are committed to certifying our largest offices to the ISO 14001 EMS standard. For the offices certified, we identify risks and opportunities and manage them in line with this standard.

To measure the physical risk to our owned and leased offices, we undertake an annual mapping exercise to generate risk scores for each office location.

We use data from Verisk Maplecroft (a research firm specialising in global risk analytics), in line with our real estate investment business, to assess climate- and nature-related physical risks against a set of 23 individual risk indicators, which review both acute shocks (for example, wildfire hazard) and chronic stress (for example, air quality).

The risk indicators have a granular risk search radius, so that we can understand conditions on a localised basis. The indicators primarily focus on risks our offices are currently exposed to; however, we have also selected several indicators to assess future risk exposure, including average temperatures and heat stress. Annually, we determine what specific actions need to be taken in respect of this assessment.

The outcome of our 2023 analysis demonstrates that on average, locations have a risk score of 7.2, with 29% of locations having a score over 7.5,¹ indicating low risk exposure. Overall, indicators such as acute shocks (tsunamis, flooding and tropical storms) have lower risk scores. However, we have higher risk scores associated with chronic stresses (water scarcity and heat). We use the outcome of our assessment to inform our site-specific action plans and to prioritise areas of monitoring and measurement.

Our review also highlighted that our Schroders Campus in Horsham, UK, is located 90m from Warnham Site of Special Scientific Interest (SSSI). The site has protected status due to the quality of fossils preserved in the limestone. The area is also home to protected species. We have controls in place to limit environmental impact and noise

pollution from the site. In addition, we undertake periodic biodiversity surveys which aim to preserve and promote native flora and fauna at the site.

When reviewing new building office locations, we arrange detailed environmental assessments to be carried out by third-party consultants as part of the acquisition due diligence. We assess the associated risks relating to the new building and its location, including those that we believe will be impacted by current or emerging climate-related regulations and longer-term physical risks. We also assess the physical risks to offices that fall under our control due to an acquisition.

Should a physical event prevent our ability to operate, we have business continuity arrangements in place. Our key suppliers are also subject to ongoing monitoring, annual due diligence reviews and incident management response planning. We will look to use the Verisk Maplecroft tool to complement our existing environmental risk assessment due diligence process, to inform decision-making.

Further information
For our operational climate change strategy, see pages 39 to 45.

1. The Verisk index scores on a scale of 0–10 where 7.50–10 represents lowest risk and 0–2.50 represents highest risk.

A background photograph of a man with a beard and a woman with red hair, both smiling and engaged in conversation. The man is on the left, wearing a dark shirt, and the woman is on the right, wearing a black and white striped shirt. They are in an office setting with a black metal frame and a plant in the background.

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The Board's oversight and activities

The Board is responsible for approving the Group's strategy, which includes our sustainability strategy. The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further while retaining overall responsibility for the delivery of our strategy. In discharging its responsibilities, the Board takes appropriate account of the interests of our stakeholders, including clients and wider society. Our governance framework enables the Board to have oversight of the climate and nature-related risks and opportunities impacting our business.

The Chair is responsible for setting the Board agenda, which primarily focuses on strategy, performance, value creation, culture and conduct, accountability, and risk management. Sustainability matters, including those related to climate and nature, form part of many elements of the Group's strategy and are integrated into the agenda-setting process. The Chair determines the timing for agenda items to ensure appropriate time is allocated, particularly for strategic issues.

The Group's corporate sustainability strategy, which includes climate and nature-related issues, is formally reviewed by the Board annually. At the July 2023 Board meeting, there was a briefing session on sustainability delivered by the Global Head of Sustainable Investment and Global Head of Corporate Sustainability. At this briefing session, the Board was updated on how sustainability trends were shaping our industry, including climate and nature-related risks and opportunities. This covered the trends, impacts and how the business was responding for both the investments we manage and our own operations. The Board was also updated on progress on some key issues including climate change, biodiversity, human rights and community investment. Additionally, to support the ongoing monitoring of our targets, a climate management dashboard was presented to the Board which showed how the business tracks climate-related metrics.

Our November 2023 Board meeting was devoted to the Group's strategy. At this meeting, the Board noted our leadership position in sustainability as part of the Group Chief Executive's strategy paper. The Board also noted several developments as part of the Governance report. These included the *TCFD 2023 Status Report*¹ which was published by the Financial Stability Board, the publication of the Taskforce on Nature-related Financial Disclosures² and the International Sustainability Standards Board's assumed responsibility for climate-related reporting. The key findings of these developments were assessed by the business.

The Group has a well-developed risk management framework to identify risks and opportunities. At Board level, this oversight is through the Board Audit and Risk Committee (BARC), which receives quarterly reports on key risks impacting the business, one of which is "Sustainability risk including climate change".

The BARC provides an update to the Board after each meeting on matters discussed. The BARC considers the Group's key risks twice a year, in July and November. In November 2023, the BARC received an update on "Sustainability risk including climate change" which included information on physical and transition risks.

In May 2023, the BARC received a briefing on regulatory change, which included how the business was addressing the impact of sustainability-related regulatory changes globally. The Financial Reporting Council (FRC) performed a limited scope review of our TCFD disclosures of metrics and targets in our 2022 Annual Report and Accounts as part of a thematic review and raised no issues.

Further information
For how climate and nature-related issues are considered in financial planning for the Group, see page 12.

This Report has been formally reviewed and approved by the Board.

Board training on climate-related issues

The Group Company Secretary supports the Chair and Group Chief Executive in providing a personalised induction programme for all new Directors. This helps to familiarise newly appointed Directors with their duties and the Group's culture and values, strategy, business model, businesses, operations, risks, and governance arrangements. The induction process is reviewed regularly and is updated and tailored to ensure it remains appropriate. Induction and briefing meetings are generally open to any Director to attend if they wish to.

As part of their induction programme, our Directors receive briefings on our sustainability strategy. This includes commitments, progress and key actions taken by the Group, allowing the Directors to gain an understanding of our sustainability strategy and key points of differentiation.

Committee-specific inductions are also arranged when Committee membership changes. These induction processes are tailored to the skills and knowledge of the individual and the forthcoming Committee agenda items.

Further information
For more detail on awareness, training and engagement of our employees, see page 12.



1. <https://www.fsb.org/2023/10/2023-tcf-status-report-task-force-on-climate-related-financial-disclosures/>
2. <https://tnfd.global/>



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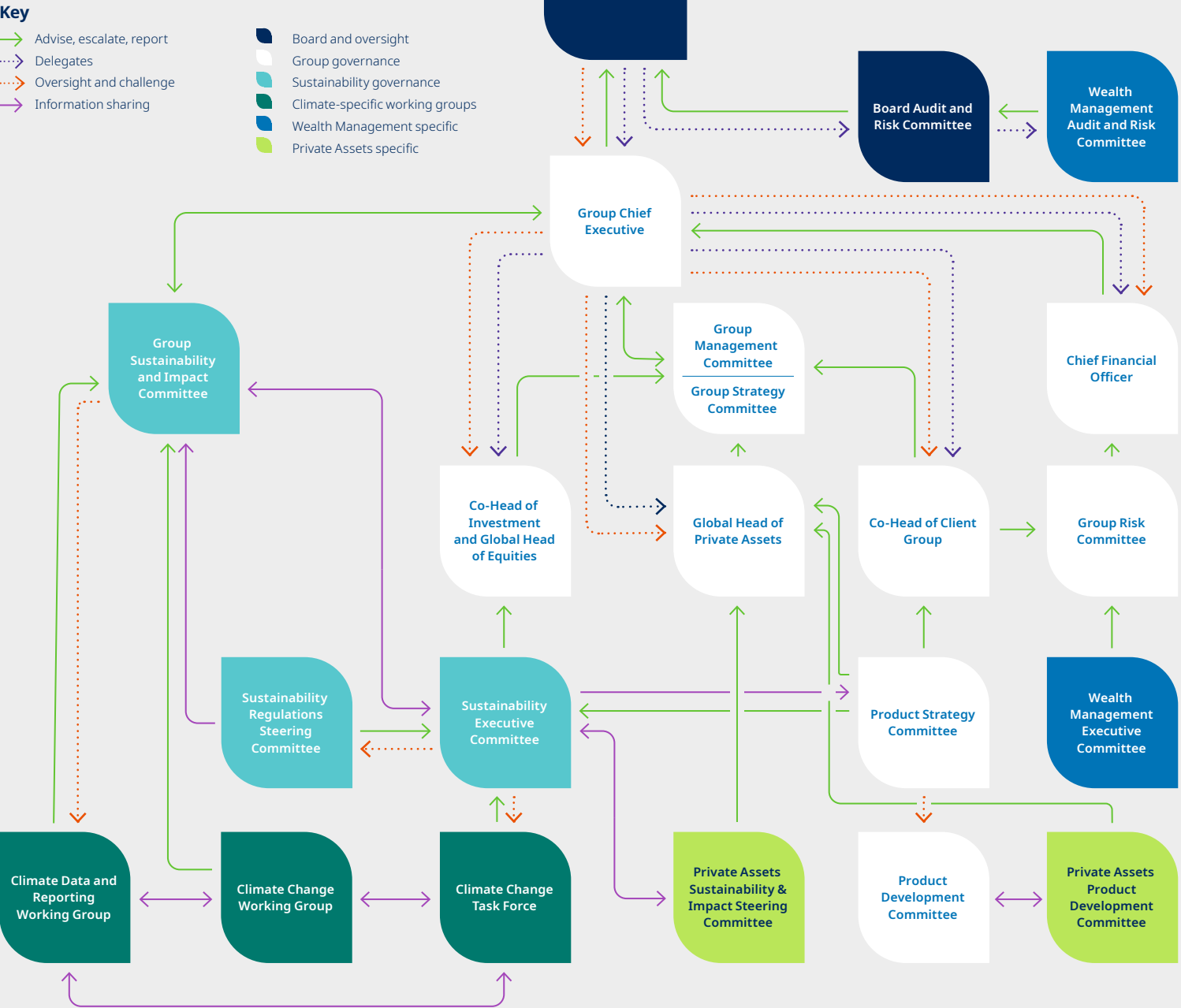
Our climate and nature governance structure and management's role

Climate and nature-related risks and opportunities are embedded within our business strategy. The Board delegates specific responsibilities to Board Committees and to the Group Chief Executive, who has the authority to delegate further. Our governance structure for climate and nature-related issues is shown to the right. Our governance structure will continue to adapt where needed, in accordance with our business strategy.

We believe that clear policies are key to tackling climate and nature-related issues.

Further information
For policies, position statements and key documents, see Appendix 1.

Governance structure for climate and nature-related issues





Key

Board and oversight

Group governance

Sustainability governance

Climate-specific working groups

Wealth Management specific

Private Assets specific

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Forum	Information	Description	2023 activities on climate and nature
<div>Board Audit and Risk Committee (BARC)</div>	<p>Chair: Schroders plc independent non-executive Director</p> <p>Membership: Independent non-executive Directors of Schroders plc</p> <p>Meetings: 5</p>	<p>The BARC is a Board Committee and is responsible for overseeing financial reporting, risk management and internal controls, internal and external audit. The BARC receives reports from management on key risks to ensure they are considered at Board level. Oversight of key risks is essential to the delivery of the Group's overall strategy, and the BARC provides an update of these key risks to the Board quarterly.</p>	<ul style="list-style-type: none">As “Sustainability risk including climate change” is identified as a key business risk, the BARC received information quarterly in order to assess how it is being managed.Considered and discussed sustainability-related regulatory changes.
<div>Group Management Committee (GMC)</div> <div>Group Strategy Committee (GSC)</div>	<p>Chair: Group Chief Executive</p> <p>Membership: Senior management from across the Group</p> <p>GMC meetings: 11</p> <p>GSC meetings: 14</p>	<p>The GMC comprises the wider senior management team and is an advisory committee to the Group Chief Executive on the day-to-day running of the Group's business.</p> <p>The GSC comprises the senior management team who have primary responsibility for the development and delivery of the Group's strategy. It is an advisory committee to the Group Chief Executive.</p>	<ul style="list-style-type: none">Considered the Group's strategy and key risks, including climate, ahead of submission to the Board.Reviewed the sustainability annual update, which included how sustainability trends were shaping our industry and the progress on some key issues including climate change, biodiversity, human rights and community investment.Discussed climate and nature-related issues as part of the delivery of the Group's strategy.
<div>Group Risk Committee (GRC)</div>	<p>Chair: Chief Financial Officer (CFO)</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 10</p>	<p>The GRC assists the CFO in discharging his responsibilities in respect of risk and controls. The executive oversight of risk is delegated by the Group Chief Executive to the CFO. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and developments to our internal key risks, one of which is “Sustainability risk including climate change”.</p>	<ul style="list-style-type: none">Reviewed the description and framework of “Sustainability risk including climate change” and an assessment of risk position versus risk appetite.Reviewed the second-line oversight of sustainability and the Sustainability Operating Model programme.
<div>Group Sustainability and Impact Committee (GSI Committee)</div>	<p>Chair: Group Chief Executive</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 6</p>	<p>The GSI Committee provides advice to the Group Chief Executive to assist him in discharging his responsibilities regarding sustainability and impact. The Committee considers, reviews and recommends the overall global sustainability and impact strategy, including key initiatives, new commitments and policies to the Group Chief Executive for approval. The Global Head of Corporate Sustainability and Global Head of Sustainable Investment are members of the Committee and report annually to the GMC and the Board. The obligations of our climate transition plan are monitored by the GSI Committee as part of reviewing our sustainability strategy. This includes monitoring progress towards our science-based targets.</p>	<ul style="list-style-type: none">Reviewed the progress against our climate change strategy and delivery plans for our science-based targets, including climate engagement for investee companies, operational action plan and supply chain engagement strategy.Discussed and reviewed our 2023 CDP response.Discussed and recommended for approval our Group Climate Change Position Statement and Group Nature and Biodiversity Position Statement.
<div>Sustainability Executive Committee (ExCo)</div>	<p>Chair: Co-Head of Investment and Global Head of Equities</p> <p>Membership: Senior management from across the Group</p> <p>Meetings: 25</p>	<p>The ExCo develops and oversees the delivery of our Group-level investment management sustainability strategy. The ExCo also advises on the development of our sustainability and impact investment and product frameworks. The ExCo has senior representation from across the business including Investment, Client Group, Wealth, Schroders Capital and Corporate Sustainability to enable co-ordination and alignment across the business.</p>	<ul style="list-style-type: none">Discussed the further development and application of the climate toolkit, including the Net Zero Dashboard.Discussed and reviewed the climate engagement programme.Reviewed the climate solutions framework to help clients navigate our offering aligned to their climate outcomes, as well as products mapping across public and private assets.Discussed the development of our decarbonisation capability, including client education, thought leadership, climate commitments approach and decarbonisation solutions.Reviewed the Schroders fossil fuel approach and coal policy, as well as the Schroders Capital fossil fuel approach.



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<div>Sustainability Regulations Steering Committee</div>	<p>Chair: Global Head of Product Development and Governance</p> <p>Membership: Senior representatives from across the Group</p> <p>Meetings: 12</p>	The Sustainability Regulations Steering Committee oversees the implementation of sustainability regulatory change programmes, as well as monitoring emergent sustainability regulations and determining their high-level impact on our Group sustainability strategy and supporting operations. The Sustainability Regulations Steering Committee receives input on planned or potential sustainability-related regulation from our Public Policy team, which actively engages with relevant regulators, industry trade associations and other bodies in our key markets of the UK and EU.	<ul style="list-style-type: none">Discussed and reviewed our responses to regulatory consultations for emerging climate-related regulations.Provided a second line of oversight to the development of climate-related tooling and carbon reporting in order to meet regulatory requirements.Supervised the development of product-level sustainability disclosures.Identified regulatory risks and confirmed that they are factored into the strategy setting and implementation planning activities of the appropriate product, sustainability-related committees.
<div>Product Strategy Committee (PSC)</div>	<p>Chair: Co-Head of Client Group</p> <p>Membership: Group Chief Executive, Divisional Heads including Investment and Client Group, and leaders from the Product team</p> <p>Meetings: 4</p>	The PSC identifies, prioritises and reviews the Group's overall product strategy globally. This includes consideration of climate-related opportunities to shape the development of new products.	<ul style="list-style-type: none">Reviewed demand for sustainability-oriented thematic strategies, and undertook to conduct more advanced research into approaches for helping clients to mitigate the impacts of climate change and nature degradation.Agreed cross-functional support for delivering portfolios which contribute to clients’ environmental and social goals.
<div>Product Development Committee (PDC)</div>	<p>Chair: Head of Product Development – UK and Europe</p> <p>Membership: Senior representatives from Investment, Client Group, Operations, Compliance, Legal and Governance</p> <p>Meetings: 15</p>	The PDC reviews and recommends detailed product proposals, including climate-focused strategies and assessment of climate and sustainability-related portfolio measures as relevant.	<ul style="list-style-type: none">Recommended the launch of carbon offset shares for Schroders ISF Global Climate Leaders.Recommended the launch of the first two sub-funds of the new Schroders Capital Long-Term Asset Funds umbrella, Schroders Capital Climate+ LTAF and Schroders Greencoat Global Renewables+.
<div>Private Assets Product Development Committee (Private Assets PDC)</div>	<p>Co-Chairs: Head of Private Assets Legal and Head of Product Management Private Assets</p> <p>Membership: Global Head of Private Assets and senior representatives of Schroders Capital business, including Product, Strategy, Change, Risk and Compliance</p> <p>Meetings: 12</p>	The Private Assets PDC is responsible for the development and life cycle of all private assets products. It reviews product business cases, which include details of assessments of climate and sustainability-related portfolio measures. For products targeting intermediary investors, where an initial business case recommendation is provided by the Private Assets PDC, further consideration is provided by the PDC.	<ul style="list-style-type: none">Considered various proposals for the launch of products with climate-related features, including funds specifically targeted at climate impact investing.Recommended the launch of several private assets funds targeting climate and impact focused strategies.
<div>Private Assets Sustainability and Impact Steering Committee (PA S&I Steer Co)</div>	<p>Chair: Head of Sustainability and Impact for Private Assets</p> <p>Membership: Senior representatives of Schroders Capital business including Product, Strategy, Change, Risk and Compliance</p> <p>Meetings: 4</p>	The PA S&I SteerCo is mainly responsible for defining Schroders Capital S&I policy; for enabling, overseeing and reporting on the implementation of Schroders Capital S&I policy and commitments within the requirements of appropriate S&I regulations; and for ensuring that the capabilities of the Schroders Capital S&I Central team are consistent with the private assets S&I strategy. The PA S&I SteerCo is supported by a Private Assets S&I Working Group.	<ul style="list-style-type: none">Discussed and recommended for approval the development of Schroders Capital approach to fossil fuels.Discussed progress in implementation of climate integration across businesses.



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<div>Wealth Management Audit and Risk Committee (WMARC)</div>	<p>Chair: Schroder & Co. Limited independent non-executive Director</p> <p>Director membership: Independent non-executive Directors of Schroder & Co. Limited</p> <p>Meetings: 6</p>	The WMARC is responsible for overseeing financial reporting, risk management and internal controls, and internal and external audit within the Group's wealth management business. The WMARC receives reports from management on key risks within wealth management. Oversight of key risks is essential to the delivery of the Group's overall strategy, and the WMARC's minutes are provided to the BARC and the WMARC Chair presents an annual update on the Committee's activities to the BARC.	<ul style="list-style-type: none">Assessed the potential financial risks associated with climate change on the wealth management business. As part of this assessment, WMARC reviewed the standalone TCFD legal entity disclosures of Schroder & Co. Limited. These disclosures were published in June 2023.
<div>Wealth Management Executive Committee (WMEC)</div>	<p>Chair: Global Head of Wealth Management</p> <p>Membership: Senior executives within the Group's wealth management business</p> <p>Meetings: 11</p>	The WMEC meets monthly to assist the Global Head of Wealth Management in discharging their responsibilities in managing Wealth Management, including in respect of strategy, policy, finance, people, systems, conflicts of interest, risk and controls. One of the WMEC's roles is to review new products and investment offerings for the Group's wealth management business.	<ul style="list-style-type: none">Considered the overall sustainability strategy for wealth management.Discussed sustainable investment within the wealth management business, including a review of capabilities for delivering a pathway to net zero for client portfolios.Reviewed the impact of climate change on the strategic asset allocation of the core investment models in the wealth management business.
<div>Climate Change Working Group (CCWG)</div>	<p>Chair: Global Head of Corporate Sustainability</p> <p>Membership: Representatives across the Group to ensure input and alignment from operational and investment stakeholders</p> <p>Meetings: 5</p>	The CCWG discusses and recommends the approach and actions needed to deliver Group-wide commitments on climate change to the GSI Committee. An update is also provided to each GSI Committee on latest activities. There is a focus on targets, disclosures such as CDP, climate and nature reporting, and evolving our policies and practices across the business. The CCWG also discusses external communications and employee engagement.	<ul style="list-style-type: none">Discussed and reviewed SBTi progress.Developed and supported the submission of climate-related disclosures, such as CDP and nature-related reporting (e.g. the Taskforce on Nature-related Financial Disclosures) and integration with climate reporting.Discussed internal climate engagement campaigns and external communications plans, such as Earth Day and COP28.
<div>Climate Change Task Force (CCTF)</div>	<p>Chair: Climate Change Strategist</p> <p>Membership: Representatives from the Sustainable Investment team</p> <p>Meetings: 24</p>	The CCTF drives climate workstreams from an investment perspective, including climate analytics, engagement, reporting, integration and research. The CCTF aims to improve co-ordination, consistency and innovation, in order to meet our climate goals. The CCTF consults with the Climate Planning Investor Group, a subset of investors with experience integrating climate-related considerations, to test and refine climate planning and proposals.	<ul style="list-style-type: none">Discussed and planned the development of new tools to support climate analytics, including data sources and visualisation outputs.Monitored progress on climate engagement targets and insights derived from engagements.Discussed updates to the client and internal climate training curriculum, including feedback from sessions.
<div>Climate Data and Reporting Working Group</div>	<p>Chair: Head of Climate and Environment, Corporate Sustainability</p> <p>Membership: Representatives from Corporate Sustainability, Sustainable Investment, Workplace Services, Group Procurement and Group Finance</p> <p>Meetings: 8</p>	The Climate Data and Reporting Working Group monitors the internal reporting of quarterly data underpinning our science-based targets and produces the climate dashboards for management committees. It also produces and reviews the annual emissions data for external publications and the associated controls and procedures required for internal audit and external assurance.	<ul style="list-style-type: none">Reviewed and updated the climate dashboard (and emissions reporting) for internal management committees.Reviewed and updated the operational emissions data for external publications.Reviewed and updated the documented controls and procedures regarding data collection, review, verification and assurance.Discussed the external assurance approach.Discussed and reviewed the emissions recalculation process for financed and operational emissions.

i

Further information
For our operational emissions reporting, see page 74.

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Regulated entity approach

A number of the Group’s UK regulated entities are required to publish their own separate TCFD-related reports pursuant to the FCA’s ESG Sourcebook rules.

i Further information
For the list of in-scope entities, see page 9.

These Group entities have adopted the Group governance approach set out in this Report. In addition, Schroder Real Estate Investment Management Limited (SREIM) has a number of supplementary governance arrangements in place, reflecting that it typically invests in real estate assets.

The SREIM Board receives regular reporting from the Head of Sustainability and Impact Investment, Real Estate on matters such as the overall Schroders Capital real estate annual sustainability policy, including progress towards climate-related targets. The SREIM Board has established several committees charged with reviewing sustainability matters.

Sustainability matters are reviewed prior to the acquisition of any property asset. This review also takes place annually on a fund-by-fund basis, taking into account performance against GRESB (the global ESG benchmark for real estate funds and companies) and asset and fund-level energy and carbon reduction targets.



Remuneration linked to climate impact

Our remuneration structures are designed to reflect the strategic importance of climate-related issues. For a number of years, our executive Directors have had sustainability-related measures included within their annual bonus scorecard. The measures are reviewed by the Remuneration Committee each year to align with our key priorities. For 2023, the executive Directors’ annual bonus scorecards included a new metric that measures the proportion of our funds subject to the Sustainable Finance Disclosures Regulation (SFDR) classified as Article 8 and 9 funds. This financial metric, underscores our dedication to our sustainable offerings and our ongoing efforts to be at the forefront of sustainability leadership. The 2023 performance assessment also took into account engagement with investee companies, leveraging our influence as an asset manager to encourage others to reduce their emissions, as well as performance against our own multi-year climate-related targets.

In addition to continuing to include sustainability measures in the executive Directors’ annual bonus scorecard, from 2022 our commitment to climate action was also reflected in our Long-Term Incentive Plan (LTIP). The 2022 LTIP incorporated a climate metric relating to the percentage of renewable electricity used across our global offices, holding a 20% weighting in the LTIP scorecard that

year. From the 2023 grant, the climate measure evolved towards the portfolio temperature score of our assets under management (AUM) to the target net zero pathway. This quantitative, investment-focused metric is designed to support our near-term target of transitioning our portfolios to a 2.2°C pathway by 2030, as we progress towards our goal of aligning our portfolios to a 1.5°C pathway by 2040. The measure now holds a 30% weighting to reflect its materiality to our strategy and scope across the business. In order to achieve payout from any climate metric, we must also maintain a leadership position on climate change in every year of performance measurement, as assessed independently by CDP.

We also use remuneration structures across the wider organisation to align employee interests to sustainability-related issues relevant to their areas of responsibility. Performance against sustainability goals forms part of the annual performance review and, in turn, compensation outcomes for those with roles able to influence our investment and business operations, including members of the GMC, all fund managers, and corporate staff such as Workplace Services and Procurement.

i Further information
For remuneration and climate metrics, see pages 74 to 93 of our Schroders plc 2023 Annual Report and Accounts.

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Ongoing monitoring

Our emissions reduction targets, progress and actions are covered in the “Strategy” section of this Report. We use a number of metrics to track the progress against our climate change strategy to make sure that we are responding appropriately to the climate-related risks and opportunities facing our business, and that the actions we are taking are leading to the transition we expect. The following section outlines the metrics we report on and methodologies used. These are all in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Science Based Targets initiative (SBTi) approved methodologies.

Monitoring actions

Our investment desks are empowered to take a leading role in the implementation of our climate change strategy, under a consistent approach, with common goals and central oversight. With the engagement plan developed by the Sustainable Investment team, investment teams can leverage their relationships with our target companies to push for ambitious decarbonisation commitments and transition plans.

ActiveIQ, our central database, allows the Sustainable Investment team to monitor and track engagements across Schroders to determine companies’ progress against their climate commitments. This ensures the actions we take are consistent with our established plan.

Coupled with an assessment of climate risk and portfolio temperature score from our climate analytics framework, insights from logged engagement activity help us to assess Group progress and to recalibrate where needed.

Further information
For our Climate Analytics Framework, see page 19.

Tracking transition

We calculate the portfolio temperature score of in-scope Group assets every quarter, reflecting changes in holdings and company data.

For our operational data, we use an environmental accounting tool to collect and measure site-level performance data across monthly energy, transport, waste, water and paper use.

Outcome oversight

We have developed an environmental, social and governance (ESG) Risk Dashboard to monitor financed emissions and portfolio risks. This is incorporated into the investment risk management processes, as well as our reporting, and includes fund-level carbon footprint Weighted Average Carbon Intensity (WACI) for Scope 1 and 2 emissions, and its carbon Value at Risk (VaR) calculated using our proprietary Carbon VaR tool, among other sustainability metrics.

Further information
For more detail on our investment risk management process, see pages 52 and 53.

Our operational data is reviewed internally through the Workplace Services and the Group Finance teams. Through the environmental accounting tool we are able to log targets and track progress. We can also make sure that the most up-to-date, relevant emission factors are used in line with the Greenhouse Gas (GHG) Protocol. Our operational GHG emissions, target progress, waste and water data are externally assured by Incendium Consulting Ltd.

A range of work reviewing internal controls and procedures took place on sustainability and climate themes in 2023 and will continue in 2024. Our Group Internal Audit team continued to review the controls in place to ensure that the data and processes to measure progress against our SBTi targets are reliable. They also reviewed the controls we have in place to respond to the annual CDP questionnaire.

Individual investment desk audits consider how sustainability is embedded into the investment process and also review the Active Ownership team’s Engagement framework.

Performance dashboards detailing our key metrics are reported to the Schroders plc Board as well as various committees for oversight throughout the year, including the Board Audit and Risk Committee, Group Management Committee and Group Sustainability and Impact Committee.

Further information
For more detail on our governance, see pages 55 to 61. For more information on our risk management framework, see pages 48 to 50.

Emissions recalculation process

SBTi requires that science-based targets are recalculated to reflect material changes in climate science and business context to ensure their continued relevance. SBTi stipulate that targets shall be reviewed, and, if necessary, recalculated and revalidated every five years at a minimum. Our emissions recalculation process documents how and when we will restate or recalculate our data and targets. We review our GHG inventory annually and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to our company structure, methodology changes or errors. We define a significant change as one that has driven a cumulative increase or decrease in emissions in a particular Scope of greater than 10% of previously reported numbers.¹ Where a restatement or recalculation is performed, it will be described in our annual reporting.

Data limitations

We recognise that emissions data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. The data we rely on can also change materially from one year to the next, as data quality improves or estimation methods change. We continue to work to make sure that the data we use is as accurate as possible, but highlight that any outputs should be interpreted as approximate and not precise.

In 2023, we continued to invest in the climate reporting available to our clients. This included building the necessary infrastructure to enable the production of the Investment Association’s Carbon Emissions Template (CET) for our listed equity and credit portfolios.² We have also been analysing the sovereign emissions methodology published by the Partnership for Carbon Accounting Financials (PCAF). This has been included for the first time on page 69, with the objective of having this ready for the 2024 reporting cycle.

Remuneration

The strategic importance of climate-related issues is reflected in our remuneration structures. Our executive Directors have climate metrics included within their annual bonus scorecard and Long-Term Incentive Plan (LTIP). Performance against sustainability goals forms part of the annual performance review for other employees across the organisation too.

Further information
For more detail, see page 61.

1. We may also choose to adjust our base year or previously reported GHG data for changes which equate to less than a 10% impact.
2. Restricted to portfolios managed on our portfolio management system.

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Our methodology and approach

In accordance with the recommendations made by the TCFD, we use the following metrics to report on our financed Scope 3 category 15 GHG emissions. This approach allows us to effectively assess and track our exposure over time.

In 2023, we extended our reporting capability in line with the Financial Conduct Authority’s product-level reporting requirements. These reports include the same methodologies as outlined on the right.

The investments we manage

Investment metrics methodology

Metric	Methodology	Usage	Limitations
Total carbon emissions Establishes the total GHG emissions of a portfolio’s investments.	$\text{MtCO}_2\text{e} = \sum \left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions} \right)$ <p>EVIC = enterprise value including cash</p>	Establishes the absolute volume of GHG emissions emitted by a portfolio.	Limited in terms of comparability or benchmarking due to its link to portfolio size.
Carbon footprint Measures a portfolio’s GHG emissions normalised by its market value.	$\text{tCO}_2\text{e}/\$m \text{ invested} = \frac{\sum \left(\frac{\text{Current value of investment}}{\text{Issuer's EVIC}} \times \text{Issuer's GHG emissions} \right)}{\text{Current portfolio value}}$	Intensity metric that enables comparison of different portfolio emissions, irrespective of assets under management (AUM).	Sensitive to changes in portfolio value.
Weighted Average Carbon Intensity (WACI) Measures a portfolio’s exposure to carbon-intensive companies.	$\text{tCO}_2\text{e}/\$m \text{ revenue} = \sum \left(\frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Issuer's GHG emissions}}{\text{Issuer's revenue}} \right)$ <p>Scope 1 and 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value) rather than the equity ownership approach.</p>	Enables easy comparison between a portfolio and a benchmark.	Can only be used with listed equity and corporate bonds.

We use the industry standard developed by the Partnership for Carbon Accounting Financials (PCAF)¹ to calculate total carbon emissions (equivalent to financed emissions Scope 3 category 15 under PCAF), carbon footprint (equivalent to economic emissions intensity under PCAF) and WACI.

1. PCAF Global GHG Accounting and Reporting Standard for the Financial Industry at <https://carbonaccountingfinancials.com/standard>

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Portfolio temperature score

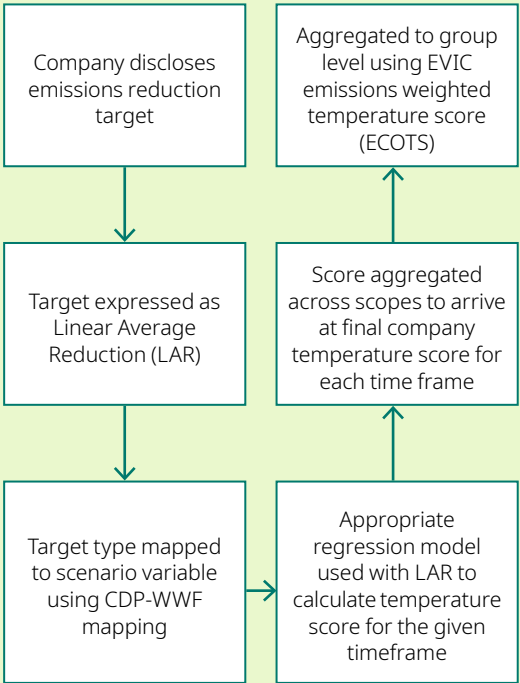
We have implemented the CDP-WWF temperature rating methodology¹ to assess the forward-looking climate ambition of our investment portfolios in accordance with our public commitments to the SBTi. This model calculates the implied temperature pathway of our holdings based on the level of ambition by corporate GHG emissions reduction targets set by our investee companies.

Portfolio temperature score methodology – worked example

“Absolute GHG reduction target of 30% between 2015 and 2030”

$$LAR = \frac{\% \text{ emissions reduction}}{\text{Target year} - \text{Base year}} = \frac{30\%}{15} = 2\%$$

Target Class	SR1.5 scenario variable/benchmark
Absolute GHG reduction	Emissions Kyoto gases (AR5-GWP-100)
GHG economic intensity	Emissions Kyoto gases (AR5-GWP-100)/ GDP PPP



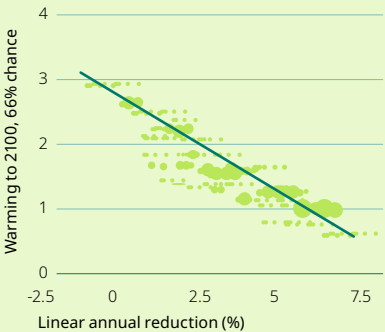
LAR → for example
2030 = 2.2°C

$$\sum_i \left(\left(\frac{\text{Investment value}_i}{\text{Company EV+Cash}} \times \text{Company emissions}_i \right) \times TS_i \right) / \text{Total EV+Cash owned emissions}$$

TS = Temp score

	Short term 0–5 years	Mid term 5–15 years	Long term 15+ years
Scope 1 and 2	TS	TS	TS
Scope 3	TS	TS	TS
Scope 1+2 and+3 ²	TS	TS	TS

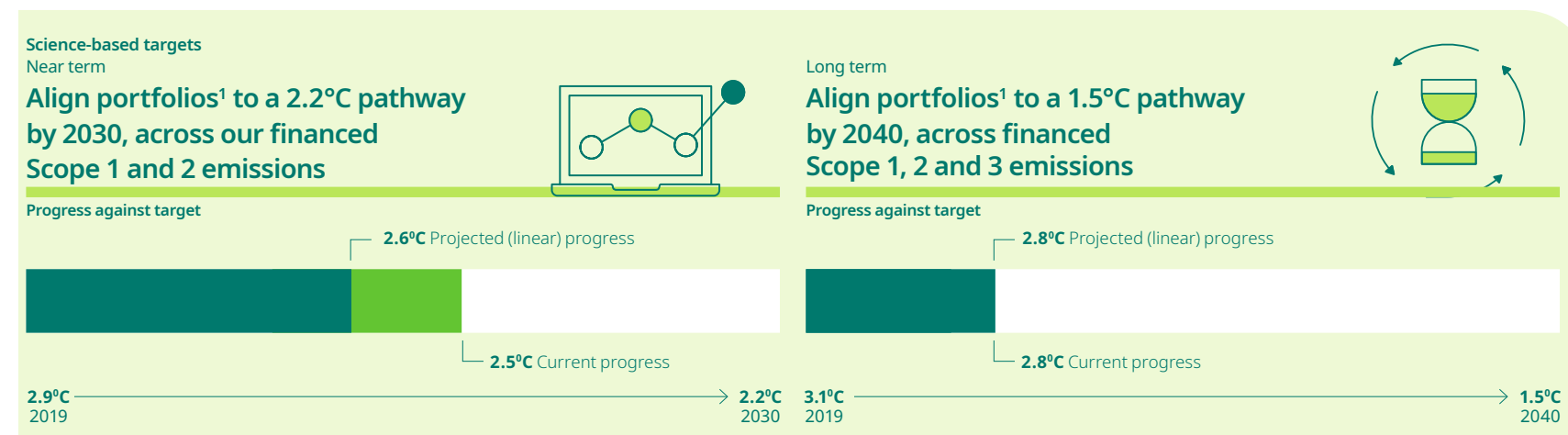
Greenhouse gas emissions



1. <https://www.cdp.net/en/investor/temperature-ratings/cdp-wwf-temperature-ratings-methodology>
2. Calculated using a weighted average based on Scope 1 and 2 emissions, and Scope 3 emissions only for companies required to report on Scope 3.



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i Further information
For more detail on our climate change strategy for the investments we manage and how we are progressing against our targets, see pages 17 to 38.

2023 headline numbers

Asset class		Share of total AUM ²	Scope	Metric	Financed emissions	Coverage	Data quality
Corporates (listed equity, corporate bonds, REITs and ETFs)	Directly managed corporate holdings covered by SBTi validated targets	51%	Scope 1 and 2	MtCO ₂ e	22.4	100%	2.4
			Scope 3	MtCO ₂ e	149.6	100%	4.0
	Externally managed corporate holdings	3%	Scope 1 and 2	MtCO ₂ e	1.3	100%	2.3
			Scope 3	MtCO ₂ e	8.3	100%	3.9
	Corporate total	54%	Scope 1 and 2	MtCO ₂ e	23.6	100%	2.4
			Scope 3	MtCO ₂ e	158.0	100%	4.0
Sovereign bonds		17%	Production emissions Scope 1 (incl. LULUCF ³)	MtCO ₂ e	20.5	100%	4.0
			Production emissions Scope 1 (excl. LULUCF)	MtCO ₂ e	20.7	100%	4.0
			Production emissions Scope 2 and 3	MtCO ₂ e	10.6	100%	4.0
Real Estate		3%	Scope 1 and 2	ktCO ₂ e	42.5	48%	-
			Scope 3	ktCO ₂ e	75.9	48%	-
Infrastructure (Schroders Greencoat) ⁴		1%	Scope 1 and 2	ktCO ₂ e	90.2	100%	-
			Scope 3	ktCO ₂ e	419.8	100%	-

1. Includes Schroders direct listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs).
2. This covers 75% of our AUM, excluding associates and joint ventures. The remaining 25% constitutes exposure across other asset classes, such as alternatives, cash and non-covered private assets.
3. Land use, land use change and forestry.
4. Due to availability of data, financed emissions reflect FY2022 figures.



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2023 metrics

Metrics	Scope	2023	2022	2019 (base year)	Units
Total carbon emissions	Scope 1 and 2	22.4	22.9	39.1	MtCO ₂ e
	Scope 3	149.6	163.7	223.1	MtCO ₂ e
Carbon footprint	Scope 1 and 2	53.9	59.1	95.1	tCO ₂ e/\$m invested
	Scope 3 ¹	360.3	423.7	550.0	tCO ₂ e/\$m invested
Weighted average carbon intensity (WACI)	Scope 1 and 2	105.7	145.8	176.7	tCO ₂ e/\$m revenue
Portfolio temperature score	Scope 1 and 2	2.5	2.6	2.9	°C

This Report includes an overview of our Scope 3 category 15 carbon emissions and the implied temperature rise of our entire portfolio across all in-scope asset classes (listed equities (common stock and preferred stock), corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs), which accounted for more than 50% of our total assets under management (AUM) in 2023 (excluding associates and joint ventures) from a 2019 base year. In our previous Climate Reports we have reported financed Scope 3 figures for the highest emitting sectors only, inclusive of basic materials and oil and gas. This year we have provided financed emissions figures for Scope 3 reflecting all sectors, in-line with PCAF requirements.¹ Therefore, Scope 3 figures for 2023 and prior years have been updated accordingly. We have also restated total carbon emissions and carbon footprint figures for Scopes 1 and 2 to reflect improvements in data quality, including improvements in emissions estimates and reported data availability.

Where available, we use the estimates provided by our data vendor, and we use our own methodology, which is based on PCAF principles, where estimates are not provided. Our 2019 financed emissions numbers appear to be higher than later reporting years because of a greater reliance on estimated data historically. The objective of estimation is to provide as complete and representative a picture of portfolio emissions as we believe is possible, but alongside methodology updates and data revisions, this complicates comparisons and can require historical estimates to be restated. The figures should be interpreted against this backdrop of changing assumptions and heavy reliance on estimates. We have followed PCAF principles in calculating our financed emissions, but recognise that the underlying data can change materially as reported data increases and estimation methodologies improve.

Total carbon emissions and carbon footprint asset class breakdown

The tables below break down our reported Scope 3 category 15 financed emissions covered in our SBTi targets. “Listed equities” refers to common and preferred stock.

Total carbon emissions (MtCO ₂ e)	2023		2022		2019 (base year)	
	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3
Listed equities	15.3	114.4	15.6	127.8	28.7	177.2
Corporate bonds	6.5	32.1	6.9	33.0	9.8	42.6
REITs	0.1	0.3	0.1	0.5	0.1	0.1
ETFs	0.4	2.8	0.3	2.4	0.6	3.2
Total	22.4	149.6	22.9	163.7	39.2	223.1

Carbon footprint (tCO ₂ e/\$m invested)	2023		2022		2019 (base year)	
	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3	Scope 1, 2	Scope 3
Listed equities	52.1	388.3	56.6	466.3	99.1	618.8
Corporate bonds	64.3	316.0	75.3	360.5	94.3	413.3
REITs	6.9	31.2	7.1	31.8	6.9	9.4
ETFs	52.4	350.9	56.8	404.9	97.2	543.9
Overall	53.9	360.3	59.1	423.7	95.5	550.0

1. Requirement to report Scope 3 financed emissions is phased, see page 49 of the PCAF standard for more detail <https://carbonaccountingfinancials.com/standard>



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Carbon footprint sector breakdown

Carbon footprint (tCO ₂ e/\$m invested)	2023		2022		2019 (base year)	
	Scope 1,2	Scope 3	Scope 1,2	Scope 3	Scope 1,2	Scope 3
Financials	2.5	67.3	3.2	59.7	8.5	42.8
Miscellaneous	41.6	276.2	48.8	304.1	74.0	395.7
Technology	14.7	101.7	14.1	133.1	20.7	85.4
Consumer goods	31.0	541.9	23.2	741.3	29.1	445.0
Industrials	75.4	411.0	76.9	415.8	139.3	558.0
Consumer services	32.2	188.4	32.2	186.8	71.3	191.4
Healthcare	6.3	78.5	6.4	81.9	8.9	42.4
Basic materials	332.5	1,929.9	278.4	2,344.8	406.0	3,944.7
Oil and gas	249.2	2,138.9	247.3	1,995.9	346.7	2,633.9
Utilities	258.1	268.1	404.8	662.9	739.6	1,414.2
Telecommunications	17.8	67.0	21.3	72.8	29.5	63.6

Asset class data quality breakdown

Data quality score (weighted average)	2023			2022			2019 (base year)		
	Scope 1	Scope 2	Scope 3 ¹	Scope 1	Scope 2	Scope 3 ¹	Scope 1	Scope 2	Scope 3 ¹
Listed equities	2.2	2.3	3.9	2.5	2.5	3.9	2.8	2.8	2.6
Corporate bonds	2.7	2.9	4.0	2.8	2.9	4.1	3.0	3.0	3.6
REITs	4.0	3.9	4.5	4.2	4.2	4.7	4.1	4.1	4.2
ETFs	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

PCAF requires the reporting of data quality to provide transparency and clarity on the limitations of the data available, as well as to hold companies to account on ensuring this quality increases over time. Using a 1–5 score, with 1 being the highest (externally verified data), a weighted average of data quality can be established for different asset classes.

Temperature score results by industry

Sector	2023			2022		
	Exposure (USD bn)	Scope 1,2 mid score (°C)	Scope 1,2,3 long score (°C)	Exposure (USD bn)	Scope 1,2 mid score (°C)	Scope 1,2,3 long score (°C)
Financials	91.1	2.7	3.0	87.6	2.7	3.0
Miscellaneous	64.2	3.0	3.0	60.3	3.0	3.2
Technology	59.7	2.4	2.9	46.0	2.3	3.0
Consumer goods	37.3	2.3	3.0	37.3	2.3	3.0
Industrials	42.3	2.6	2.8	39.2	2.9	3.0
Consumer services	34.2	2.3	2.7	28.6	2.2	3.1
Healthcare	31.6	2.2	2.9	31.4	2.3	3.0
Basic materials	15.8	2.6	3.1	17.1	2.5	3.1
Oil and gas	18.2	2.3	2.4	17.0	2.6	2.6
Utilities	11.6	2.3	2.3	12.0	2.3	2.3
Telecommunications	9.4	1.5	2.3	10.9	1.4	2.7

Near term Scope 1 and 2 reflect the targets set by portfolio companies across their Scopes 1 and 2 with target years between 5–15 years from now. Long term Scope 1, 2 and 3 scores reflect the targets set by portfolio companies across their Scopes 1, 2 and 3 emissions with target years more than 15 years from now. ETFs receive the default score of 3.2°C because we do not have look through to the underlying holdings.

Temperature score results by asset class

Asset class	2023			2022		
	Exposure (USD bn)	Scope 1,2 mid score (°C)	Scope 1, 2, 3 long score (°C)	Exposure (USD bn)	Scope 1,2 mid score (°C)	Scope 1, 2, 3 long score (°C)
Listed equities	295.0	2.5	2.8	276.0	2.5	2.9
Corporate bonds	102.0	2.5	2.8	91.6	2.6	2.9
REITs	11.1	2.9	3.1	14.5	3.2	3.2
ETFs	7.9	3.2	3.2	6.0	3.2	3.2

1. See page 103 of the PCAF standard for the detail of the data quality requirements
<https://carbonaccountingfinancials.com/standard>

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Sovereign emissions reporting

PCAF published its renewed financed emissions framework in December 2022, including a sovereign bond methodology for the first time. The table below outlines our sovereign bond financed production emissions, inclusive and exclusive of land use, land use change and forestry (LULUCF), as well as our financed consumption emissions.

The decision to include two sets of metrics (including (incl.) and excluding (excl.) LULUCF) aligns with PCAF recommendations and is necessary as the inclusion of LULUCF favours developed markets (DM), whilst to exclude favours emerging markets (EM). Given that historically DM markets have been able to take greater advantage of the commodities within their territorial boundaries, the appropriate metrics are still an area of continued discussion across the industry.

Sovereign emissions metrics	2023		2022		Units
	Emissions	Data quality score	Emissions	Data quality score	
Scope 1 (incl. LULUCF)	20.5	4	13.6	4	MtCO ₂ e
Scope 1 (excl. LULUCF)	20.7	4	13.7	4	MtCO ₂ e
Scope 2	0.1	4	0.1	4	MtCO ₂ e
Scope 3	10.5	4	6.5	4	MtCO ₂ e
Total (incl. LULUCF)	31.1	4	20.2	4	MtCO ₂ e
Total (excl. LULUCF)	31.3	4	20.3	4	MtCO ₂ e
Carbon footprint (Total incl. LULUCF)	225.3	–	233.7	–	tCO ₂ e/\$m
Carbon footprint (Total excl. LULUCF)	226.9	–	234.4	–	tCO ₂ e/\$m
Consumption emissions intensity	10.6	–	10.6	–	tCO ₂ e/capita

Key

- Production emissions
- Consumption emissions





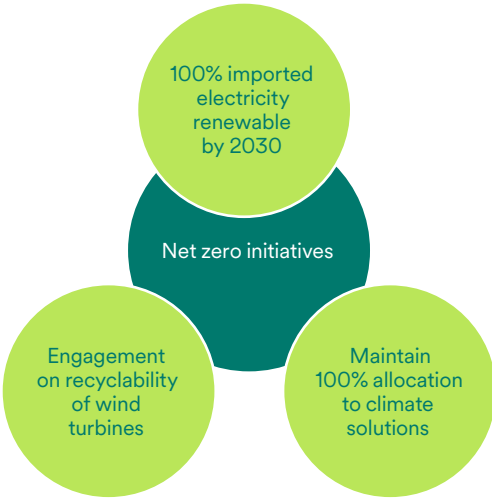
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Target setting in private markets

At present, Schroders Capital has long-term decarbonisation commitments in place, aligned to that of Schroders Group: a net zero commitment across Scope 1, 2 and 3 emissions, including those of our investments, by 2050 or sooner. Our further ambition is a commitment to include all private assets within Schroders’ SBTi commitments, by 2040 or sooner to achieve a 1.5°C alignment commitment by 2040. We continue to engage with industry stakeholders to increase the likelihood and timeline for our SBTi integration but at present are currently limited by the methodologies available to set decarbonisation targets.

Our shorter-term decarbonisation commitments, focus on areas of our business whereby we directly manage assets and so, from a Scope 1 and 2 emissions perspective, we have clear control over the decisions and roadmap to decarbonise. At present this includes our infrastructure pillar, where Schroders Greencoat has a commitment to halve Scope 1 and 2 emissions intensity by 2030 from a

Efforts to decarbonise operational emissions within Schroders Greencoat



2022 base year, and within our real estate pillar, where Schroders Capital Real Estate has committed to reduce Scope 1, 2 and partial Scope 3 (tenant energy consumption) carbon emissions intensity by 16% and 36% by 2025 and 2030, respectively from a 2019 base year.

Target setting at Schroders Greencoat

The majority of Schroders Greencoat’s emissions are driven by embodied carbon in the construction of assets on sectors that have not yet decarbonised. The business largely acquires operational renewable infrastructure from third-party utilities, which allows capital to be recycled into further renewable energy projects. Under carbon accounting guidance, Schroders Greencoat must report this embodied carbon through asset acquisition for the year in which the acquisition takes place only; this causes a continual fluctuation in Scope 3 emissions reported. The fluctuation in upstream Scope 3 emissions year-on-year resulting from this accounting approach, coupled with the upstream embodied carbon from industries that are yet to decarbonise, currently restricts our ability to develop a roadmap for Scope 3 decarbonisation. It also creates challenges regarding the setting of Scope 3 decarbonisation targets within our industry, which depend materially on engagement with our supply chain.

As the majority of emissions are driven by embodied carbon, an element of net zero commitments relies on the adoption of a more circular economy. Schroders Greencoat commissioned an independent expert in assurance and risk management to carry out a turbine recyclability report in 2022. The findings were shared with original equipment manufacturers, who were asked for their ideas on how they would address this issue. In August 2022, Schroders Greencoat UK Wind launched its first grant making programme to find and support academic research and non-profit projects that advance the industry’s knowledge around wind turbine blade recycling, repurposing and recovery.

The programme was launched in partnership with BizGive, an online platform that connects organisations to external impact partners, such as universities, charities and community groups. The £250,000 impact programme has attracted applications from a wide range of unique projects. Through this project, Schroders Greencoat UK Wind is awarding the University of Edinburgh a grant of nearly £125,000 for a 12-month research project focused on recycling old wind turbine blades into powders that can be used in surface coatings. In 2023, Schroders Greencoat UK Wind contributed a further £111,000 to Imperial College London for a project on wind turbine end-of-life research.

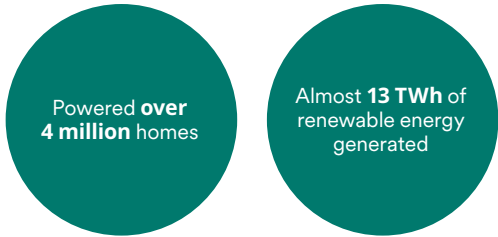
2023 metrics

Schroders Greencoat

£8.6bn

Total AUM at 30 September 2023

Total emissions tCO₂e



Reporting scope¹		FY 2023²	FY 2022³
Absolute emissions³	Scope 1 (tCO ₂ e)	–	84,871
	Scope 2 (tCO ₂ e)	–	5,326
	Scope 3 (tCO ₂ e)	–	419,780
	Total	–	509,977
Emissions intensity	Scopes 1 and 2 (tCO ₂ e/MWh)	–	0.007
	Scope 3 (tCO ₂ e/MWh)	–	0.04
MWh generated⁴	GWh	12,905	–
Carbon avoided⁵	(tCO ₂ e)	5,207,131	–
Homes powered⁶	Notional	4,069,344	–

The financed emissions of the asset classes included in the table reflect those for which there are established methodologies and for which we have methods to assess holdings to calculate financed emissions. Asset classes that are not yet covered include private equity, derivatives, cash, municipal and supranational debt.

1. Different metrics are reported for different time periods based on the availability of data.
2. FY2023 data reflects the 12-months to September 2023. FY2022 reflects the calendar year 1st January – 31st December.
3. Greenhouse gas emissions are calculated using the Greenhouse Gas Protocol, applying an equity share approach.
4. MWh generated reflects the total renewable electricity generated by the portfolio under management in the 12 months to 30th September 2023. Please note that this figure excludes thermal generation from our assets.
5. Carbon avoided calculation assumes that renewable electricity generation replaced the marginal generator in the relevant country and applies the carbon intensity associated with the marginal generation asset (tCO₂/MWh). Please note that this figure excludes thermal generation from our assets.
6. Homes powered reflects the annual average household consumption for each country (MWh).



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Target setting in our real estate business

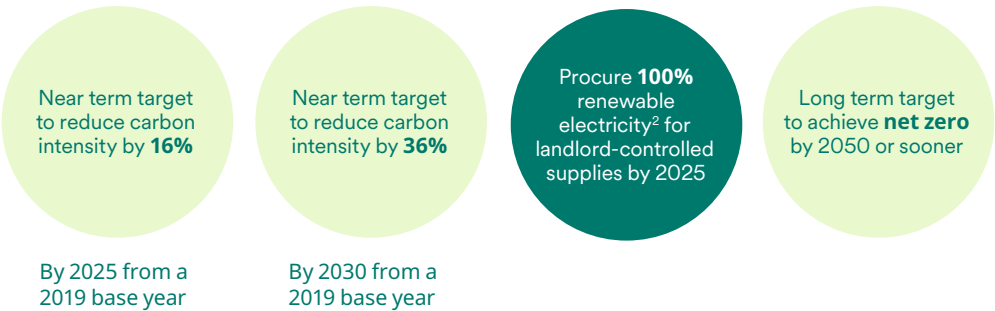
The real estate sustainability programme includes a net zero carbon target across our direct, indirect and debt portfolios, with interim energy and carbon intensity targets in place for the majority of direct real estate under our management. Asset and fund-level energy and carbon targets aligned to 1.5°C using Carbon Risk Real Estate Monitor (CRREM) pathways were set in 2021 (accounting for 37% of direct AUM, as of 31 March 2023). Due to the impact of COVID-19 and associated national lockdowns, targets were developed using an April 2019 to March 2020 baseline. Progress against these targets, including an update for the CRREM version 2, was completed in 2023, identifying asset and fund-level performance in addition to updates

to potential asset-level stranding years. This progress review accounted for known active and planned energy management initiatives from existing Impact and Sustainability Action Plans, and incorporated expected grid decarbonisation pathways. From Q4 2023, the Real Estate team have initiated a programme of asset-level net zero carbon audits and sustainability audits across a proportion of our direct real estate portfolio to enable development of more detailed decarbonisation and energy efficiency action plans. A further progress review against existing net zero carbon targets will be conducted in 2024, which will expand monitoring and reporting of carbon emissions to include both operational and embodied carbon emissions, fugitive emissions and additional utility monitoring.

Real estate emissions

		FY 2023			FY 2022		
Reporting Scope		Total	Direct	Indirect	Total	Direct	Indirect
Absolute emissions	Scope 1 (ktCO ₂ e)	7.0	6.4	0.6	10.6	9.5	1.1
	Scope 2 (ktCO ₂ e)	35.4	33.5	1.9	32.4	29.9	2.5
	Scope 3 ³ (ktCO ₂ e)	75.9	68.9	6.9	53.8	48.0	5.8
	Scopes 1 and 2 (ktCO ₂ e)	42.5	39.9	2.6	43.0	39.5	3.5
	Total	118.3	108.9	9.5	96.8	87.5	9.3
Emissions intensity	Scopes 1 and 2 (kgCO ₂ e/m ²)	6.0	6.8	2.1	10.58	12.0	4.5
	All scopes (kgCO ₂ e/m ²)	23.8	18.5	7.8	23.8	26.7	11.9
Coverage ⁴	% coverage (AUM)	48%	50%	45%	47%	49%	41%

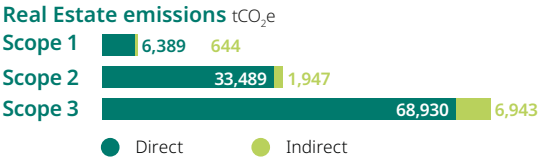
Targets across direct real estate¹



2023 metrics

Real Estate
£23.8bn
Total AUM at 31 March 2023

We have emissions data for **£11.4 billion of direct and indirect real estate AUM as at March 2023** as follows:



1. These targets apply to a proportion of Schroders Capital Real Estate’s directly invested UK and European discretionary mandates, and apply to Scope 1, Scope 2 and Scope 3 (tenant energy consumption) emissions only. These targets are based on kgCO₂e/m² intensity metrics, as a weighted average of fund-level improvement targets aligned with the CRREM 1.5°C pathway to net zero by 2050. Prior to aggregation, the individual fund targets are adjusted for ownership share of assets. For landlord-controlled assets where no consumption data was available, benchmark consumption profiles from the CRREM 2019 model are used.

2. Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at the entity reporting date and only reflects renewable electricity procured under a 100% “green tariff” (in other words, where generation is from 100% renewable source). The renewables percentage of standard (non “green tariff”) energy supplies is not known and not included within the number reported.

3. Scope 3 emissions relate to downstream leased assets (tenant energy-related emissions) where data is available. This does not represent 100% of the total Scope 3 emissions for the portfolio, and the fluctuations between years is impacted by the ability of Real Estate to obtain data from tenants. No Scope 3 emissions were reported in the 2022 report due to the lack of data availability.

4. Coverage is calculated as the reported (actual) and gap-filled (estimated) emissions by AUM. This does not include emissions estimated via extrapolation or benchmarking.

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Our own operations

Our methodology and approach

We use a number of metrics to measure and monitor our environmental impact, which helps us determine what our targets should be. We use the GHG Protocol as our accounting methodology.

Scope	Methodology	Data used
Scope 1 Direct GHG emissions from sources that are owned or controlled by the Group.	$tCO_2e = \sum \left(\frac{\text{Total energy consumed (kWh)}}{1,000} \times \frac{\text{Relevant fuel energy type emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none">• Activity data (for example, fuel consumption)• Fuel/energy type emissions factors
Scope 2 Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the Group.	$tCO_2e = \sum \left(\frac{\text{Total energy consumed (kWh)}}{1,000} \times \frac{\text{Relevant grid average emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none">• Activity data (for example, electricity consumption)• National/state-level emissions factors
Scope 3 business travel Indirect GHG emissions from the transportation of employees for business-related activities in vehicles, such as aircraft, trains, buses and passenger cars, owned or operated by third parties.	$tCO_2e = \sum \left(\frac{\text{Total mileage (miles or km)}}{1,000} \times \frac{\text{Relevant vehicle type emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none">• Activity data:<ul style="list-style-type: none">– Air travel: distance travelled; cabin or class– Sea travel: distance travelled; passenger type– Land travel: distance travelled; vehicle type; fuel type• National emissions factors
Scope 3 supply chain emissions (categories 1, 2 and 4) GHG emissions from purchased goods and services (category 1), capital goods (category 2) and upstream transportation and distribution (category 4).	$tCO_2e = \sum \left(\frac{\frac{\text{Total spend GBP by product}}{\text{By supplier}}}{1,000} \times \frac{\text{Relevant product category environmentally extended input output (EEIO) data emissions factor per unit (kgCO}_2\text{e)}}{1,000} \right)$	<ul style="list-style-type: none">• Activity data (for example, spend)• EEIO emissions factors

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Targets

Science-based targets



Further information
For our operational climate change strategy and details on how we are progressing against our targets, see pages 39 to 46.

Target ambition and boundary

Scope 1 and 2 target ambition

We have set Scope 1 and 2 emissions reduction targets, as these emissions come from sources under our direct financial control. Our targets have been set in line with the IPCC Special Report guidance¹ to limit global temperatures rising above 1.5°C by 2050. Meeting this target will also reduce our climate risk exposure.

In line with SBTi guidance, we have chosen the most ambitious target for our Scope 2 emissions and have therefore set our target using the location-based methodology. Location-based targets are challenging because emissions are largely determined by the emissions intensity of the grid in that particular location. Unlike electricity sources we directly procure, these sources are beyond our control.

Our focus will be on reducing overall energy consumption and adopting energy efficiency measures across our office locations. We have also set a renewable energy procurement target, which is applicable to all offices that fall into our Scope 2 boundary, which we aim to achieve in 2025 ahead of our 2030 near term target year.

Scope 1 and 2 target boundary

100% of Scope 1 and 2 emissions are covered by the target boundary. All acquisitions are included within the target boundary where they fall under our financial control. The target boundary is the same as our financial control reporting boundary with no exclusions.

RE100 target boundary

This covers all properties owned or leased by Schroders (to cover all Scope 2 emissions within our financial control as defined by the GHG Protocol). There are no exclusions.

Business travel target boundary

100% of Scope 3 business travel emissions are covered by the target boundary. There are no exclusions.

Scope 3 supply chain target boundary

100% of Scope 3 supplier emissions (categories 1, 2 and 4) are covered by the target boundary. There are no exclusions.

1. https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf



2023 metrics

Our operational GHG emissions

Greenhouse gas emissions (tCO ₂ e)		2023	2022	2019 (base year)
Scope 1	Building-related gas and fuel	394	414	488
	Cars (company-owned or leased)	126	121	326
	Fugitive emissions	141	254	296
Total Scope 1 emissions		661	789	1,110
Scope 2	Electricity (location-based)	3,387	3,291	5,034
	Electricity (market-based)	143	297	2,571
	Purchased heat	361	420	684
Total Scope 2 emissions (location-based)		3,748	3,711	5,718
Total Scope 1 and 2 emissions (location-based)	UK operations	2,725	2,767	4,621
	Outside UK operations	1,684	1,733	2,207
	Total	4,409	4,500	6,828
Total Scope 1 and 2 emissions (market-based)	UK operations	625	809	2,408
	Outside UK operations	540	697	1,957
	Total	1,165	1,506	4,365
Energy consumption (kWh)				
	UK operations	12,810,625	13,410,123	18,495,195
	Outside UK operations	5,797,563	5,848,059	7,770,602
	Total energy consumed	18,608,188	19,258,182	26,265,797
Greenhouse gas emissions (tCO ₂ e)				
Scope 3 operational emissions	Category 1: Purchased goods and services	115,627	97,982	75,202
	Category 2: Capital goods	2,442	5,930	12,867
	Category 3: Fuel and energy-related activities	1,067	1,233	1,340
	Category 4: Upstream transportation and distribution	93	78	21
	Category 5: Waste generated in operations	80	101	261
	Category 6: Business travel	13,265	8,675	21,852
	Category 7: Employee commuting (includes homeworking)	3,637	2,686	2,693
	Category 8: Upstream leased assets	371	731	803
	Category 13: Downstream leased assets	N/A	1	9
Total Scope 3 operational emissions		136,582	117,417	115,048
Total operational emissions (location-based)		140,991	121,917	121,876
Other metrics				
Scope 1 and 2 tCO ₂ e per employee		0.69	0.73	1.27
Renewable electricity consumption (RE100)		98%	95%	50%

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Operational GHG emissions table notes

Reporting period

The reporting period is 1st January to 31st December inclusive.

Baseline year

We have chosen 2019 as our baseline year as the most recent representative year of our typical GHG profile, in accordance with SBTi criteria.

Reporting boundary

The financial control boundary approach has been applied to our GHG inventory, which follows our accounting consolidation approach. All acquisitions are included in our inventory when they fall into our financial control boundary. No category of emissions has been excluded from this boundary. Scope 3 categories 9 (Downstream transportation and distribution), 10 (Processing of sold products), 11 (Use of sold products), 12 (End-of-life treatment of sold products) and 14 (Franchises) have been assessed and are not relevant to our business. For our financed emissions from Scope 3 category 15 (Investments), see page 67.

Emissions factors

We have used a variety of GHG emission conversion factors. Emissions factors are determined by the emissions source and the location so that the most accurate factor is applied. Sources of emissions factors used are: Department for Environment Food and Rural Affairs (Defra), International Energy Agency (IEA), US Environmental Protection Agency (EPA), National Greenhouse Accounts (NGA) and; Canada National Inventory Report (NIR).

Reporting methodology

We have reported on the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We followed the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulation. We report our global emissions inventory using the GHG Protocol Corporate Standard, the GHG Protocol Corporate Value Chain (Scope 3) Standard and the Global GHG Accounting and Reporting Standard for the Financial Services Industry.

Environmental accounting tool

In 2020, we rolled out an environmental accounting tool to improve the monitoring and measurement of our environmental impact across energy, business travel, waste, water and paper use.

Using this tool, we collect and measure monthly site-level performance data, which is then reviewed internally, through a separate quarterly regional approver and finance verifier. Through the tool, we are able to log targets and track progress against them. We also make sure that the most up-to-date, relevant emission factors are used in line with the GHG Protocol.

Metrics

We have used these metrics as they are common business metrics for our industry sector.

Average employees

The average number of employees for our reporting period are: 2023: 6,390; 2022: 6,196; and 2019: 5,359.

Methodology enhancements

In line with the GHG Protocol, companies may optionally include emissions from homeworking in Scope 3 category 7 (employee commuting emissions), which we first measured in 2020. We support flexible working and will therefore be including homeworking emissions in Scope 3 category 7 from 2023 onwards.

Data restatements

Following our recalculation process (see page 63), we have made no data restatements.

Independent assurance

Incendium Consulting Ltd assured all of our operational emissions. This assurance was provided in accordance with AA1000AS (2008) Type 2 assessment.



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Other metrics



Waste

Global waste produced (tonnes)	2023	2022
Mixed recyclables	283	322
Non-recyclables	116	172
Total waste produced (tonnes)	399	494
Total recycled	71%	65%

Waste treatment at London headquarters (%)	2023	2022	2019 (base year)
General waste	25	43	96
Cardboard	16	14	Included in mixed recycling
Coffee waste	28	25	26
Food	64	42	77
Vegware™	20	19	12
Glass	18	20	18
Mixed recyclables	41	37	124
Paper	17	24	8
Confidential waste	14	20	30
Total waste produced (tonnes)	243	244	391
Waste treatment at London headquarters (%)			
Energy from waste	10%	18%	25%
Anaerobic digestion	26%	17%	20%
Recycled	63%	65%	55%
Total recycled (anaerobic digestion and recycled)	89%	82%	75%

Data sets include all waste streams, except for waste from electrical and electronic equipment (WEEE) and other hazardous waste. Global waste data is based on a sample size of 95% actual data from our global offices. Global waste data was not reported prior to 2022.



Water

Global water consumed (m³)	2023	2022
Total water consumed	54,646	57,403
m³ per employee per year	9	9

Water consumed at London headquarters (m³)	2023	2022	2019 (base year)
Total water consumed	31,998	38,864	26,966
m³ per employee per year	11	14	11

Global water data is based on a sample size of 89% actual data from our global offices. Global water data was not reported prior to 2022.

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Policies, position statements and key documents

We believe that clear policies are key to tackling climate change and nature-related issues. All documents are reviewed annually, unless a date is given. Relevant documents are outlined below.

Relevant document	Purpose
Climate Transition Action Plan (2021)	Outlines the actions we will take to deliver our transition plan.
Engagement Blueprint	Lays out our expectations of the companies in we invest in. Climate and natural capital and biodiversity are two of our priority themes for engagement.
Environmental, Social and Governance Policy for Listed Assets	Outlines our principles and practices regarding sustainable investing in Schroders asset management processes and strategies.
ESG and Stewardship Policy	Outlines our principles and practices regarding sustainable investing in Schroders wealth management processes and strategies.
Flexible Working Charter (internal use only)	Outlines our approach relating to flexible working at Schroders.
Group Climate Change Position Statement	Sets out our position in relation to the environmental management for the investments we manage and our operations.
Group Human Rights Position Statement	Sets out our position for our entities and employees in relation to respecting human rights.
Group Model Governance Policy (available on request)	Sets out the control framework and responsibilities for the development and use of models within Schroders.
Group Nature and Biodiversity Position Statement	Sets out our position on nature and biodiversity.
Group Travel Policy (internal use only)	Sets out our principles and standards in relation to business travel.
Group Whistleblowing Policy (available on request)	Sets out the internal procedure for reporting and investigating concerns without fear of reprisals or detrimental treatment. Our independently operated whistleblowing hotline is accessible to any external party.
Grievance Policy (internal use only)	Designed to provide a framework using open and honest communication between colleagues to quickly and effectively resolve difficulties that may arise in the workplace.
Managing deforestation risk within our investment portfolios	Provides an update on our action plan to eliminate forest-risk agricultural commodity-driven deforestation activities at the companies in our investment portfolios and in our financing activities by 2025.
Modern Slavery Statement	Sets out our position in relation to how we manage modern slavery risk for the investments we manage and suppliers.
Plan for Nature (2022)	Sets out our ambition on nature, our approach, our progress to date and our future priorities.
Schroders Capital BlueOrchard Impact and ESG Framework	Outlines our principles and practices regarding sustainable investing in Schroders Capital BlueOrchard business.
Schroders Capital Infrastructure Finance Sustainability and Impact Report	Outlines our principles and practices regarding sustainable investing in Schroders Capital Infrastructure business.
Schroders Capital Sustainability and Impact Policy	Outlines our principles and practices regarding sustainable investing in Schroders Capital private markets business.
Schroders Capital Real Estate Sustainability Policy	Outlines our principles and practices regarding sustainability in Schroders Capital Real Estate business.
Supplier Code of Conduct	Summarises the standards and behaviours we expect from suppliers, including our expectations on environment. Suppliers must be able to demonstrate compliance with this Code.
Wealth Management Climate Transition Action Plan (2023)	Sets out our wealth management business's transition action plan.



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Climate and nature-related initiatives and memberships

We support and actively engage with a range of climate change and nature-related initiatives, memberships and organisations to help lead progress towards a net zero and nature positive future. Examples include:

Initiative/organisation	Abbreviation	Summary
Better Buildings Partnership Climate Commitment	BBP Climate Commitment	The BBP Climate Commitment requires signatories to publish net zero carbon pathways and delivery plans, disclose the energy performance of their assets, and develop comprehensive climate resilience strategies. In 2023, we attended multiple working groups focused on delivering key updates and co-ordination discussions on topics relevant to energy and carbon, reviewing the acquisition process, and updating the BPP Acquisition Sustainability toolkit.
Business for Nature	–	We signed onto an open letter to the EU to uphold, strengthen and enforce existing environmental legislation to address the nature and climate crises together.
CDP	–	CDP runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. As a signatory of CDP, we have access to its extensive research and database on climate change, water and forestry. We achieved an “A” for our 2023 climate change questionnaire (for year end 2022), for the second consecutive year.
Climate Action 100+	CA100+	We were a founding signatory to the CA100+, a five-year collaborative engagement project to engage more than 100 of the world's largest corporate GHG emitters to improve governance on climate change, curb emissions consistent with a 2°C scenario, and strengthen climate-related financial disclosures in line with TCFD recommendations. In 2023, we engaged one on one with 68 CA100+ focus companies and we have requested to co-lead or support a number of companies for phase 2 of CA100+.
Climate Financial Risk Forum	CFRF	The CFRF is convened by the Financial Conduct Authority (FCA) and aims to build capacity and share best practice across financial regulators and industry, to advance the financial sector's responses to the financial risks from climate change. Schroders is currently participating in the CFRF Adaptation Working Group, which aims to improve the assessment of physical risk and investment in climate adaptation among financial institutions. In 2023, we continued building on the CFRF's previous disclosures dashboard to develop a set of decision-useful metrics and exploring further the use of physical risk-based scenarios to identify adaptation-related opportunity and risk.
Climate Impact Partners	–	Climate Impact Partners help organisations take responsibility for their climate impact by financing, developing and managing carbon reduction projects across the world. Since 2019, we have been investing in action to mitigate impacts beyond our value chain. Annually we offset our Scope 1 and 2 and all relevant and reported operational Scope 3 emissions (excluding our supply chain emissions) with Climate Impact Partners. We continued this in 2023. This meets the requirements of Climate Impact Partners' CarbonNeutral® company certification.
Coalition for Climate Resilient Investment	CCRI	We are signatories to the CCRI, which was launched at the United Nations Climate Action Summit in 2019. CCRI represents the commitment of the global private financial industry, in partnership with key private and public institutions, to foster the more efficient integration of physical climate risks in investment decision-making.
Deforestation Free Finance	–	In 2021, we signed the financial sector commitment letter on eliminating commodity-driven deforestation. We are committed to using best efforts to eliminate forest-risk agricultural commodity-driven deforestation activities at the companies in our investment portfolios and in our financing activities by 2025. In 2023, we scaled up this approach to take a systematic approach to engaging with our highest-risk holdings, engaging with 293 companies in total on deforestation risk. ¹
Farm Animal Investment Risk and Return Initiative	FAIRR	Through the FAIRR initiative we support collaborative engagement on sustainable proteins to encourage diversification, recognising that alternative proteins offer an important part of the solution to the challenge of feeding a growing population sustainably. In 2023, we signed a letter to one company and added our signatures to letters to six Quick-Service Restaurant (QSR) companies. We have agreed to participate as supporting engagers at three of these QSRs.
Finance for Biodiversity Pledge	–	The Finance for Biodiversity Pledge calls on global leaders to agree on effective measures to reverse nature loss in this decade to ensure ecosystem resilience. In 2023, we co-chaired a sub-working group around sector-specific nature engagements, participating in the NA100 collaborative engagement, where the Finance for Biodiversity Foundation is secretariat, and we are a member of Impact Assessment, Public Policy and Advocacy, and Target Setting Working Groups.
Glasgow Finance Alliance for Net Zero	GFANZ	GFANZ is a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy. We became a member of GFANZ after joining our net zero sector-specific alliance, the Net Zero Asset Managers' initiative (NZAM). GFANZ provides tools and resources to support the financial sector in implementing its net zero commitments.
iC international	iCI	iCI is a collective commitment to reduce carbon emissions of private markets-backed companies and secure sustainable investment performance by recognizing and incorporating the materiality of climate risk. We joined iCI in January 2024.

1. Schroders Managing deforestation risk within our investment portfolios



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Initiative/organisation	Abbreviation	Summary
Institutional Investors Group on Climate Change	IIGCC	As signatories to the IIGCC, we collaborate with the investment community to drive significant progress by 2030 towards a net zero and resilient future. In 2023, we were a member of various working groups, including Real Estate Working Group, Sovereign Bonds and Country Pathways Working Group, and Engagement Sub-Group, which helped develop and launch the new Net Zero Engagement Initiative (NZEI).
Natural Capital Investment Alliance	NCIA	NCIA is a collaborative initiative formed to mobilise investment in nature-based economic opportunities. It aims to attract members from the finance community to create scale and synergies between mainstream asset owners and asset managers. In 2023, we participated in community and innovation workstreams of the NCIA. We have also attended quarterly meetings to set objectives, such as organising a natural capital conference and contributing to an introductory report.
Net Zero Asset Managers initiative	NZAM	We were a founding member of NZAM, an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner. NZAM is aligned with the UN-backed Race to Zero campaign.
Operating Principles for Impact Management	Impact Principles	The Impact Principles are a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment life cycle. As a signatory, Schroders commits to annually disclose how its “covered assets” (the impact-driven range) are aligned to the Impact Principles, and, regularly arrange for an external independent verification of this alignment.
Race to Zero	–	Race to Zero mobilises actors outside of national governments to join the Climate Ambition Alliance. All members are committed to the same overarching goal to accelerate the delivery of climate action in line with halving global emissions by 2030 and achieving net zero emissions by 2050 at the very latest. We are a member through our membership of the NZAM initiative and also through setting science-based targets with the SBTi.
RE100	–	RE100 accelerates the delivery of climate action in line with halving global emissions by 2030 and achieving net zero emissions by 2050 at the very latest. We are a member through our membership of the NZAM initiative and through setting science-based targets with the SBTi. In 2023, we increased the annual sourcing of renewable electricity to 98%.
Science Based Targets initiative	SBTi	SBTi drives climate action in the private sector by enabling companies to set science-based emissions reduction targets. In 2023, we participated in public webinars hosted by the SBTi and United Nations Environment Programme to share with other financial institutions how we set our targets and our future plans with SBTi. We also contributed to the consultation that SBTi held regarding its updated near-term guidance and criteria, long-term Net Zero Standard for Financial Institutions and Fossil Fuel position paper.
Task Force on Climate-related Financial Disclosures	TCFD	The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.
Task Force on Nature-related Financial Disclosures	TNFD	The TNFD is developing a Risk Management and Disclosure framework for organisations to report and act on evolving nature-related risks. This aims to support a shift in global financial flows away from nature- negative outcomes and towards nature- positive outcomes. We are a member of the TNFD Forum, a global multidisciplinary consultative group of institutional supporters. In 2024, we became a TNFD Early Adopter.
Terra Carta	–	As part of the Sustainable Markets Initiative, the Terra Carta is a charter that provides a roadmap to 2030 for businesses to move towards an ambitious and sustainable future.
The Investment Association	IA	As members of the IA, we actively participate in numerous committees, working groups, and forums, covering a wide range of topics. Our engagement is extensive and we contribute significantly to various discussions and initiatives.
United Nations Global Compact	UNGC	As a signatory to the UNGC, we support and integrate its ten principles covering four areas – human rights, labour, environment, and anti-corruption – into our business strategy.
United Nations Principles for Responsible Investment	UN PRI	As signatories to the UN PRI, we are committed to providing transparency on the actions we are taking across our business on responsible investment, including climate change. In 2023, we were part of the PRI sovereign engagement program and a member of the Advisory Committee engaging with the Australian Government.
WWF and Emerging Market Investor Alliance Pilot on Deforestation	–	We have invited six companies to pilot WWF’s new toolkit on commodity-driven deforestation risk assessments for financial institution. We are involved in reviewing the output and suggesting improvements to the WWF toolkit.



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Summary TCFD disclosures

TCFD pillars	Recommended disclosures	Our response
<div>Governance</div> <div><div><div>i</div><div>See pages 55 to 61</div></div></div>	<div>a) Describe the Board's oversight of climate-related risks and opportunities. See page 56</div> <div>b) Describe management's role in assessing and managing climate-related risks. See pages 57 to 60</div>	<div><ul style="list-style-type: none">• The Board of Schroders plc has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate and nature-related risks and opportunities into our strategy. The Board is therefore ultimately responsible for the oversight of climate and nature-related risks and opportunities that could impact our business.• The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further, while retaining overall responsibility for the delivery of our strategy. The Group Chief Executive has management responsibility for overseeing the Group's approach to climate change. There are a number of management committees and working groups that assess, advise on and oversee climate and nature-related risks and opportunities. The Group Sustainability and Impact Committee, chaired by the Group Chief Executive, monitors progress towards our climate and nature-related targets.</div>
<div>Strategy</div> <div><div><div>i</div><div>See pages 10 to 46</div></div></div>	<div>c) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. See pages 13 to 16</div> <div>d) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. See page 12</div> <div>e) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. See pages 17 to 46. For scenario analysis see pages 25 to 27</div>	<div><ul style="list-style-type: none">• Risks to our investee companies include physical risks affecting operations (long term), and transition risks from measures to support global decarbonisation goals affecting the business proposition (short, medium and long term). In turn, these can negatively impact our investment performance.• Opportunities will arise in sectors that stand to benefit from decarbonisation, such as those focused on energy efficiency, renewable energy infrastructure, or climate change resilience/adaptation (short and medium term).• The majority of the risks and opportunities lie in our investments. We identify where the risks lie and act to respond to those risks. We assess our risk across a range of temperature scenarios. Our approach is detailed in our Climate Transition Action Plan, which has been updated, including our progress, in our subsequent Climate Reports.• Our approach is to measure and manage exposure; encourage and support companies to act more sustainably and; develop investment products and innovative solutions to meet clients' needs.• We work with many of our investee companies to transition through engagement. If companies do not take steps in their transition to a 1.5°C world, we have the option of exiting those positions.• For our own operations, we are aiming to reduce energy consumption in our offices; transition our company car fleet to electric vehicles; implement ISO 14001 environmental management systems; increase renewable power; reduce business travel and; engage suppliers to set science-based targets.</div>
<div>Risk management</div> <div><div><div>i</div><div>See pages 47 to 54</div></div></div>	<div>f) Describe the organisation's processes for identifying and assessing climate-related risks. See pages 49 to 51</div> <div>g) Describe the organisation's processes for managing climate-related risks. See pages 48 to 54</div> <div>h) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. See pages 48 to 51</div>	<div><ul style="list-style-type: none">• The process of identifying, assessing and managing climate risks has been embedded into our Group-wide risk management framework, which operates a three lines of defence approach. We also identify risks through the lenses of physical and transition risk.• "Sustainability risk including climate change" is a key risk and is monitored using our risk appetite metrics.• We assess the risk via research and analytics for investee companies (valuations) or ourselves (reduced revenue/increased costs) using our Climate Analytics Framework and stress testing.• Climate risk has been embedded into our key existing processes alongside specific climate-related governance and decision-making bodies. This includes embedding it into investment research and decision-making, product development, company engagement and risk management processes.• The Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework.</div>
<div>Metrics and targets</div> <div><div><div>i</div><div>See pages 62 to 75</div></div></div>	<div>i) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. See pages 63 to 75. For the investments we manage see pages 66 to 71. For our own operations see pages 73 to 75</div> <div>j) Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. (All data is at 31 December 2023 unless stated otherwise.) See pages 66 to 75</div> <div>k) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See pages 63 to 75</div>	<div><ul style="list-style-type: none">• For our clients' investments, we review greenhouse gas (GHG) emissions using absolute and intensity measures, and track implied temperature scores.• For our own operations, we review and measure GHG emissions in our offices, company car fleet, business travel and supply chain.• As an investment manager, our Scope 3 category 15 (financed emissions) represents our greatest exposure to climate-related risks.• The combined Scope 1 and 2 carbon footprint for in-scope¹ AUM was 53.9 MtCO₂e. The temperature score for the combined Scope 1 and 2 GHG emissions at portfolio level was 2.5°C.• Our Scope 1 GHG emissions were 661 tCO₂e (40% reduction since 2019). Our Scope 2 location-based GHG emissions were 3,748 tCO₂e (34% reduction since 2019). 98% of our global electricity consumption was from renewable sources.• Our Scope 3 business travel GHG emissions were 13,265 tCO₂e (39% reduction since 2019). 23% of our suppliers in scope¹ (by GHG emissions) have set a science-based target.• For our clients' investments, our target is to align 100% of Scope 1, 2 and 3 temperature score for in-scope² listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs) holdings from 3.2°C in 2019 to 1.5°C by 2040.• For our own operations, our targets are to reduce absolute Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year; increase sourcing of renewable electricity to 100% by 2025; reduce absolute business travel emissions by 50% by 2030 from a 2019 base year; and work with our suppliers so that 67% of suppliers (by GHG emissions) will have science-based targets by 2026.</div>

1. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods and; 4 Upstream transportation and distribution.
2. Includes all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs). This accounted for over 50% of our AUM.



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Transition and physical climate scenarios

The Network for Greening the Financial System (NGFS) provides six climate transition pathways, to which we use three in our scenario analysis. We use the Intergovernmental Panel on Climate Change’s (IPCC) Representative Concentration Pathway (RCP) 8.5 for physical climate scenario analysis.

			Scenario used in Schroders analysis
NGFS Net zero 2050	An ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO ₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point.	Transition risk	Yes – used in the aggregated 1.5°C scenario
NGFS Divergent net zero	Divergent Net Zero reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels.	Transition risk	No
NGFS Below 2°C	Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.	Transition risk	No
NGFS Delayed transition	Assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.	Transition risk	Yes – used in the aggregated 2.0°C scenario
NGFS Nationally Determined Contributions (NDCs)	NDCs includes all pledged policies even if not yet implemented.	Transition risk	Yes – used in the aggregated 3.0°C scenario
NGFS Current policies	Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.	Transition risk	No
IPCC RCP 8.5 Aggressive scenario	The Aggressive scenario relates to the 95 th percentile of the cost distribution and can be considered a ‘worst-case’ scenario. It assumes the most extreme physical impacts from climate change, manifesting in the associated costs from extreme weather events, and other climate-related hazards, to company valuations.	Physical risk	Yes – used across all three aggregated scenarios
IPCC RCP 4.5 Average scenario	The Average scenario relates to the 50 th percentile of the cost distribution, and can be considered as the ‘most likely’ scenario. Based on the models underlying assumptions, it is the most probable outcome over the modelled 15 year period.	Physical risk	No

For more detail on the scenarios, see <https://www.ngfs.net/ngfs-scenarios-portal/explore/> and https://www.ipcc.ch/site/assets/uploads/sites/3/2019/11/03_SROCC_SPM_FINAL.pdf

Aggregated Climate Value at Risk

Schroders uses MSCI’s Climate VaR package to assess its holdings against the following scenarios:

- Net zero 1.5°C
- Below 2.0°C
- Above 3.0°C (‘hot house world’)

To reach these aggregated Climate VaR scenarios, MSCI aggregates the transition and physical risk assumptions outlined on this page to provide holdings level impacts that can be aggregated across portfolios.



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Glossary

Active management

The management of investments based on active decision-making rather than with the objective of replicating the return of an index.

Active ownership

Driving change in the overwhelming majority of assets which have yet to reach net zero emissions, by holding those committed to doing so accountable for their progress, and pushing those who have not yet committed to do so.

Acute risk

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.

Assets under management (AUM)

AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the Group, including joint ventures and associates, earns operating revenue.

Asset Management AUM includes investment management, fiduciary management and liability management services. For Schroders Capital Private Equity, the aggregate value of assets managed includes client commitments on which we earn fees. This is changed to the lower of committed funds and net asset value, typically after seven years from the initial investment, in line with the fee basis.

Wealth Management AUM comprises the aggregate value of assets where Schroders provides advice or discretionary management (Advised AUM), platform services (Platform AUM) or investment management services (Managed AUM). Advised AUM comprises assets where Schroders provides discretionary or advisory management services, including assets where the client independently makes investment decisions. Platform AUM represents the value of assets on the Benchmark Fusion platform. The Fusion platform enables financial advisers to administer and manage their clients' accounts by providing dealing and settlement services, valuation statements and custody services through a third party. Managed AUM includes assets where the client invests in Schroders' funds.

Avoided emissions

Avoided emissions are emissions saved indirectly by products and services through the substitution of high-carbon activities with low-carbon alternatives. As the emissions are saved outside the value chain of a company's activity, they are not captured under conventional Scope 1, 2 and 3 emission measures.

BARC

Board Audit and Risk Committee.

Broad sustainability strategy

Strategies from our sustainable driven and sustainable thematic ranges that target exposure to companies on the basis of strong overall sustainability performance.

Building management system (BMS)

A BMS is an overarching control system that is responsible for the automatic regulation, monitoring, supervising, and reporting on smart building technology systems. The main aim of the BMS is to guarantee the safety of facility operation, while also monitoring and optimising the use and efficiency.

Carbon dioxide equivalent (CO₂e)

A standard unit for measuring carbon footprints. It enables the impact of different greenhouse gas emissions on global warming to be expressed using an equivalent amount of carbon dioxide (CO₂) as a reference.

Carbon offsetting

Compensating your total carbon emissions by funding carbon negative activities elsewhere.

Carbon Risk Real Estate Monitor (CRREM)

CRREM provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the Paris Agreement climate goals, with pathways available for 1.5°C and 2°C by country and sector.

Carbon Value at Risk (VaR)

Measures the impact of higher carbon prices on companies' cash earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently lower demand in each sector.

Chronic risk

Chronic physical risks refer to longer-term shifts in climate patterns (for example, sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Clients

Within our Asset Management business, we work with institutional clients, including pension funds, insurance companies and sovereign wealth funds, as well as intermediaries, including financial advisers, private wealth managers, distributors and online platforms. We also provide a range of wealth management services to private clients, family offices and charities. At times, "client" is used to refer to investors in our funds or strategies: in other words, the end client. We are increasingly focused on building closer relationships with the end client, whose money is invested with us, often via an intermediary or institution.

Climate Engagement and Escalation Framework

Our Climate Engagement and Escalation Framework sets out how we will use our influence as investors to help drive the transition to a low-carbon economy. It is made up of five key elements: climate expectations, company prioritisation and selection, monitoring progress, voting policy, and escalation practice.

Climate neutral

Achieving net zero greenhouse gas emissions by balancing existing emissions with carbon offsets. Unlike net zero, climate neutrality is often (but not always) validated or certified by a third party. Use of these terms varies by region.

Climate opportunity-focused strategies

Strategies from our Sustainable Thematic range that target companies that stand to benefit from the net zero transition.

CONTEXT

A proprietary tool that provides a structured approach to analysing a company's relationship with its stakeholders and the sustainability of its business model. Driven by more than 250 metrics from over 75 data sources, it provides clear, objective information on how companies are managing material sustainability issues and generates deeper insights for investors.

COP 15

COP stands for Conference of the Parties, and is the decision-making body for the United Nations Convention on Biological Diversity (CBD). COP 15 was the 15th meeting, which resulted in the adoption of a new set of international goals for biodiversity, called the Kunming-Montreal Global Biodiversity Framework (GBF). The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights.

COP 28

COP stands for Conference of the Parties, and is the decision-making body for the United Nations Framework Convention on Climate Change (UNFCCC). COP 28 was the 28th meeting, where, for the first time, negotiators recognised the need to transition away from fossil fuels.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Engagement

Engagement is more than just meeting with company management; it is an opportunity to gain insight into a company's approach to sustainability. It also gives us the opportunity to share our expectations on corporate behaviour and to influence a company's interactions with their stakeholders, ensuring that the companies we invest in are treating their employees, customers and communities in a responsible way.

Environmental management system (EMS)

An EMS is the system by which a company controls the activities, products and processes that cause, or could cause environmental impacts and in doing so minimises the environmental impacts of its operations.

ESG

Environmental, social and governance.

ETF

Exchange-traded fund.

ExCo

Sustainability Executive Committee.

Financed emissions

Absolute emissions that banks and investors finance through their loans and investments. Schroders' in-scope financed emissions include all mandatory asset classes required by the Science Based Targets initiative, which consists of our listed equity, corporate bond, real estate investment trust and exchange-traded fund exposure.

Fugitive emissions

The intentional or unintentional release of emissions such as hydrofluorocarbon (HFC) emissions: for example, leaks from joints, seals and gaskets during the use of refrigeration, air conditioning and fire suppression equipment. Reported under Scope 1 emissions.



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GMC

Group Management Committee.

GRC

Group Risk Committee.

Greenhouse gas (GHG)

A gas that absorbs and emits radiation in the atmosphere, contributing to the greenhouse effect. The seven gases covered by the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). These gases trap heat close to the surface of the earth and are a key cause of climate change.

Greenhouse Gas (GHG) Protocol

Comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol supplies the world’s most widely used GHG accounting standards.

GRESB

GRESB is the global ESG benchmark that provides environmental, social and governance (ESG) data to financial markets.

GSI Committee

Group Sustainability and Impact Committee, previously known as the Corporate Responsibility Committee.

In-scope assets

Current in-scope asset classes for SBTi include listed equities, corporate bonds, real estate investment trusts and exchange-traded funds.

Integration of ESG factors

The incorporation of a range of risks and opportunities related to environmental, social and governance (ESG) factors into the investment decision-making process. In principle, this leads to a broader assessment of the drivers of business and asset valuations than traditional financial analysis alone, particularly in the long term.

Recognising that no standard framework exists to assess the integration of ESG factors into investment processes, we have developed a proprietary accreditation framework which we apply to our investment processes. Different investment strategies may consider different ESG factors as part of their investment process and apply them in different ways. The ESG factors may not be the primary factors that influence an investment decision. The framework requires investment teams to describe how

ESG factors are incorporated into their investment processes and provides a consistent basis on which to assess how those factors are taken into account.

For certain businesses acquired more recently, we have not yet accredited the integration of ESG factors into investment decision-making. A small portion of our business where the integration of ESG factors is not practicable or possible are excluded, for example, our legacy businesses or investments in the process of being liquidated, and certain joint venture businesses.

Investee companies

The companies we invest in on behalf of our clients.

IPCC

The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

ISO 14001 environmental management system certification

ISO 14001 is the international standard for environmental management systems and the most widely used EMS in the world.

Low tracking error

Strategies with low price deviations versus the benchmark.

Morgan Stanley Capital International (MSCI)

Climate Value at Risk (VaR) is MSCI’s full quantitative scenario analysis solution, designed to provide a forward-looking and return-based valuation assessment of listed equity and debt securities to measure climate-related risks and opportunities in an investment portfolio.

MSCI ACWI

The MSCI All Country World Index is a global equity index of large- and mid-cap stocks.

MSCI Global

The MSCI Global Alternative Energy Index includes developed and emerging market large-, mid- and small-cap companies that derive 50% or more of their revenues from products and services in “alternative energy”, defined as products and services that promote the generation of power using renewable or cleaner sources (such as cleaner than fossil fuels) or the development of alternative energy technology.

Net zero

A state of balance between greenhouse gas emissions produced and greenhouse gas emission removals. According to the SBTi, achieving net zero refers to reducing emissions by a minimum of 90% by 2050 and neutralising any remaining emissions through carbon removals.

Net Zero Dashboard

The Schroders Net Zero Dashboard estimates the forward-looking environmental impact of our investing activities. Specifically, it calculates the implied temperature pathway and financed emissions for a snapshot of our investment holdings so that investment teams and Group Risk can track the pace of transition in individual portfolios. Breaking exposure down by sector and region supports target setting by analysts and fund managers, while providing Group Risk with data to engage with investment teams on their climate transition approach.

NGFS scenarios

Network for Greening the Financial System (NGFS) scenarios are six different scenarios to assess transition and physical risks. The scenarios share similar socio-economic assumptions. They assume a continuation of current economic and population trends, though accounting for a COVID-19 shock.

NGO

Non-governmental organisation.

NPV

Net present value.

Paris Agreement

A global commitment, agreed at COP 21 in Paris in 2015, to limit increase in the global average temperature to below 2°C above pre-industrial levels.

PCAF

The Partnership for Carbon Accounting Financials is an industry greenhouse gas accounting standard used by the Science Based Targets initiative, which provides asset class methods and data resources for the quantification of financed greenhouse gas emissions from loans and investments.

PDC

Product Development Committee.

Physical risk

Reflect the risks associated with long-term changes in the climate and with more extreme weather events which may impact on future business activities. In particular: the impacts on the value of investments, held on behalf of clients, caused by direct or indirect physical climate changes and events; risk to our businesses and property assets; and risk to our suppliers and other partners caused by climate events.

Portfolio temperature score

The method of interpreting an asset’s or portfolio’s exposure to abstract climate risk, and communicating it as an intuitive implied temperature score, measured in degrees Celsius.

Power Purchase Agreement (PPA)

A PPA is a contractual agreement between energy buyers and sellers. They come together to buy and sell an amount of energy which is, or will be, generated by a renewable asset.

PSC

Product Strategy Committee.

RCA

Risk and Control Assessment.

REDD+

A framework created by the UNFCCC Conference of the Parties (COP) to guide activities in the forest sector that reduce emissions from deforestation and forest degradation. The framework also supports the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.

REEB

Real Estate Environmental Benchmark is a publicly available operational benchmark of environmental performance for commercial property in the UK.

REIT

Real estate investment trust.

Renewable energy

Energy collected from resources that are naturally replenished, such as sunlight, wind, water and geothermal heat.

Renewable Energy Certificate (REC)

An REC is a type of energy attribute certificate that represents the environmental attributes of the generation of one megawatt hour (MWh) of energy produced by renewable sources.

“Say on Climate” resolution

A resolution that gives shareholders a say to approve a company’s climate targets, policy or transition plan.



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SBTi

The Science Based Targets initiative defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

Science-based target

A science-based target provides a clearly defined pathway for companies to reduce their greenhouse gas emissions. The target is considered science-based if it is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Scope 1 emissions

Direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles.

Scope 2 emissions

Indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam.

Scope 3 emissions

Indirect greenhouse gas emissions from sources not owned or controlled by the company, such as emissions from business travel or investments.

Scope 3 category 1 Purchased goods and services

All upstream emissions from the production of products purchased or acquired by the reporting company in the reporting year. Products include goods (tangible products) and services (intangible products).

Scope 3 category 2 Capital goods

All upstream emissions from the production of capital goods purchased or acquired by the reporting company in the reporting year.

Scope 3 category 3 Fuel- and energy-related activities not included in Scope 1 or Scope 2

Emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in Scope 1 or Scope 2.

Scope 3 category 4 Upstream transportation and distribution

Emissions from the transportation and distribution of products purchased in the reporting year, between a company's direct suppliers and its own operations in vehicles not owned or operated by the reporting company.

Scope 3 category 5 Waste generated in operations

Emissions from third-party disposal and treatment of waste generated in the reporting company's owned or controlled operations in the reporting year. This category includes emissions from disposal of both solid waste and wastewater.

Scope 3 category 6 Business travel

Emissions from the transportation of employees in vehicles owned or operated by third parties, such as aircraft, trains, buses and passenger cars, for business-related activities.

Scope 3 category 7 Employee commuting

Emissions from the transportation of employees between their homes and their worksites.

Scope 3 category 8 Upstream leased assets

Emissions from the operation of assets that are leased by the reporting company in the reporting year and not already included in the reporting company's Scope 1 or Scope 2.

Scope 3 category 9 Downstream transportation and distribution

Emissions that occur in the reporting year from the transportation and distribution of sold products in vehicles and facilities not owned or controlled by the reporting company.

Scope 3 category 10 Processing of sold products

Emissions from the processing of intermediate products sold by third parties subsequent to sale by the reporting company. Intermediate products are products that require further processing, transformation, or inclusion in another product before use, and therefore result in emissions from processing subsequent to sale by the reporting company and before use by the end consumer.

Scope 3 category 11 Use of sold products

Emissions from the use of goods and services sold by the reporting company in the reporting year. A reporting company's Scope 3 emissions from the use of sold products include the Scope 1 and Scope 2 emissions of end users.

Scope 3 category 12 End-of-life treatment of sold products

Emissions from the waste disposal and treatment of products sold by the reporting company at the end of their life.

Scope 3 category 13 Downstream leased assets

Emissions from the operation of assets that are owned by the reporting company and leased to other entities in the reporting year that are not already included in Scope 1 or Scope 2.

Scope 3 category 14 Franchises

Emissions from the operation of franchises not included in Scope 1 or Scope 2.

Scope 3 category 15 Investments

Emissions associated with the reporting company's investments in the reporting year, not already included in Scope 1 or Scope 2. This category is applicable to investors and companies that provide financial services.

Shareholder resolution

A proposal submitted by a shareholder for consideration at a company's general meeting, requesting that the company takes particular action.

SMART objectives

Objectives that are specific, measurable, achievable, relevant and time-bound.

Streamlined Energy and Carbon Reporting (SECR) regulation

Introduced in 2019, SECR requires UK quoted companies to report on their global energy consumption and associated greenhouse gas emissions within their financial reporting. Organisations also need to report on energy-efficiency measures and state emissions with reference to an intensity metric.

SustainEx™

Schroders' proprietary tool which estimates the notional net social and environmental "costs" or "benefits that an issuer may create". It uses certain metrics with respect to that issuer, and quantifies them positively (for example, by paying "fair wages") and negatively (for example, the carbon an issuer emits) to produce an aggregate notional measure of the issuer's social and environmental "externalities". The aim of the model is to enable our investors to assess the investments they may make, having regard to such measures, and the risks those issuers potentially face if the social and environmental "costs" they create were to be reflected in their own financial costs.

tCO₂e

Tonnes of carbon dioxide (CO₂) equivalent. A unit of measurement that is used to standardise the climate effects of various greenhouse gases on the basis of their global warming potential.

Transition risk

Reflects the risks stemming from changes in the economy that will be required to limit long-run temperature rises, including higher or lower rates of demand growth, costs or risk profiles, to companies, sectors or asset classes. These may include new or enhanced corporate climate change laws and regulations, changes in investor demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

Vegware™

Vegware™ is plant-based compostable foodservice packaging used in our catering facilities at 1 London Wall Place, London, and, our Horsham estate as an alternative to single-use plastics.

WACI

Weighted Average Carbon Intensity (WACI) measures a portfolio's exposure to carbon-intensive companies. An investment's emissions are allocated based on its weight within the portfolio, which is the current value of the investment relative to the current portfolio value.



Forward-looking statements

This report may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'foresee', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Nothing in this report should be construed as a forecast, estimate or projection of future financial performance.



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