

Schroder Investment Management (Europe) S.A

Statement on principle adverse impacts of investment advice on sustainability factors

The financial adviser considers adverse impacts of investment decisions on sustainability factors in its investment advice where it has been appointed by clients to do so under advisory mandates and the client's sustainability preferences indicate the same. The financial adviser considers such adverse impacts using the indicators outlined in Table 1, Annex I of Delegated Regulation (EU) 2022/2088.

Our advice is based on investment processes that integrate financially material sustainability factors. The application of sustainability integration is assessed bi-annually through an accreditation programme managed by our central sustainable investment team¹.

Integration approaches pursued by our investment teams often draw on proprietary models and frameworks through which adverse impact can be identified.

One example of a proprietary model is SustainEx™ which provides an estimate of the potential social and environmental 'costs' or 'benefits' that an issuer may create on a net basis. It does this by using certain metrics with respect to that issuer and quantifying 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 effect that the relevant underlying issuer may have on society and the environment. The model enables our investment teams to integrate sustainability risk considerations into their investment advice by assessing issuers with regard to such measures, and the risks they face if the social and environmental 'costs' they externalise were to be pushed into their own financial costs.

The use of models like SustainEx™, combined with the application of exclusions on investees engaged in activities such as thermal coal mining, or the production, stockpiling, transfer or use of controversial weapons, help clients to avoid adverse impacts upon the implementation of our advice.

Adverse impacts may be identified through additional channels, depending on the nature of an advisory agreement.

For certain advisory relationships, a potential investment will not be recommended if it:

1. is assessed as being a Global Norms violator based on a proprietary framework to identify, assess and engage companies that have potentially breached recognised Global Norms.
2. breaches certain quantitative thresholds, such as in relation to carbon emissions, which we have assessed as representing egregious harm.

Where we are providing advice to clients implementing an Impact investment approach, we will also consider adverse impacts through our Impact framework, which applied to all investees before we provide recommendations. Our Impact Framework considers impact and sustainability issues including principle adverse impacts and material sustainability-related controversies.

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Important information

Nothing in this material should be construed as advice or a recommendation to buy or sell. Information herein is believed to be reliable, but we do not warrant its completeness or accuracy. Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. The material is not intended to provide, and should not be relied on for accounting, legal or tax advice. Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions. No responsibility can be accepted for error of fact or opinion. Any references to securities, sectors, regions and/or countries are for illustrative purposes only. Schroders has expressed its own views and opinions in this document and these may change.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated.

Issued by Schroder Investment Management (Europe) S.A., 5 Heinehaff, L-1736 Senningerberg, Luxembourg. Registration No B 37.799. 606832.