

Schroders



Schroder Investment Management (Europe) S.A.

LEI: 8AFAYMK90I2QVGLMLS34

Statement on Principal Adverse Impacts of Investment Decisions on
Sustainability Factors

30 June 2026

Summary

Schroder Investment Management (Europe) S.A. (8AFAYMK90I2QVGLMLS34) considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors considered by Schroder Investment Management (Europe) S.A. in its investment decisions. This statement covers the reference period from 1 January 2025 to 31 December 2025 (Q1 2025 – Q4 2025). For the avoidance of doubt, the actions taken and planned included in this statement excludes those financial products which do not consider principal adverse impacts on sustainability factors at the product level under Article 7 SFDR and any other assets under management which are not in-scope of the definition of ‘financial product’ under SFDR.

The table below sets out the principal adverse impact (PAI) indicators that we have considered, further details of which are provided in the section titled ‘*Description of the principal adverse impacts on sustainability factors*’ below. Policies relating to these PAI indicators including those relating to engagement and details on adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting are also detailed in the appropriate sections below.

Summary of Principal Adverse Impact Indicators					
Applicable to	Themes	PAI indicator	SFDR Annex Table	Number	Year on year trend
Investee companies	Climate and other environment-related indicators	GHG emissions	1	1	↗
		Carbon Footprint	1	2	↘
		GHG intensity of investee company	1	3	↗
		Exposure to companies active in the fossil fuel sector	1	4	↘
		Share of non-renewable energy consumption and production	1	5	↘
		Energy consumption intensity per high impact climate sector	1	6	↗
		Activities negatively affecting biodiversity-sensitive areas	1	7	↗
		Emissions to water	1	8	↘
		Hazardous waste and radioactive waste ratio	1	9	↗
		Investments in companies without carbon emission reduction initiatives	2	4	↗

	Social and employee, respect for human rights, anti-corruption and anti-bribery matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	1	10	↘
		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	1	11	↘
		Unadjusted gender pay gap	1	12	↘
		Board gender diversity	1	13	↗
		Exposed to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	1	14	=
		Lack of a supplier code of conduct	3	4	N/A ¹
Sovereigns and supranationals	Environmental and social-related indicators	GHG Intensity	1	15	↘
		Investee countries subject to social violations	1	16	↘
Real estate assets	Fossil fuels and energy efficiency related indicators	Exposure to fossil fuels through real estate assets	1	17	↘
		Exposure to energy-inefficient real estate assets	1	18	↗

Integration of Principal Adverse Impacts in the investment process

Schroders integrates Principal Adverse Impacts (“PAIs”) into the investment process through a combination of quantitative analysis, qualitative assessment and active ownership, reflecting the asset class, strategy and data availability.

There are two keyways in which PAIs are incorporated for Article 8 and Article 9 funds, where relevant:

- Do no significant harm (DNSH): PAI indicators are used as part of Schroders’ DNSH assessment when identifying whether an investment causes significant harm to environmental or social objectives. This assessment combines quantitative thresholds, where appropriate, with qualitative judgement, including consideration of company practices, disclosures and forward-looking transition plans.
- Consideration of PAIs: For funds that have opted into the PAI regime under MiFID, PAIs are considered throughout the investment process in a manner consistent with the fund’s investment strategy and asset class. This may include:

¹ 2025 was the first-year data was received for this metric, reporting on the year-on-year trend for this metric will start in the PAI report for 2027.

- Pre-investment: application of exclusions and thresholds for certain PAI indicators;
- Investment analysis and portfolio construction: use of proprietary tools and third-party data (including Schroders' PAI dashboard) to assess adverse impacts alongside financial and sustainability risks;

Post-investment: ongoing monitoring of PAIs and the use of engagement and voting, in line with Schroders' Engagement Blueprint, to address identified adverse impacts.

PAI integration is supported by Schroders' proprietary tools and data frameworks, as well as external data providers, recognising that data coverage and quality continue to evolve. Where data is limited, engagement is a key mechanism to improve disclosure and outcomes over time.

Responsibility for the application of PAIs in investment decision-making rests with the investment teams, supported by the central Sustainable Investment team, which defines the framework, thresholds and oversight of methodology.

While this approach reflects Schroders' overall integration of PAIs, it is important to note that explicit product-level commitments to consider PAIs apply only to Article 8 and Article 9 funds that have opted into the PAI regime under MiFID. Article 6 funds do not currently make such a commitment.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Climate and other environment-related indicators

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse Gas Emissions							
1. GHG Emissions	Scope 1 GHG emissions	3,586,957.35 (metric tons CO ₂ e)	3,646,863.37 (metric tons CO ₂ e)	3,823,284.55 (metric tons CO ₂ e)	4,057,665.51 (metric tons CO ₂ e)	Sum of portfolio companies' Carbon Emissions – Scope 1 (tCO ₂ e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	<p>General approach</p> <p>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 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.</p> <p>Schroders is a founding investor signatory to the Net Zero Asset Managers (NZAM) initiative² and has set interim and long-term climate targets validated by the Science Based Targets initiative. Our Climate Transition Action Plan sets out how we plan to deliver our targets and align our operations, investment portfolios, and stewardship activities with a net zero future³ We updated our Group Climate Change Position Statement with an interim update on our transition plan in 2025.⁴</p> <p>Our climate strategy is underpinned by the need to meet clients' objectives and protect and enhance the value of their investment portfolios. It is therefore focused on understanding and assessing where companies, assets and managers stand on their journey towards net zero and to encourage them to mitigate the climate risks embedded in their operating models which may arise from action which is either too rapid or too slow. We do this through:</p> <ul style="list-style-type: none"> – active management: developing proprietary models for climate analysis that help our fund managers integrate climate risks and opportunities into investment decision-making – active ownership: engaging with company boards and management teams to encourage robust transition plans and disclosure of annual emissions performance, using our votes at AGMs to hold them accountable, as well as engaging with policymakers to advocate for consistent, long-term climate policy – innovation: developing investment strategies which manage risks and emphasise opportunities in companies and assets which are transitioning or contributing to climate solutions, such as renewable energy infrastructure. Together, these actions can help to support the transition that is needed in the wider economy and help address some of the climate risks and opportunities. <p>Active Ownership</p> <p>Schroders recognises the importance of all companies assessing and understanding climate risk and the impact it may have on their business.</p> <p>We engage with issuers to support effective management of climate-related financial risks and opportunities. Transition risks—such as carbon pricing, regulation, and shifting market preferences—can lead to stranded assets, increased operating costs, or declining revenues. Physical climate risks, including extreme weather and chronic changes like sea-level rise, can disrupt supply chains, impair assets, and reduce earnings. Litigation is also emerging as a risk factor: firms that fail to act on or disclose climate risks may face legal liabilities with valuation impacts.</p> <p>We engage with issuers, to understand and encourage identifying, managing, and disclosing these material risks—and aligning their business strategies with a net zero pathway.</p> <p>For the listed assets, we define five key areas of focus for our climate engagements and provide detail on our expected mid-term objectives in our public assets Engagement Blueprint:</p> <ol style="list-style-type: none"> 1. Climate oversight 2. Climate mitigation 3. Just transition and resilience 4. Climate adaptation
	Scope 2 GHG emissions	1,352,479.28 (metric tons CO ₂ e)	1,290,574.43 (metric tons CO ₂ e)	1,391,783.25 (metric tons CO ₂ e)	1,378,126.56 (metric tons CO ₂ e)	Sum of portfolio companies' Carbon Emissions – Scope 2 (tCO ₂ e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Scope 3 GHG emissions	39,247,854.66 (metric tons CO ₂ e)	33,586,640.03 (metric tons CO ₂ e)	34,021,680.48 (metric tons CO ₂ e)	35,781,662.73 (metric tons CO ₂ e)	Sum of portfolio companies' Scope 3 – Total Emission Estimated (tCO ₂ e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Total GHG emissions	43,982,992.90 (metric tons CO ₂ e)	38,211,499.70 (metric tons CO ₂ e)	39,124,905.31 (metric tons CO ₂ e)	41,176,696.39 (metric tons CO ₂ e)	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	

² Our commitment is to our clients and to managing portfolios to meet their investment objectives to the best of our ability. Where industry initiatives such as NZAM are consistent with our objectives and investment goals, we may choose to be active and engaged participants. In 2026, Schroders re-affirmed as a signatory to the NZAM under the updated commitment statement.

³ https://mybrand.schroders.com/m/63c2036c6209bb96/original/NA_CTAP-Climate-Transition-Action-Plan.pdf

⁴ Schroders Group Climate Change Position Statement

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>5. Climate solutions</p> <p>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. Our Engagement Blueprint for private markets outlines our principles for engagement within our private markets business on climate change and other areas of focus.</p> <p>Schroders maintains a firm-wide commitment to active ownership, through both engagement and voting activities across various asset classes. The Corporate Governance and Investment teams work together to ensure decisions align with clients' long-term interests and regulatory requirements, guided by the Engagement Blueprint and Voting Guidelines. We examine sustainability-related shareholder resolutions on a case-by-case basis and carefully consider whether the resolutions are aligned to our Blueprint, the best way to address the issue and add value to the company without potential for causing unintended negative impact.</p> <p>Actions taken during 2025</p> <p>As of 31 December 2025, our managed portfolios were aligned to a 2.4°C pathway (across scope 1 and 2), and a 2.7°C pathway (across scope 1, 2 and 3).</p> <p>Since we published our Climate Transition Action Plan in 2021, we have made steady progress engaging companies we invest in and asking them to mitigate climate risks by setting emissions reduction goals. We have engaged over 1,500 companies representing 78%⁵ of our financed emissions since 2021. Research into potential engagement outcomes showed that companies we engaged were more likely to set targets, reduce emission intensity and outperform un-engaged peers. Most of the highest emitters we invest in have set targets and are working through implementation in a period where climate policy support is diverging, with progress continuing in certain sector regions but overall, at a slower rate than 2020-2023. Supporting corporates through the complex trade-offs in the delivery of targets and understanding barriers to faster action increases the complexity of our engagements. In response to this environment, in 2025 we evolved our engagement targeting the credibility and delivery of their climate transition plans and expanded our approach to engagement with Sovereigns.</p> <p>In 2025, 50% of our climate-related engagements focused on climate mitigation, 16% on climate oversight and 14% on climate adaptation. In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. Most of our engagements were one-to-one with company management; however, we also conducted 33 collaborative engagements on climate-related topics, including key groups such as Climate Action 100+, Asia Investor Group on Climate Change and the Institutional Investor Group on Climate Change and its Net Zero Engagement initiative and Banks Engagement and Research Initiative. We use a structured approach to monitor progress and measure the impact of our engagements. We set engagement objectives and use a milestone approach to monitor progress. Throughout the year, we monitored company progress against our climate engagement objectives and overall, by the end of the year, we considered that 47 objectives were achieved.</p> <p>We continued to leverage different escalation tools, we attended and asked questions at two AGMs. We use our vote to drive change, for example through voting against board directors in those companies significantly exposed and trailing on climate commitments. In 2025 we voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals, these give shareholders a say to approve a company's climate targets, policy or transition plan.</p> <p>In 2024 and 2025, we also provided investors with further information around unresponsive engagements of companies highly exposed to unmitigated climate risk that helped inform investment decisions. Further information can be found here: https://www.schroders.com/en-gb/uk/institutional/insights/how-we-escalate-climate-engagements-with-laggards-and-non-respondents/</p> <p>At the start of 2025, we also published our Engagement Blueprint for private assets. This intends to build transparency with our stakeholders around our engagement priorities, how they are applied across and within each asset class, and what our future ambitions are. Across all four pillars of our private markets</p>

⁵ Scope 1 and 2 emissions as of end of 2025. Companies engaged are counted when on at least one occasion climate change was raised to a company between 2021 and 2025. Engagements that took place in 2025 covered 51% of scope 1&2 financed emissions and 55% of scope 1,2 & 3.

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
2. Carbon Footprint	Carbon Footprint	396.61 (tons CO ₂ e/€m invested)	409.40 (tons CO ₂ e/€m invested)	423.76 (tons CO ₂ e/€m invested)	374.77 (tons CO ₂ e/€m invested)	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	<p>investment division, Schroders Capital, climate change is a key engagement theme. In many cases for private markets we are first seeking to improve the quality and level of disclosure on climate exposure, 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 influence ways 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.</p> <p>Targets set for the next reference period:</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p>
							<p>General approach</p> <p>Schroders' climate strategy is designed to deliver strong client outcomes by understanding climate risks and opportunities, supporting portfolio resilience, and aligning operations, investment portfolios and stewardship activities with a net zero future. It does this through active management, active ownership and investment innovation, helping companies and assets navigate credible transition pathways while supporting the wider economy's transition.</p> <p>Active Ownership</p> <p>Schroders engages with issuers across listed and private assets to understand, manage and disclose material climate-related financial risks and opportunities, including transition, physical and litigation risks, and to encourage alignment with credible net zero pathways. This active ownership approach is guided by its Engagements Blueprints and Voting Guidelines, with engagement and voting decisions focused on climate oversight, mitigation, resilience and just transition, adaptation and climate solutions, while seeking to protect and enhance long-term value for clients.</p> <p>Actions taken during 2025</p> <p>In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. We voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals.</p> <p>Targets set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p>
3. GHG intensity of investee company	GHG Intensity of investee companies	802.45 (tons CO ₂ e/€m invested)	792.43 (tons CO ₂ e/€m revenue)	849.26 (tons CO ₂ e/€m revenue)	1014.03 (tons CO ₂ e/€m revenue)	The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).	<p>General approach</p> <p>Schroders' climate strategy, we believe is designed to deliver strong client outcomes by understanding climate risks and opportunities, supporting portfolio resilience, and aligning operations, investment portfolios and stewardship activities with a net zero future. It does this through active management, active ownership and investment innovation, helping companies and assets navigate credible transition pathways while supporting the wider economy's transition.</p> <p>Active Ownership</p> <p>Schroders engages with issuers across listed and private assets to understand, manage and disclose material climate-related financial risks and opportunities, including transition, physical and litigation risks, and to encourage alignment with credible net zero pathways. This active ownership approach is guided by its Engagements Blueprints and Voting Guidelines, with engagement and voting decisions focused on climate oversight, mitigation, resilience and just transition, adaptation and climate solutions, while seeking to protect and enhance long-term value for clients.</p> <p>Actions taken during 2025</p> <p>In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. We voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals</p> <p>Targets set for the next reference period</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	5.62% (ratio %)	6.01% (ratio %)	6.31% (ratio %)	6.59% (ratio %)	The percentage of the portfolio's market value exposed to issuers with fossil fuels related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal.	<p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p> <p>General approach</p> <p>Schroders' climate strategy is designed to deliver client outcomes by understanding climate risks and opportunities, supporting portfolio resilience, and aligning operations, investment portfolios and stewardship activities with a net zero future. It does this through active management, active ownership and investment innovation, helping companies and assets navigate credible transition pathways while supporting the wider economy's transition.</p> <p>Coal is a major contributor to atmospheric greenhouse gas emissions and we believe that companies directly exposed to coal face growing social, political and financial pressures as a result. In order to protect the value of our clients' investments, we exclude companies that generate more than 20% of their revenues from thermal coal mining. We apply this policy to Schroders managed funds, unless certain exceptions apply, for example in relation to certain client Portfolios (for which exceptions may be agreed, for example for those with legacy exposure to thermal coal mining where disposals are impractical or likely to result in client loss).</p> <p>Active Ownership</p> <p>Schroders engages with issuers across listed and private assets to understand, manage and disclose material climate-related financial risks and opportunities, including transition, physical and litigation risks, and to encourage alignment with credible net zero pathways. This active ownership approach is guided by its Engagements Blueprints and Voting Guidelines, with engagement and voting decisions focused on climate oversight, mitigation, resilience and just transition, adaptation and climate solutions, while seeking to protect and enhance long-term value for clients.</p> <p>Actions taken during 2025</p> <p>In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. We voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals</p> <p>The sector we engaged most in 2025 is energy. We held over 81 engagements (14% of total).</p> <p>In 2025, we applied our firmwide thermal coal exclusion policy across the investment process, excluding companies generating more than 20% of revenues from thermal coal mining to mitigate climate-related and financial risks.</p> <p>Targets set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p>
	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	70.49% (ratio %)	72.86% (ratio %)	77.42% (ratio %)	80.99% (ratio %)	The portfolio's weighted average of issuers' energy consumption and/or production from non-renewable sources as a percentage of total energy used and/or generated.	<p>General approach</p> <p>Schroders' climate strategy is designed to deliver strong client outcomes by understanding climate risks and opportunities, supporting portfolio resilience, and aligning operations, investment portfolios and stewardship activities with a net zero future. It does this through active management, active ownership and investment innovation, helping companies and assets navigate credible transition pathways while supporting the wider economy's transition.</p> <p>Active Ownership</p> <p>Schroders engages with issuers across listed and private assets to understand, manage and disclose material climate-related financial risks and opportunities, including transition, physical and litigation risks, and to encourage alignment with credible net zero pathways. This active ownership approach is guided by its Engagements Blueprints and Voting Guidelines, with engagement and voting decisions focused on climate oversight, mitigation, resilience and just transition, adaptation and climate solutions, while seeking to protect and enhance long-term value for clients.</p> <p>We will continue to apply our firmwide thermal coal exclusion policy consistently in the next reference period to manage exposure to high-emitting sectors and protect client value.</p> <p>Actions taken during 2025</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	39.40 (GWh/EUR million)	115.91 (GWh/EUR million)	92.41 (GWh/EUR million)	29.22 (GWh/EUR million)	Portfolio weighted average of company Energy consumption intensity (GWh / EUR million sales) (ENERGY_CONSUMP_INTEN_EUR) per high impact climate sector (NACE section code (NACE_SECTION_CODE) A, B, C, D, E, F, G, H, and L). Portfolio weights are normalized when Energy consumption intensity coverage is less than 100%.	<p>In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. We voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals</p> <p>During 2025 we held over 81 engagements with energy companies (14% of total) and over 72 with power utilities (13%).</p> <p>Targets set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p>
							<p>General approach</p> <p>Schroders' climate strategy is designed to deliver strong client outcomes by understanding climate risks and opportunities, supporting portfolio resilience, and aligning operations, investment portfolios and stewardship activities with a net zero future. It does this through active management, active ownership and investment innovation, helping companies and assets navigate credible transition pathways while supporting the wider economy's transition.</p> <p>Active Ownership</p> <p>Schroders engages with issuers across listed and private assets to understand, manage and disclose material climate-related financial risks and opportunities, including transition, physical and litigation risks, and to encourage alignment with credible net zero pathways. This active ownership approach is guided by its Engagements Blueprints and Voting Guidelines, with engagement and voting decisions focused on climate oversight, mitigation, resilience and just transition, adaptation and climate solutions, while seeking to protect and enhance long-term value for clients.</p> <p>Actions taken during 2025</p> <p>In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. We voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals</p> <p>Our engagement prioritisation and escalation leads to us targeting companies in high impact sectors</p> <p>Targets set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and assets in line with our engagement blueprints.</p>

Biodiversity

7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	6.43% ⁶ (ratio %)	4.11% ⁷ (ratio %)	0.18% (ratio %)	0.06% (ratio %)	The percentage of the portfolio's market value exposed to issuers' that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment.	<p>General approach</p> <p>As part of our commitment to be an Early Adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), we published our first Nature Report for FY2 in June 2025. This outlined our nature-related risks, impacts and dependencies and how we are responding to these. We provided an update on these disclosures with our second TNFD report for FY25 published in June 2026.</p> <p>In addition, our Nature and Biodiversity Position Statement describes our stance on nature-related issues. This includes our approach to Deforestation.</p> <p>Active Ownership</p> <p>Our engagement is focused on improving disclosure and performance across four key themes:</p> <ol style="list-style-type: none"> 1. Natural-related risk and management 2. Circular economy, pollution, and waste 3. Sustainable food and water 4. Deforestation
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⁶ The increase in this PAI is likely to be driven by the application of our more in-depth assessment of nature and biodiversity impacts, using our NatCapEx model, which included increased coverage in 2025.

⁷ The increase in this PAI could be linked to the improved data quality

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>Our proxy voting approach is to generally support resolutions that promote greater disclosure on how managers consider biodiversity.</p> <p>Actions taken during 2025</p> <p>We undertook our second comprehensive assessment of impacts and dependencies across our public and private asset holdings using the ENCORE materiality dataset, enhanced by a more in-depth assessment of public assets using our proprietary model, NatCapEx, which we extended the coverage for in 2025. We found that when it comes to dependencies, we remain most exposed to water-related ecosystem services. Our greatest nature-related impacts are through carbon emissions, water use and terrestrial ecosystem use. We will continue to use these insights to direct our actions over 2026.</p> <p>The end of 2025 also saw our commitment to use best efforts to eliminate commodity-driven deforestation from our portfolios come to a close. This was made as part of the Financial Sector Deforestation Action (FSDA) initiative which began in 2021. This article outlines how we implemented this strategy over the last four years, reflecting on our actions and progress. This included ultimate divestment from several highly exposed investments which did not meet our expectations. Schroders' approach was featured as a case study within the final FSDA progress report.</p> <p>We used the analysis included in our 2024 Nature Report to prioritise our engagement activities over the course of 2025. We used NatCapEx to identify specific company holdings which were driving the majority of our nature-related impacts to give us an indicator of where the greatest risks lay. In addition, we maintained its focus on deforestation as part of the Finance Sector Action on Deforestation Commitment, undertaking 50 engagements to support ongoing due diligence of companies and to encourage improvement in deforestation risk management.</p> <p>In 2025, we discussed Natural Capital and Biodiversity topics at over 175 events with over 120 companies. Over 2025, we have also improved the integration of analysis of nature-related risks within our multi-manager holdings. Our multimanagement team expanded their annual Environmental, Social and Governance (ESG) Questionnaire for third-party managers to explicitly include nature-related questions in 2025. These questions included whether there is board-level oversight of nature-related risks and opportunities, and if the firm has undertaken an assessment of its nature-related impacts. By asking how managers assess their nature-related impacts, dependencies, risks, and opportunities, the team is able to gain insight into the strength and forward-looking nature of their investment processes.</p> <p>Targets set for the next reference period:</p> <ul style="list-style-type: none"> – Strengthen our analysis of water-related risks and opportunities across our investments, given it remains our largest dependency. – Engage top corporate contributors to our financed nature loss, as identified by NatCapEx, with particular focus on companies classified as laggards.

Water

8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00⁸ (metric tons/EUR million)	0.00⁹ (metric tons/EUR million)	0.11 (metric tons/EUR million)	2.29 (metric tons/EUR million)	<p>The total annual wastewater discharged (metric tons reported) into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio. Companies' water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).</p> <p>General approach</p> <p>As part of our commitment to be an Early Adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), we published our first Nature Report for FY24 in June 2025. This outlined our nature-related risks, impacts and dependencies and how we are responding to these. We provided an update on these disclosures with our second TNFD report for FY25 published in June 2026.</p> <p>We are able to analyse corporate emissions to water through our proprietary model NatCapEx, which assesses impacts, including water emissions, on nature. Our Engagement Blueprint outlines how we engage on nature-related issues. Water emissions are covered through the theme of "Circular economy, pollution and waste".</p> <p>If there are extremely egregious impacts associated with emissions to water, these may also be addressed through our Global Norms Framework.</p> <p>Active Ownership</p> <p>Our engagement is focused on improving disclosure and performance across four key themes:</p> <ol style="list-style-type: none"> 1. Natural-related risk and management
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⁸ The actual value without decimal rounding is: 0.0021065 metric tons/EUR million

⁹ The actual value without decimal rounding is: 0.000448 metric tons/EUR million

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.35 (metric tons/EUR million)	0.16 (metric tons/EUR million)	0.22 (metric tons/EUR million)	3.52 (metric tons/EUR million)	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies' hazardous waste is apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	<ul style="list-style-type: none"> 2. Circular economy, pollution, and waste 3. Sustainable food and water 4. Deforestation <p>Our proxy voting approach is to generally support resolutions that promote greater disclosure on how managers consider biodiversity.</p> <p>Actions taken during 2025</p> <p>We undertook our second comprehensive assessment of impacts and dependencies across our public and private asset holdings using the ENCORE materiality dataset, enhanced by a more in-depth assessment of public assets using our proprietary model, NatCapEx, which we extended the coverage for in 2025. We found that when it comes to dependencies, we remain most exposed to water-related ecosystem services. Our greatest nature-related impacts are through carbon emissions, water use and terrestrial ecosystem use. We will continue to use these insights to direct our actions over 2026.</p> <p>Over 2025, we have also improved the integration of analysis of nature-related risks within our multi-manager holdings. Our multimanager team expanded their annual Environmental, Social and Governance (ESG) Questionnaire for third-party managers to explicitly include nature-related questions in 2025. These questions included whether there is board-level oversight of nature-related risks and opportunities, and if the firm has undertaken an assessment of its nature-related impacts. By asking how third-party managers assess their nature-related impacts, dependencies, risks, and opportunities, the team is able to gain insight into the strength and forward-looking nature of their investment processes.</p> <p>Targets set for the next reference period:</p> <ul style="list-style-type: none"> – Strengthen our analysis of water-related risks and opportunities across our investments, given it remains our largest dependency. – Engage top corporate contributors to our financed nature loss, as identified by NatCapEx™, with particular focus on companies classified as laggards.
							<p>Waste</p> <p>General approach</p> <p>As part of our commitment to be an Early Adopter of the Taskforce on Nature-related Financial Disclosures (TNFD), we published our first Nature Report for FY2 in June 2025. This outlined our nature-related risks, impacts and dependencies and how we are responding to these. We provided an update on these disclosures with our second TNFD report for FY25 published in June 2026.</p> <p>We are able to analyse corporate hazardous and radioactive waste through our proprietary model NatCapEx, which assesses impacts, including solid pollutants, on nature. Our Engagement Blueprint outlines how we engage on nature-related issues. Hazardous waste and radioactive waste are covered through the theme of “Circular economy, pollution and waste”.</p> <p>If there are extremely egregious impacts associated with hazardous and radioactive waste, these may also be addressed through our Global Norms Framework.</p> <p>Active Ownership</p> <p>Our engagement is focused on improving disclosure and performance across four key themes:</p> <ul style="list-style-type: none"> 5. Natural-related risk and management 6. Circular economy, pollution, and waste 7. Sustainable food and water 8. Deforestation <p>Our proxy voting approach is to generally support resolutions that promote greater disclosure on how managers consider biodiversity.</p> <p>Actions taken during 2025</p> <p>We undertook our second comprehensive assessment of impacts and dependencies across our public and private asset holdings using the ENCORE materiality dataset, enhanced by a more in-depth assessment of public assets using our proprietary model, NatCapEx, which we extended the coverage for in 2025. We found that when it comes to dependencies, we remain most exposed to water-related ecosystem services. Our greatest nature-related impacts are through carbon emissions, water use and terrestrial ecosystem use. We will continue to use these insights to direct our actions over 2026.</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>Over 2025, we have also improved the integration of analysis of nature-related risks within our multi-manager holdings. Our multimanager team expanded their annual Environmental, Social and Governance (ESG) Questionnaire for third-party managers to explicitly include nature-related questions in 2025. These questions included whether there is board-level oversight of nature-related risks and opportunities, and if the firm has undertaken an assessment of its nature-related impacts. By asking how third-party managers assess their nature-related impacts, dependencies, risks, and opportunities, the team is able to gain insight into the strength and forward-looking nature of their investment processes.</p> <p>Targets set for the next reference period:</p> <p>Engage top corporate contributors to our financed nature loss, as identified by NatCapEx™, with particular focus on companies classified as laggards.</p>

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters							
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.36% (ratio %)	0.55% (ratio %)	0.79% (ratio %)	1.03% (ratio %)	The percentage of the portfolio's market value exposed to issuers with very severe controversies related to the company's operations and/or products.	<p>General approach</p> <p>In line with most of the financial services industry, Schroders' definition of Global Norms considers widely recognised principles such as the UN Global Compact (UNGC) principles the OECD Guidelines for Multinational Enterprises, the International Labor Organization's (ILO) core conventions and the UN Guiding Principles on Business and Human Rights.</p> <p>We have created a proprietary framework to identify, assess and engage companies that have potentially breached Global Norms. The ultimate output of this framework is a 'Global Norms Breach List' comprised of companies that have been identified as causing significant damage; not sufficiently addressed the issue in question through transparent communications and action; and not provided sufficient remedy for affected stakeholders. This list is then used as an exclusion criterion for our sustainable funds.</p> <p>Active Ownership</p> <p>Schroders' engagement approach on human rights covers three core stakeholders across a company's business, including its value chain:</p> <ol style="list-style-type: none"> 1. Overarching approach to human rights 2. Workers 3. Communities 4. Customers and consumers <p>In the case of companies joining the UNGC violators list, our aim is to review the company's response and management of the human rights risks identified. Where appropriate, we aim to engage with the company to understand and monitor the risk to the business, the 'harm' to its stakeholders and the remedial action being taken.</p> <p>Our proxy voting approach is to support resolutions that ask the company to report on its human rights' due diligence process.</p> <p>Actions taken during 2025</p> <p>In 2025, we discussed human rights in over 200 events with over 134 companies, and human rights continues to be our most engaged social theme. This was driven in part by intensifying geopolitical conflict and trade friction, which had implications for the operating models and supply chains of many businesses. A significant portion of our dialogue centred on strengthening supply chain management and oversight. We sought evidence of due diligence in conflict-affected regions, meaningful stakeholder consultation, and measures to mitigate adverse impacts.</p> <p>In 2025 we continued our voting policy to consider escalating our engagements at companies we have assessed to be in breach of global norms of corporate behaviour. We consider widely recognised principles, such as the UNGC, and a defined set of criteria to identify, assess and engage companies that have potentially breached global norms. We voted against directors or the annual report and accounts at 9 companies that were identified as in breach of global norms and that were unresponsive to our engagements or had not made significant progress to remediate any harms caused.</p> <p>Target set for the next reference period:</p> <p>In the next reference period, we will continue to engage with investee companies and issuers on these topics, in line with our engagement blueprints.</p>
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints	1.16% (ratio %)	12.39% (ratio %)	45.70% (ratio %)	48.15% (ratio %)	The percentage of the portfolio's market value exposed to issuers that are not signatories in the UN Global Compact.	<p>General approach</p> <p>In line with most of the financial services industry, Schroders' definition of Global Norms considers widely recognised principles such as the UN Global Compact (UNGC) principles the OECD Guidelines for Multinational Enterprises, the International Labor Organization's (ILO) core conventions and the UN Guiding Principles on Business and Human Rights.</p> <p>We have created a proprietary framework to identify, assess and engage companies that have potentially breached Global Norms. The ultimate output of this framework is a 'Global Norms Breach List' comprised of companies that have been identified as causing significant damage; not sufficiently addressed the issue</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
	handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises						<p>in question through transparent communications and action; and not provided sufficient remedy for affected stakeholders. This list is then used as an exclusion criterion for our sustainable funds.</p> <p>Active Ownership</p> <p>Schroders' engagement approach on human rights covers three core stakeholders across a company's business, including its value chain:</p> <ol style="list-style-type: none"> 1. Overarching approach to human rights 2. Workers 3. Communities 4. Customers and consumers <p>In the case of companies joining companies join the UNGC violators list, our aim is to review the company's response and management of the human rights risks identified. Where appropriate, we aim to engage with the company to understand and monitor the risk to the business, the 'harm' to its stakeholders and the remedial action being taken.</p> <p>Our proxy voting approach is to support resolutions that ask the company to report on its human rights' due diligence process.</p> <p>Actions taken during 2025</p> <p>In 2025 we continued our voting policy to consider escalating our engagements at companies we have assessed to be in breach of global norms of corporate behaviour. We consider widely recognised principles, such as the UNGC, and a defined set of criteria to identify, assess and engage companies that have potentially breached global norms. We voted against directors or the annual report and accounts at 9 companies that were identified as in breach of global norms and that were unresponsive to our engagements or had not made significant progress to remediate any harms caused.</p> <p>Since 2023, the number of companies reporting that they have mechanisms in place for compliance with UNGC principles has increased dramatically, which has caused the drop in ratio % found in 2024 and 2025.</p> <p>Targets set for the next reference period</p> <p>In the next reference period, we will continue to engage with investee companies and issuers on these topics, in line with our engagement blueprints</p>
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14.36% (ratio %)	15.63% (ratio %)	17.10% (ratio %)	12.74% (ratio %)	The portfolio holdings' weighted average of the difference between the average gross hourly earnings of male and female employees, as a percentage of male gross earnings.	<p>General approach</p> <p>Schroders believes that companies should strive to create diverse, equitable and inclusive cultures in their organisations. Gender is one of our diversity lenses that is core to our engagement and voting principles. In this regard, we set clear expectations for companies, such as greater disclosure on board gender diversity and processes that ensure products and services do not risk perpetuating biases.</p> <p>Active Ownership</p> <p>Schroders' engagement approach on diversity and inclusion covers three key areas of focus:</p> <ol style="list-style-type: none"> 1. Leadership and oversight of diversity and inclusion 2. Workforce diversity and inclusion 3. Value chain diversity and inclusion <p>Improving disclosure on Board Diversity and the gender pay gap are two of the priority objectives outlined in our Engagement Blueprint. We request that companies implement a policy that requires each board vacancy to consider at least one or more diverse candidates.</p> <p>In the UK, Europe and North America, we expect larger companies to have at least 33% female board directors and executive committee members. For smaller companies we expect at least 20% female board representation. We will vote against the nominations committee chair or longest tenured director where we have concerns about insufficient gender diversity on the board. In the UK and North America, we will also expect companies to have at least one non-white director</p> <p>Actions taken during 2025</p> <p>In 2025, we discussed diversity and inclusion at over 75 events with over 60 companies. Engagements were relatively evenly split across board, wider workforce and value chain diversity and inclusion topics. We seek to focus our engagement on what we consider to be the most financially material threats and opportunities to our investments. These are areas which could have a significant impact, both negative and</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>positive, on a company's long-term value. We identify financially material sustainability issues using both bottom-up and top-down analysis.</p> <p>Target set for the next reference period</p> <p>In the next reference period, we will continue to engage will with investee companies and issuers on these topics, in line with our engagement blueprints and the expectations set out above.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	54.01% (ratio %)	51.93% (ratio %)	50.19% (ratio %)	35.39% (ratio %)	The portfolio holdings' weighted average of the ratio of female to male board members.	<p>General approach</p> <p>We believe that overall board composition and the attributes of individual directors are likely to play an important role in the long-term economic success of the company. We therefore consider the board's breadth and variety of perspectives and directors' diversity across a range of dimensions, including their experience, skills, independence, tenure, qualifications and track record as well as demographic attributes and other factors to aid the board oversee and advise management.</p> <p>Active Ownership</p> <p>Schroders' engagement approach on diversity and inclusion covers three key areas of focus:</p> <ol style="list-style-type: none"> 1. Leadership and oversight of diversity and inclusion 2. Workforce diversity and inclusion 3. Value chain diversity and inclusion <p>Improving disclosure on Board Diversity and the gender pay gap are two of the priority objectives outlined in our Engagement Blueprint. We request that companies implement a policy that requires each board vacancy to consider at least one or more diverse candidates.</p> <p>In the UK, Europe and North America, we expect larger companies to have at least 33% female board directors and executive committee members. For smaller companies we expect at least 20% female board representation. We will vote against the nominations committee chair or longest tenured director where we have concerns about insufficient gender diversity on the board. In the UK and North America, we will also expect companies to have at least one non-white director</p> <p>Actions taken during 2025</p> <p>In 2025 we discussed diversity and inclusion in over 75 events with over 60 companies. Many of our engagements focused on improving gender representation at board and senior management levels across multiple regions. We continued to press companies in Japan, Latin America, and Europe to appoint female directors, particularly where boards had no women or were below market expectations. In several cases we saw tangible progress, while other engagements remain ongoing where boards continue to lack diversity.</p> <p>We also responded to shifting political and regulatory dynamics, particularly in the United States, where some companies have reduced or reframed public DEI commitments. We sought reassurance that internal inclusion practices remain intact despite changes in external messaging. Our multi-manager group built off work done in previous years, to engage managers held in their sustainable funds, asking them to participate in the Diverse Investment Collective (DIC) initiative. The DIC have set an ambition for 33% of assets to be managed by gender-diverse and racially-diverse fund management teams by 2033. We believe that diverse teams lead to better outcomes for clients, and our aim is to support the take-up of this initiative. We believe in several instances our engagement played a critical role, with 16 of our 28 funds submitting the eVestment DEI survey.</p> <p>We consider a vote against directors at companies which do not meet our expectations on board composition and diversity, taking into account local practices. We maintained our voting principles in 2025, and we voted against directors at around 900 meetings due to concerns related to the diversity of the board.</p> <p>Targets set for the next reference period</p> <p>Looking ahead to 2026, as part of the second phase of this engagement, the multi-manager group intends to collaborate with Tribe Impact Capital. In doing so, we will be combining resources; reaching a wider number of fund managers and using our collective AUM to continue to push for best practice.</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0% (ratio %)	0% (ratio %)	0% (ratio %)	0% (ratio %)	The percentage of the portfolio's market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry ties includes ownership, manufacturing and investments. Ties to landmines do not include related safety products.	<p>General Approach</p> <p>Schroders fully supports the following international conventions:</p> <ul style="list-style-type: none"> • The Convention on Cluster Munitions (2008): prohibits the production, stockpiling, transfer and use of cluster munitions. • The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997): prohibits the production, stockpiling, transfer and use of antipersonnel landmines. • The Chemical Weapons Convention (1997): prohibits the use, stockpiling, production and transfer of chemical weapons. • Biological Weapons Convention (1975): prohibits the use, stockpiling, production and transfer of biological weapons. <p>Accordingly, we exclude companies that we identify as being involved in the production, stockpiling, transfer and use of these weapons. These restrictions apply across Schroders' managed funds.</p> <p>On occasion there may be additional securities recognised by clients or local governments; these will be added to the Schroders group exclusion list for those relevant jurisdictions or specific mandates. The list of excluded companies is available here.</p> <p>Target set for the next reference period</p> <p>Targets for next reference period is not applicable, as we will continue to apply this exclusionary approach.</p>

Indicators applicable to investments in sovereigns and supnationals

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental							
15. GHG Intensity	GHG intensity of investee countries	232.57 (t/EUR million)	268.40 (t/EUR million)	322.062 (t/EUR million)	362.68 (t/EUR million)	The portfolio's weighted average of sovereign issuers' GHG Emissions Intensity (Scope 1, 2 and 3 emissions/EUR M GDP).	<p>General approach</p> <p>In the context of climate change for our Fixed Income portfolios which invest in sovereign securities, where appropriate, Schroders' approach includes reviewing whether a government has made a net zero pledge contained in an official policy document.</p> <p>Active Ownership</p> <p>Where appropriate, we seek to participate in constructive dialogue with relevant government stakeholders, using our sustainability and investment expertise to offer insights into how their policy agenda and spending may impact us as an investor. The balance of engagement objectives for sovereigns will be "insights driven", i.e. focussed on fact finding, as opposed to "outcomes driven", where a particular change is sought. Outcomes driven engagements, where we believe it is appropriate, will be driven by the need to manage investment risk and opportunity on behalf of our clients. When engaging with sovereign issuers we consider the differing context for emerging and developed market economies and international norms and conventions (such as international agreements). There is no "one size fits all" model and the appropriate mechanism for addressing environmental, social and governance issues will vary from country to country. Our position statement on our approach to sovereign engagement, sets out in more detail the benefits of sovereign engagement, the scope of this engagement activity, our governance, and the mechanisms for engagement that we use.</p> <p>Actions taken during 2025</p> <p>In 2025 we engaged with more than 15 sovereign issuers on a range of sustainability topics, including on climate change and biodiversity.</p> <p>Our engagement with sovereign issuers provides an opportunity to mitigate risks posed by climate change. As part of our cross-asset class Net Zero Alignment Framework (NZAF), we assess the alignment of sovereign issuers to the global goal of net zero by 2050 or targets they have set. Our framework applies quantitative measures to assess the ambition of national climate targets, the credibility of mitigation plans, and progress towards these goals. Based on this analysis, it identifies which countries are 'Aligned', 'Aligning' or 'Not Aligned' to a net zero pathway to help investment teams identify, measure and manage the risks and opportunities associated with this transition. This framework helped inform our engagements, for example, requesting further clarification on carbon pricing or industrial policies to support transition in sectors with largest emissions.</p> <p>Target set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out in our climate report (here). We will also continue to engage with investee companies and issuers in line with our engagement blueprints.</p>
Social							
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	1 (Number of investee countries)	3 (Number of investee countries)	3 (Number of investee countries)	2 (Number of investee countries)	The portfolio's number of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports.	<p>General approach</p> <p>In respect of investee countries subject to social violations (PAI 16), we exclude countries on the UN sanctions list. We may also override exclusions where UN sanctions are being applied in a country on non-government individuals or entities as opposed to the sovereign itself.</p> <p>Active Ownership</p> <p>Where appropriate, we may seek to participate in constructive dialogue with appropriate government stakeholders, using our sustainability and investment expertise to offer insights into how their policy agenda and spending may impact us as an investor. The balance of engagement objectives for sovereigns will be "insights driven", i.e. focussed on fact finding, as opposed to "outcomes driven" where a particular change is sought. Outcomes driven engagements, where we believe it is appropriate to seek more transparency or seek change in government policy and spending, will be driven by the need to manage investment risk and opportunity on behalf of our clients.</p> <p>There are various reactive opportunities for engaging with sovereign issuers and policymakers, including as part of a bond issuance roadshow, market engagement meetings organised by Debt Management Offices and Treasury departments, and in response to government consultations, e.g. on sectoral reform.</p>

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>Actions taken during 2025</p> <p>On nature, we have been focused on understanding how policymakers intend to deliver on their commitments, consistent with the Global Biodiversity Framework.</p> <p>Some highlights of our approach during 2025 include:</p> <ul style="list-style-type: none"> - UK nature policy and disclosure: improving standards to strengthen market-wide transparency and accountability - Through the Finance for Biodiversity Foundation's Public Policy Advocacy Group we responded to a UK consultation on Climate Transition Plans, advocating the integration of decision-useful nature-related information. <p>We also provided input to the Joint Nature Conservation Committee (NCC) on the UK's 7th National Report to Convention on Biological Diversity. these contributions are intended to support stronger policy frameworks and more consistent nature-related reporting across the market.</p> <p>Target set for the next reference period</p> <p>During the next reference period, we will continue to engage with sovereigns, where appropriate and applicable, in line with our engagement blueprint.</p>

Indicators applicable to investments in real estate assets

Adverse Sustainability Indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil Fuels							
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	0.51%	0%	N/A	For funds comprising both listed and non-listed investments, the listed investments are not applicable for mandatory real estate PAI reporting. For the non-listed assets, the metric shows the proportion of our real estate investments that are connected to activities related to fossil fuels.	<p>General approach</p> <p>The metrics presented relate to all relevant assets under management; however, the following funds do not consider PAI at the product level:</p> <ul style="list-style-type: none"> - Schroders Capital European Leased Hotel Fund - Schroders Capital European Operating Hotels Fund <p>Schroders Capital Real Estate has adopted the definition for PAI 17 endorsed by the IIGCC convened Aligning Real Estate Sustainability Indicators ("ARESI") Working Group: "purpose-built assets for the extraction, storage, transport or manufacture of fossil fuels. Purpose-built being that fossil fuels are integral to the operation of the asset and substantive changes to the asset would be required to enable a non-fossil-fuel-based economic activity to take place. The asset is dedicated to generating value from the fossil fuel industry"¹⁰</p> <p>Active Ownership</p> <p>Within direct real estate investment, active ownership is viewed as the active management of buildings or properties and associated stakeholder engagement (e.g. tenants, suppliers, local authorities, local communities, industry and peers). We also invest indirectly in private unlisted real estate investments where the focus is on engagement with the underlying investment managers.</p> <p>Actions taken during 2025</p> <p>N/A due to zero exposure to fossil fuels.</p> <p>Target set for the next reference period</p> <p>N/A due to zero exposure to fossil fuels</p>
Energy efficiency							
18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	99.99%	66.32%	81.29%	N/A	For funds comprising both listed and non-listed investments, the listed investments are not applicable for mandatory real estate PAI reporting.	<p>General approach</p> <p>The metrics presented relate to all relevant assets under management; however, the following funds do not consider PAI at the product level:</p>

¹⁰ ARESI Working Group (2025) White Paper on Aligning Real Estate Sustainability Indicators. <https://www.iigcc.org/hubfs/2025%20resources%20upload/ARESI%20White%20Paper%2003%202025.pdf>

For the non-listed investments, the metric shows the proportion of our real estate investments that are in buildings or properties which are considered energy inefficient by reference to their energy performance certificates and applying the PAI 18 criteria or where data was not available to determine whether they met the PAI 18 inefficient criteria.

- Schroders Capital European Leased Hotel Fund
- Schroders Capital European Operating Hotels Fund

PAI 17 is clearly defined and we follow the formula provided in the Commission Delegated Regulation (EU) 2022/1288, Annex I.

Active Ownership

Within direct real estate investment, active ownership is viewed as the active management of buildings or properties and associated stakeholder engagement (e.g. tenants, suppliers, local authorities, local communities, industry and peers). We also invest indirectly in private unlisted real estate funds where the focus is on engagement with the underlying investment managers.

Actions taken during 2025

The ability to take actions depends on the level of control the Investment Manager has over the underlying real estate asset.

For funds investing in direct real estate, improving building energy performance typically involves a combination of operational optimisation, targeted building fabric/ systems upgrades, and tenant engagement to reduce consumption. The appropriate mix of interventions will depend on factors such as asset type, age and condition, tenant requirements, regulation, lease structure, and investment strategy, including the intended holding period. For example, key initiatives implemented in 2025 across the operating hotels portfolio included Heating, Ventilation, and Air Conditioning (“HVAC”) upgrade works, building management system (“BMS”) and a shower heat recovery system feasibility studies, and BREEAM “Very Good” certification.

Where funds invest in indirect real estate, the scope to influence the environmental performance in the underlying assets is low. For each new indirect investment made during the reference period, the investment manager applied ESG due diligence prior to any transaction. Subsequent engagement with the underlying investment managers occurred on an ad hoc basis to address specific ESG-related issues.

Targets set for the next reference period

During the next reference period, we will continue to pursue energy performance improvements where feasible and consistent with the relevant products’ investment strategies.

For example, for the operating hotels portfolio, the focus will be on progressing implementation of identified energy optimisation measures, including planned BMS and heat recovery projects.

Efforts also continue to further enhance the quality and completeness of data for this indicator, particularly where underlying assets are located in jurisdictions where Energy Performance Certificate (EPC) ratings or Primary Energy Demand (PED) data remain limited or unavailable. This is relevant for our private unlisted real estate investments where exposure is reported on a look-through basis.

Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Climate and other environment-related indicators Adverse Sustainability Impact - Emissions	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Adverse impact on sustainability factors (qualitative or quantitative)							
19. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at	41.99% (ratio %)	37.47% (ratio %)	29.81% (ratio %)	41.40% (ratio %)	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target aligned with the Paris Agreement.	General approach We believe that the long-term financial success of many of the companies we invest in depends on their ability to adapt their business models to a changing climate and to decarbonize their business models.

Climate and other environment-related indicators Adverse Sustainability Impact - Emissions	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
	aligning with the Paris Agreement						<p>Schroders is a founding investor signatory to the Net Zero Asset Managers (NZAM) initiative¹¹ and has set interim and long-term climate targets validated by the Science Based Targets initiative. Our Climate Transition Action Plan sets out how we plan to deliver our targets and align our operations, investment portfolios, and stewardship activities with a net zero future¹². We updated our Group Climate Change Position Statement with an interim update on our transition plan in 2025¹³.</p> <p>Active Ownership</p> <p>Schroders recognises the importance of all companies assessing and understanding climate risk and the impact it may have on their business.</p> <p>We engage with issuers to support effective management of climate-related financial risks and opportunities. Transition risks—such as carbon pricing, regulation, and shifting market preferences—can lead to stranded assets, increased operating costs, or declining revenues. Physical climate risks, including extreme weather and chronic changes like sea-level rise, can disrupt supply chains, impair assets, and reduce earnings. Litigation is also emerging as a risk factor: firms that fail to act on or disclose climate risks may face legal liabilities with valuation impacts.</p> <p>We engage with issuers, to understand and encourage identifying, managing, and disclosing these material risks—and aligning their business strategies with a net zero pathway.</p> <p>We define five key areas of focus for our climate engagements and provide detail on our expected mid-term objectives in our Engagement Blueprint:</p> <ol style="list-style-type: none"> 1. Climate oversight 2. Climate mitigation 3. Just transition and resilience 4. Climate adaptation 5. Climate solutions <p>Schroders maintains a firm-wide commitment to active ownership, through both engagement and voting activities across various asset classes. The Corporate Governance and Investment teams work together to ensure decisions align with clients' long-term interests and regulatory requirements, guided by the Engagement Blueprint and Voting Guidelines. We examine sustainability-related shareholder resolutions on a case-by-case basis and carefully consider whether the resolutions is aligned to our Blueprint, is the best way to address the issue and adds value to the company without potential for causing unintended negative impact.</p> <p>Actions taken during 2025</p> <p>Since we published our Climate Transition Action Plan in 2021, we have made steady progress engaging companies we invest in and asking them to mitigate climate risks by setting emissions reduction goals. We have engaged over 1,500 companies representing 78%¹⁴ of our financed emissions since 2021. Research into potential engagement outcomes showed that companies we engaged in were more likely to set targets, reduce emission intensity and outperform un-engaged peers. Most of the highest emitters we invest in have set targets and are working through implementation in a period where climate policy support is diverging, with progress continuing in certain sector regions but overall, at a slower rate than 2020-2023. Supporting corporates through the complex trade-offs in the delivery of targets and understanding barriers to faster action increases the complexity of our engagements. In response to this environment, in 2025 we evolved our engagement targeting the credibility and delivery of their climate transition plans and expanded our approach to engagement with Sovereigns.</p> <p>We continued to leverage different escalation tools, we attended and asked questions at two AGMs. We use our vote to drive change, for example through voting against board directors in those companies significantly exposed and trailing on climate commitments. In 2025 we voted against over 75 directors and 18 proposals relating to Reports & Accounts for such reasons. This represented a 56% year-on-year</p>

¹¹ Our commitment is to our clients and to managing portfolios to meet their investment objectives to the best of our ability. Where industry initiatives such as NZAM are consistent with our objectives and investment goals, we may choose to be active and engaged participants. In 2026 Schroders recommitted to the NZAM's updated principles.

¹² https://mybrand.schroders.com/m/63c2036c6209bb96/original/NA_CTAP-Climate-Transition-Action-Plan.pdf

¹³ Schroders Group Climate Change Position Statement [Schroders Group Climate Change Position Statement](#)

¹⁴ Scope 1 and 2 emissions as of end of 2025. Companies engaged are counted when on at least one occasion climate change was raised to a company between 2021 and 2025. Engagements that took place in 2025 covered 51% of scope 1&2 financed emissions and 55% of scope 1,2 & 3.

Climate and other environment-related indicators Adverse Sustainability Impact - Emissions	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
							<p>increase in votes against directors. In 2025, we voted to support 36% of shareholder resolutions on issues related to climate risk. We supported 88% of 'Say on climate' proposals, these give shareholders a say to approve a company's climate targets, policy or transition plan.</p> <p>As of 31 December 2025, our managed portfolios were aligned to a 2.4°C pathway (across scope 1 and 2), and a 2.7°C pathway (across scope 1, 2 and 3).</p> <p>Actions taken during 2025 include further developing our portfolio decarbonisation analysis to help meet our clients' decarbonisation objectives. This was driven by increased demand for solutions in this area, as more of our clients move from target setting and transition planning to implementation.</p> <p>In 2025, 50% of our climate-related engagements focused on climate mitigation, 16% on climate oversight and 14% on climate adaptation. In 2025 we conducted 550 climate-related engagements with 381 companies in the basic materials, utilities, energy, industrials and financials sectors. Most of our engagements were one-to-one with company management; however, we also conducted 33 collaborative engagements on climate-related topics, including key groups such as Climate Action 100+, Asia Investor Group on Climate Change and the Institutional Investor Group on Climate Change and its Net Zero Engagement initiative and Banks Engagement and Research Initiative. We use a structured approach to monitor progress and measure the impact of our engagements. We set engagement objectives and use a milestone approach to monitor progress. Throughout the year, we monitored company progress against our climate engagement objectives and overall, by the end of the year, we considered that 47 objectives were achieved.</p> <p>In 2024 and 2025, we also provided investors with further information around unresponsive engagements of companies highly exposed to unmitigated climate risk that helped inform investment decisions. Further information can be found here: https://www.schroders.com/en-gb/uk/institutional/insights/how-we-escalate-climate-engagements-with-laggards-and-non-respondents/</p> <p>At the start of 2025, we also published our Engagement Blueprint for private assets. This intends to build transparency with our stakeholders around our engagement priorities, how they are applied across and within each asset class, and what our future ambitions are. Across all four pillars of our private markets investment division, Schroders Capital, climate change is a key engagement theme. In many cases for private markets we are first seeking to improve the quality and level of disclosure on climate exposure, 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 influence ways 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.</p> <p>Target set for the next reference period</p> <p>In the next reference period, we will continue to work towards the climate strategy and targets set out on page 8 of our climate report (here). We will also continue to engage with investee companies and issuers in line with our engagement blueprints.</p>

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Indicators applicable to investments in investee companies

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse Sustainability Impact – Social and employee matters	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Adverse impact on sustainability factors (qualitative or quantitative)							
20. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	22.54% ¹⁵	N/A	N/A	N/A	The percentage of the portfolio's market value exposed to issuers without a supplier code of conduct.	<p>General Approach</p> <p>Our Engagement Blueprint outlines our expectations for human rights, human capital management and diversity and inclusion. To reflect the increasingly interrelated nature of social risks, we added cross thematic engagement themes to the Blueprint which included artificial intelligence, health and inequality. We seek to focus our social engagement on financially material issues which present material threats and opportunities to the companies in which we invest.</p> <p>Active Ownership</p> <p>Schroders' engagement approach on human rights covers three core stakeholders across a company's business, including its value chain:</p> <ol style="list-style-type: none"> 1. Overarching approach to human rights 2. Workers 3. Communities 4. Customers and consumers <p>Our proxy voting approach is to support resolutions that ask the company to report on its human rights' due diligence process.</p> <p>Actions taken during 2025</p> <p>In 2025, we discussed human rights in over 200 events with over 134 companies, and human rights continues to be our most engaged social theme.</p> <p>A significant portion of our dialogue centred on strengthening supply chain management and oversight. We sought evidence of due diligence in conflict-affected regions, meaningful stakeholder consultation, and measures to mitigate adverse impacts.</p> <p>In the retail and apparel space, engagement included extending and clarifying supplier codes of conduct and addressing worker related issues, including deposits, recruitment practices and resilience strategies.</p> <p>In last years' statement we indicated that due to limited data availability from our external data provider for the PAI 'Lack of supplier code of conduct'. As a result, we reassessed options to identify a more robust and reliable metric that we can consistently report on. We have updated our reporting in 2025 to include a new metric available on companies' supplier code of conduct. The metric includes commitments to eradicate unsafe working conditions, precarious work, child labour, and forced labour. The possible values are Yes or Not Disclosed.</p> <p>Target set for next reference period</p> <p>We will continue to review data available for this PAI and update our portfolio exposure to companies without a supplier code of conduct which can inform our engagement with companies. We will continue to engage with investee companies and issuers on these topics, in line with our engagement blueprints.</p>

¹⁵ The data availability only covers the last 6 months of 2025.

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

As a global asset manager, we believe that the Schroders group can play an important role in understanding the relationship between the social and environmental challenges the world faces and the potential impact that these could have on the investments that we make on behalf of our clients. Through the inclusion of sustainability risks and opportunities, we apply an investment framework that our investment teams can integrate into their investment process.

Our approach to considering PAIs on sustainability factors involves classifying the indicators into three categories:

1. Set exclusionary thresholds: these involve very explicit thresholds for considering an investment to be a “sustainable investment”. For example, PAI 10 on violations of UNGC principles.
2. Active ownership: these involve indicators on which we have a plan to engage with the underlying holding as set out in the Schroders Group document, accessed for public assets [here](#) and for private assets [here](#), outlining our approach to active ownership. For example, PAI 1, 2 and 3 covering GHG emissions and PAI 13 on board gender diversity.
3. Improve coverage: these involve indicators where we consider data coverage to be too sparse to properly consider them and our focus is primarily on engaging with the underlying holdings to increase reporting. For example, PAI 7 on biodiversity, PAI 9 on hazardous waste ratio and PAI 12 on the gender pay gap. Our approach is subject to ongoing review, particularly as the availability, and quality, of PAI data evolves.

Wherever the investment manager deems it appropriate, in the context of an incomplete and developing data landscape, the Investment Manager sets levels or principles representing its views of what would constitute significant harm in respect of the indicators for the principal adverse impacts. Investee companies deemed not to satisfy these levels or principles would not be eligible to be considered as a sustainable investment. This framework is subject to ongoing review, particularly as the availability, and quality, of the data evolves.

The [Integration of Sustainability Risk Considerations](#) policy (approved in August 2025) in our investment processes describes how sustainability risks are factored into the investment management processes of Schroders’ entities that are directly subject to the SFDR’s requirements. It demonstrates how our investment teams seek to deliver long-term risk-adjusted returns, whilst incorporating the consideration of sustainability risks consistent with client preferences.

Our purpose is to provide excellent investment performance to our clients through active decision making. In our view, sustainability risks and industrial trends are intrinsically linked to the performance of many investments over the long term. Investee companies and assets face competitive pressures from a wide range of sources, on a larger scale and at a faster pace than ever before. Investment teams no longer have a choice over whether to seek exposure to sustainability risks and opportunities; all portfolios may be impacted. We believe that considering sustainability factors across the investment strategies we manage, in line with those strategies’ investment objectives, can help us to deliver our investment objectives. Where appropriate, we also engage with investee management teams and/or their key stakeholders, vote on our clients’ shareholdings, or otherwise seek to use our influence, with the objective of improving investee company or asset performance in sustainability-related areas, their long-term financial health, and resilience.

The Sustainability Executive Committee (ExCo) is responsible for governing and driving the Group’s sustainability strategy. The central Sustainable Investment team is responsible for advising on the most appropriate mechanism for the implementation of sustainability policies, both by the business for entity level activities, and at product level for investment products. At product level, the investment teams are responsible for the consideration of PAIs in their investment decision-making process.

As noted above, exclusionary thresholds are established for PAIs on sustainability factors where a level, or ‘threshold’ of significant harm can be defined by the investment manager. An assessment of the severity of each PAI (including its potentially irremediable character) is undertaken by the central Sustainable Investment team to determine where such thresholds for harm could be established, and these thresholds are agreed with the impacted investment teams and ratified by the Sustainability ExCo. For instance, companies deriving any revenue exposure to controversial weapons, as defined under PAI 14, are believed to cause harm and are excluded. Conversely, for PAIs 1, 2 and 3, we currently focus thresholds based on the sector of operations, with our Article 8 and 9 funds excluding companies that generate >10% of revenue from thermal coal mining, or >30% of revenue from thermal coal energy generation. This is because the production of GHG emissions as a bi-product of company operations is a certainty and so the severity of the exclusions cannot be treated in the same manner as exposure to controversial weapons. Accordingly, the probability of occurrence for each PAI is a factor that is used to determine whether:

- A- Exposure to the PAI can constitute ‘Harm,’ and, if so;
- B- The threshold for calculating ‘harm.’

Where the investment manager establishes a threshold for the exclusion of sustainability factors, an exceptions process exists for companies that breach the threshold by a small margin, accounting for the margin of error that may exist in the calculation of the PAIs.

The investment manager draws information on investee companies from publicly available corporate information and company meetings, from broker reports, industry bodies, and research organisations, think tanks, legislators, consultants, Non-Governmental Organisations and academics. Third party research may be used, however our analysts form a proprietary view on each of the companies we analyse. Schroders subscribes to external ESG research providers including; MSCI ESG research, Bloomberg and Refinitiv, which is subject to periodic review and change.

Whilst the third parties that deliver the vast majority of the data used have been chosen carefully, data errors may occur. To address this, experts within our central Sustainable Investment team proactively monitor for errors and resolve data queries. This involves close collaboration with the third-party data providers and managing and tracking data corrections.

There may be limitations to the Investment Manager’s data availability, specifically a lack of company reported data. Where data is not available, Schroders will engage with companies to encourage them to disclose the missing data points. Some of our proprietary tools infer missing values where applicable. Our models typically employ a range of techniques to estimate missing values, where this approach is appropriate, and the methodology is robust. Where data for a metric is not sufficiently available to form robust conclusions, that metric is not included in the proprietary tools.

As offered in some of our UCITS and AIF sub-funds that are Article 8 or 9 funds under SFDR, and for certain client mandates, we use a range of proprietary tools to support the consideration of Sustainability Risks along with supplementary metrics from external data providers and our own due diligence. This analysis forms a view of the potential impact of Sustainability Risk Considerations on an overall investment portfolio and, alongside other risk considerations, the possible financial returns of the portfolio.

Proprietary Tools

CONTEXT™ and **SustainEx™** are among the main tools currently available for our investment teams that help them consider the potential sustainability risks and opportunities of our investments. Through these tools we aim to focus on the material issues facing the companies in which we invest.

CONTEXT™ uses a selection of data to assess a company's relationship with its stakeholders such as customers, suppliers, regulators and employees. This tool is interactive and customisable, enabling our investment analysts to select and weigh material sustainability trends for each sector and select the most relevant metrics for assessment in any given case. The tool gives our analysts the flexibility to make company-specific adjustments to reflect their specialist knowledge. It incorporates both mandatory and selected voluntary principal adverse impact data points alongside other data.

SustainEx™ 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 when a company pays 'fair wages') and negatively (for example when a company emits carbon), to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment.

SustainEx™ utilises and is reliant on third party data as well as Schroders' own proprietary research and analysis. Like any model, **SustainEx™** will evolve and develop over time as we continue to assess, refine and add to the metrics and their relative contributions.

Engagement approach

We believe that constructive and committed engagement with management teams at the companies and assets we invest in is a key element of our responsibilities as investors and a clear demonstration of the value we can bring to our clients' investment returns over time. That is why we have a firm-wide commitment to active ownership, with many of our analysts and fund managers undertaking engagements directly.

Our [Engagement Blueprint for listed assets \(schroders-engagement-blueprint.pdf\)](#), updated in 2026, outlines the six priority themes for our engagement: climate change, natural capital and biodiversity, human rights, human capital management, diversity and inclusion, and corporate governance. The document sets out the long-term outcomes we expect will be important to the success of the companies and assets in which we invest.

Our [Engagement Blueprint for private assets \(schroders-capital-private-markets-engagement-blueprint.pdf, updated\)](#) in 2026, aligns to the wider Group priority themes while highlighting asset class and strategy specificities, notably taking into account our level of influence and the illiquid nature of private assets.

We have aligned each of the PAIs to one of Schroders' six core engagement themes. We summarise below the thresholds that apply and the engagement actions we have for each:

Climate Change:

PAIs 1, 2, 3, 4, 5, 6 and 19 (voluntary indicator no. 4 from Annex I Table 2) relate to the Engagement Blueprint theme of Climate Change. Details of our Engagement Blueprint can be found [here](#). We engage to understand how companies are responding to the challenges climate change may pose to their long-term financial position. Through our engagement activity we seek to understand different areas, such as the speed and scale of emission reduction targets and steps being taken to meet climate goals.

Biodiversity and Natural Capital:

PAIs 7, 8 and 9 relate to the Engagement Blueprint theme of Biodiversity and Natural Capital. We recognise the importance of all companies assessing and reporting on their exposure to natural capital and biodiversity risk. We focus our engagement on improving disclosure around a number of themes such as deforestation and sustainable food and water.

Human Rights:

PAIs 10 and 14 relate to the Engagement Blueprint theme of Human Rights. There is increasing pressure on the role that businesses can and should play to respect human rights. We understand the higher operational and financial risks, and the reputational risk that human rights controversies cause. Our engagement focuses on three core stakeholders: workers, communities and customers.

Human Capital Management:

PAIs 11, 12 and 13 relate to the Engagement Blueprint theme of Human Capital Management. We identify human capital management as a priority issue for engagement, noting that people in an organisation are a significant source of competitive advantage and that effective human capital management is essential to drive innovation and long-term value creation. We also recognise a number of links between high standards of human capital management and the achievement of the Sustainable Development Goals (SDGs). Our engagement activities address themes such as health and safety, corporate culture and investment into the workforce.

Diversity and Inclusion:

PAIs 12 and 13 relate to the Engagement Blueprint theme of Diversity and Inclusion. Improving disclosure on board diversity and gender pay gap are two of the priority objectives outlined in our Engagement Blueprint. We request that companies implement a policy that requires each board vacancy to consider at least one or more diverse candidates. Our engagement approach also addresses diversity of the executive management, the workforce and in the value chain.

Corporate Governance:

PAIs 20 (voluntary indicator no. 4 from Annex I Table 3), 12 and 13 relate to the Engagement Blueprint theme of Corporate Governance. We engage with companies to seek to ensure businesses act in the best interest of shareholders and other key stakeholders. We also recognise that, in most cases, in order to see progress and performance on other material ESG issues, strong governance structures need to first be in place. We therefore engage on a number of corporate governance aspects such as executive remuneration, boards and management, and strategy.

Our Shareholder Rights Directive II (SRD II) (Article 3g of Directive 2007/36/EC) statement is published [here](#).

Schroders firmly believes that companies that are well-governed and operate transparently, responsibly and sustainably are more likely to benefit from the long-term financial health and increase stakeholder value. Our engagement activities are undertaken by our portfolio managers and the Sustainable Investment team.

The following four attributes are critical to the success of our engagement approach:

- **Knowledge:** We leverage the knowledge of our analysts and portfolio managers in order to understand which sustainability issues matter to a company's long-term performance
- **Relationships:** We have built strong, long-standing relationships with a significant proportion of the companies in which we invest and aim to record and track our engagement with them
- **Impact:** The insight gained through engagement can directly influence the investment case
- **Incentive:** We may reduce or sell out of a holding if engagement is unsuccessful, or avoid investing in the first place

Our engagement activities help to drive our overall sustainability agenda. Reporting on the outcome of our engagement activities is therefore key.

We recognise our responsibility to make considered use of voting rights. The overriding principle governing our approach to voting is to act in line with what we deem to be the interests of our clients. We aim to support company management of investee companies, but we may oppose management if we believe that it is in the best interests of our clients.

Transparency is key and we report to our clients the actions we have undertaken across both our engagement and voting activities.

Voting disclosures: In 2022 and before we disclosed voting decisions at resolution level on a monthly basis. In 2023, we chose to disclose our vote records one day post meeting date, a progressive move from monthly disclosure, our disclosure includes our rationale for any vote against the board recommendations and is available [here](#).

Engagement disclosures: Each quarter and annually we publicly disclose details of our engagement activities this includes a list of companies engaged, their geographic location and who at Schroders undertook the engagement. Case studies of individual engagements are also included in our quarterly reports. These are available to download [here](https://www.schroders.com/en/sustainability/active-ownership/sustainability-analysis-in-practice/).

References to international standards

In the below section we provide details of the internationally recognised standards to assist with our assessment of our principal adverse impacts:

Climate Change (PAI 1-6):

We are a founding member of the Net Zero Asset Managers initiative where we commit to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. Schroders was one of the initial 30 global asset managers to join the initiative. Schroders has also had its greenhouse gas emission reduction goals formally validated by the Science Based Targets initiative (SBTi). The SBTi has confirmed that Schroders' Scope 1 and 2 targets are in line with a 1.5°C trajectory. Our relevant assets under management are also targeted to be aligned with a 1.5°C pathway by 2040. To achieve this objective, Schroders aims to engage with up to 1,000 companies by 2030. The climate engagement programme involves an annual prioritisation process whereby, amongst other data points, Schroders forecasts the transition risk of its issuers to identify an engagement focus list. This process aligns with the production of our annual TCFD report whereby we assess the exposure of our listed equity and credit assets to climate-related risks under three different climate change scenarios, a 1.5°C pathway, a below 2.0°C pathway, and an above 3.0°C pathway. This data is provided by a third-party vendor, which draws on analysis undertaken by the Network for Greening the Financial System (NGFS) in an attempt to map the transition and physical risk impacts of climate change to future company valuations.

Schroders subscribes to external ESG research providers to inform its climate research and proprietary climate tool; including MSCI, CDP, Refinitiv and FactSet.

Biodiversity and Human Capital (PAI 7-9):

We recognise the importance of all companies assessing and reporting on their exposure to natural capital and biodiversity risk. The end of 2025 saw our commitment to use best efforts to eliminate commodity-driven deforestation from our portfolios come to a close. This was made as part of the Financial Sector Deforestation Action (FSDA) initiative which began in 2021. This article outlines how we implemented this strategy over the last four years, reflecting on our actions and progress. This included ultimate divestment from several highly exposed investments which did not meet our expectations. Schroders' approach was featured as a case study within the final FSDA progress report.

UNGC violators (PAI 10, 11 and 20):

We became a signatory to the UN Global Compact (UNGC) principles on 6 January 2020. This excludes companies in violation of the UNGC principles, as Schroders considers violators cause significant harm to one or more environmental or social sustainable investment objectives. The areas determining whether an issuer is an UNGC violator include issues that are covered by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, such as human rights, bribery and corruption, labour rights, child labour, discrimination, health and safety, and collective bargaining. The list of UNGC violators is provided by a third party and compliance with the list is monitored via our automated compliance controls. Exceptions may apply, if there is evidence to demonstrate that the company has addressed the violation and is not causing significant harm.

Human Right (PAI 10 and 14):

Respect for human rights is fundamental to contributing to society. Our Group Human Rights Statement describes the governance, policies and processes we have in place to actively manage our human rights risks as an employer, as a buyer of goods and services, and as a provider of financial services and an investor in companies. Our Slavery and Human Trafficking Statement details how we assess and manage modern slavery risks within our business operations and supply chain, including company engagement activities.

More information can be found in our Group Human Rights Statement and in our latest Slavery and Human Trafficking Statement available on our webpage under the “Human rights” section: [Sustainability policies, disclosures and reports | Schroders](#).

Schroders fully supports the following international conventions:

- The Convention on Cluster Munitions (2008): prohibits the production, stockpiling, transfer and use of cluster munitions.
- The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997): prohibits the production, stockpiling, transfer and use of antipersonnel landmines.
- The Chemical Weapons Convention (1997): prohibits the use, stockpiling, production and transfer of chemical weapons.
- Biological Weapons Convention (1975): prohibits the use, stockpiling, production and transfer of biological weapons.

We will not knowingly hold any security in an issuer that is involved in the production, stockpiling, transfer and use of these weapons. On occasion there may be additional securities recognised by clients or local governments; these will be added to the Schroders group exclusion list for those relevant jurisdictions or specific mandates. Schroders uses third party data providers, MSCI and Sustainalytics, to inform the list is and is reviewed annually. The list of excluded companies is available [here](#).

Historical comparison

Historical comparisons, and actions taken during 2025, are provided within the “Description of the principal adverse impacts on sustainability factors” section of this document above.

We continue to improve the quality and accuracy of our PAI disclosures as the data availability improves and expect this to continue going forwards, enhancing the future historical comparisons.

From the year 2023 all assets under management were considered in calculating reported PAIs.

Important information

This document is intended to satisfy Schroder Investment Management (Europe) S.A.'s regulatory disclosure obligations and should be used for information purposes only. Nothing in this material should be construed as advice or a recommendation to buy or sell. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Information herein is believed to be reliable, but Schroders does 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. 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.

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