

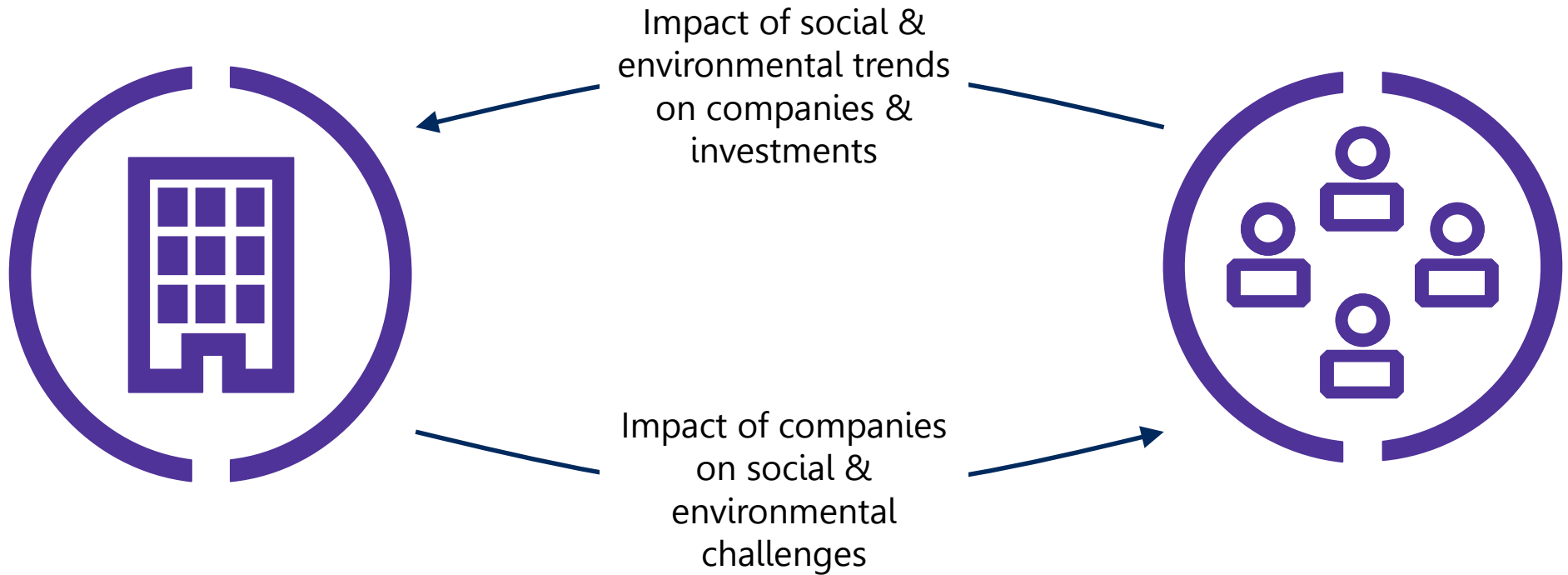


ESG – Why is it important and how does it make a difference?

November 2017

What is ESG?

Companies don't operate in a vacuum





ESG matters to investors

Global Investor Study highlights importance of sustainability

22,000 investors, in **30** countries with at least **€10,000** in investable assets

The standout results were...

78% of investors felt sustainable investing was **more important** than **5 years ago**



64% have **increased** their sustainable **investments** over the past 5 years

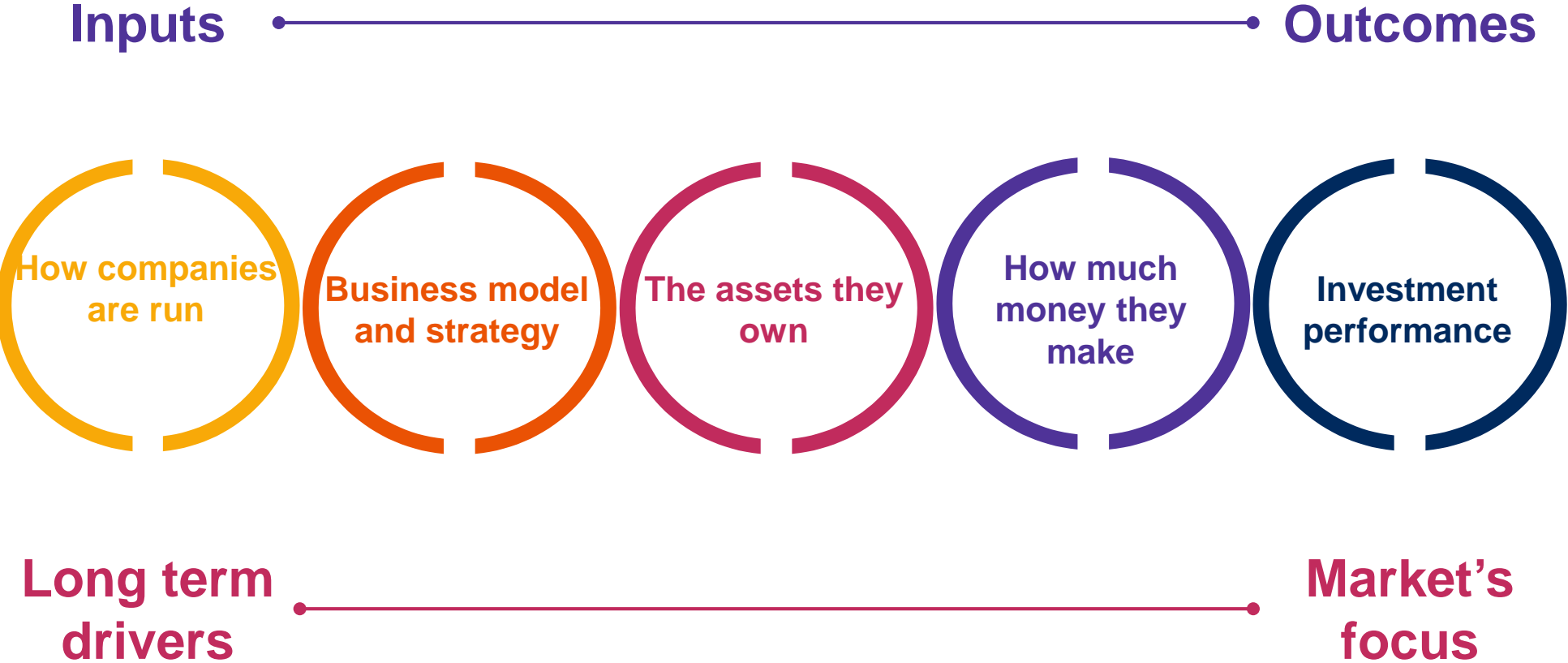


75% of millennials have **increased their sustainable** investments over the past **5 years**



Source: Schroders Global Investor Study, conducted between 1–30 June 2017.

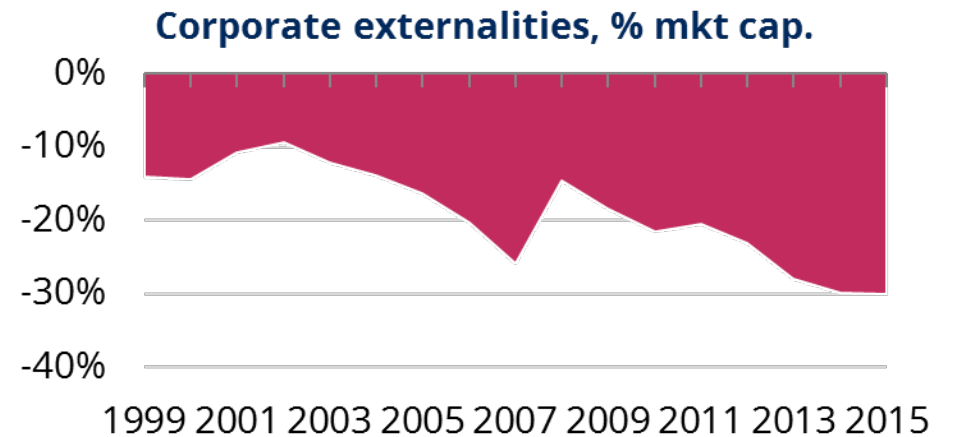
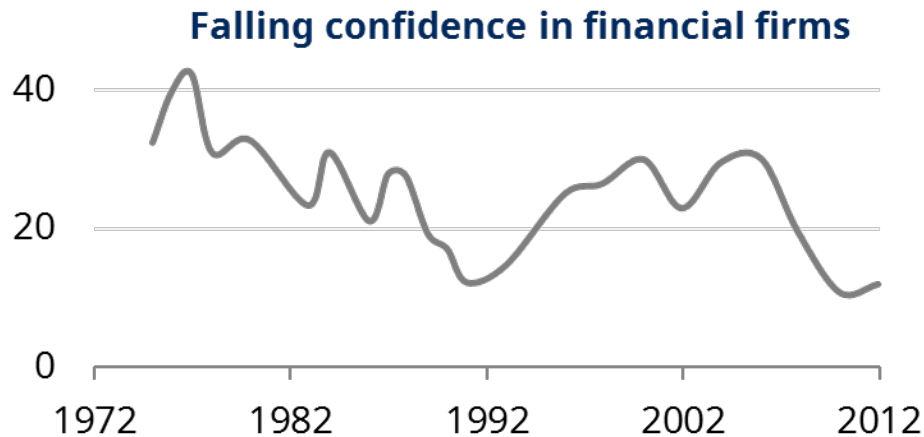
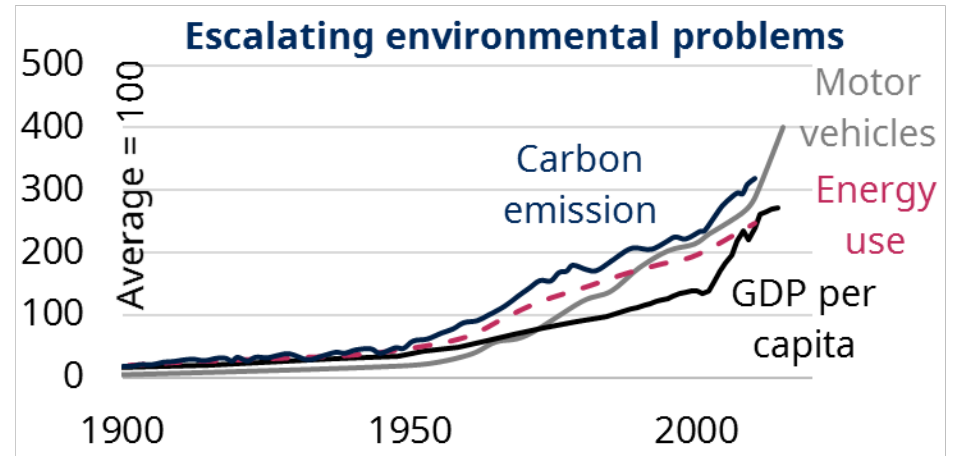
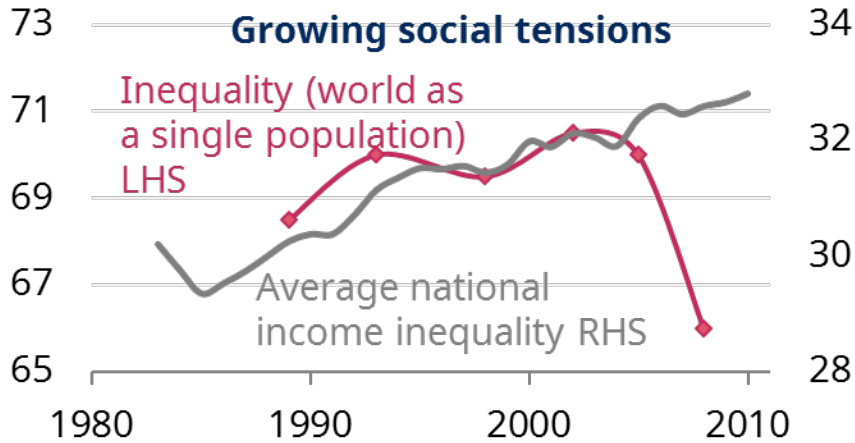
ESG measures how companies make money... ...rather than just how much money they make



Source: Schroders

New challenges to making money

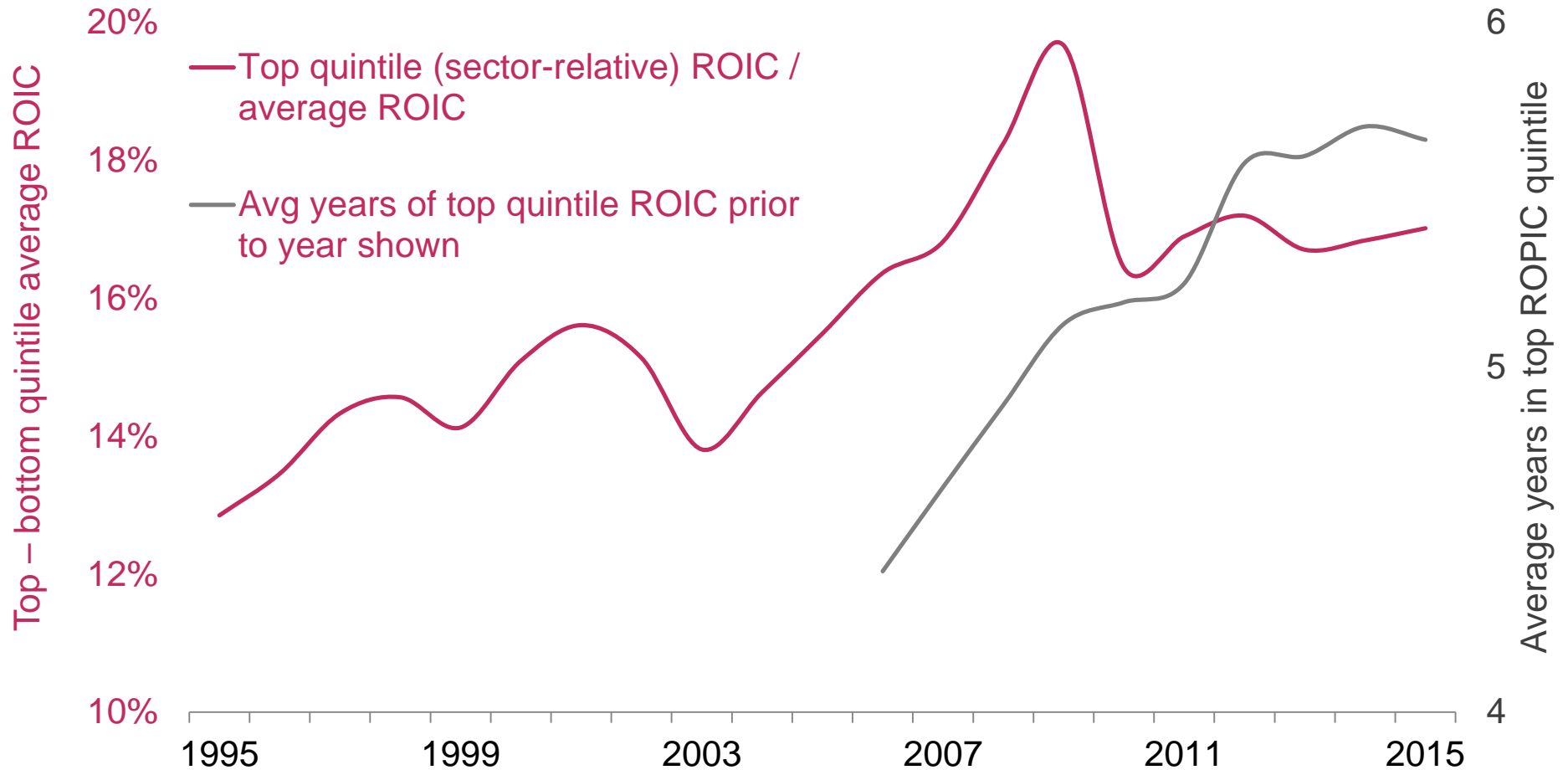
Companies face change on a bigger scale and faster pace than ever



Source: Schroders, World Bank, BP Statistical Review, UN, IEA, Thomson Reuters, Pew Center

This is not an academic exercise

Winners are making more money, for longer, than laggards



Source: Thomson Reuters, Schroders



Linking theory to practice

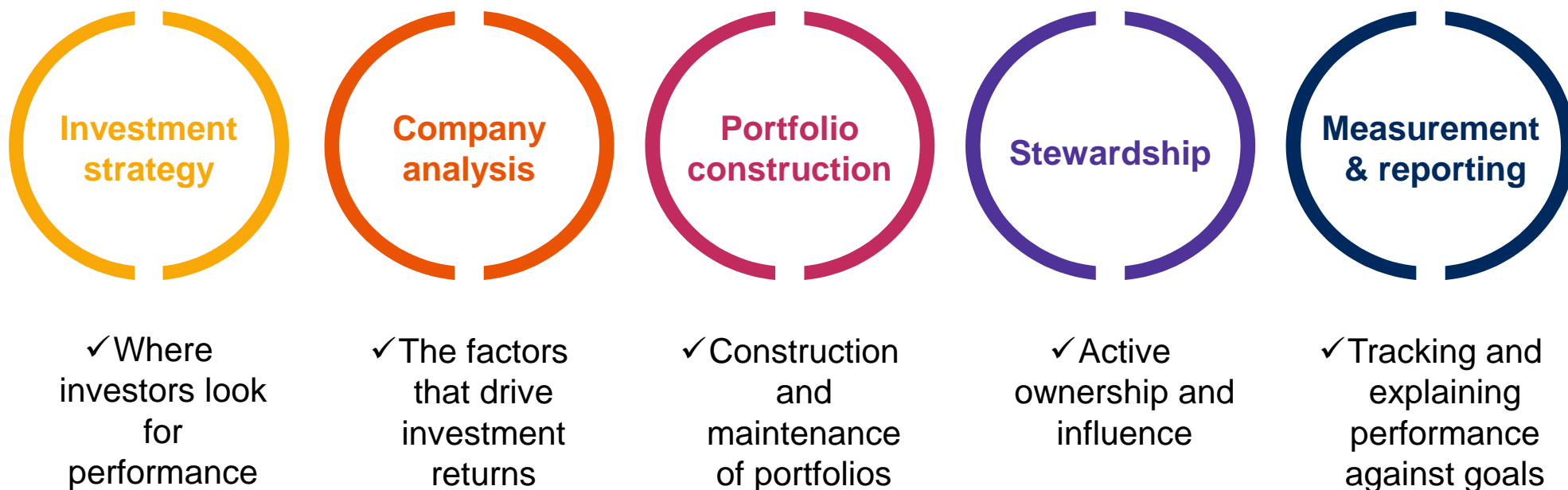
Stakeholder lens translates ESG concepts to tangible analysis



Source: Schroders

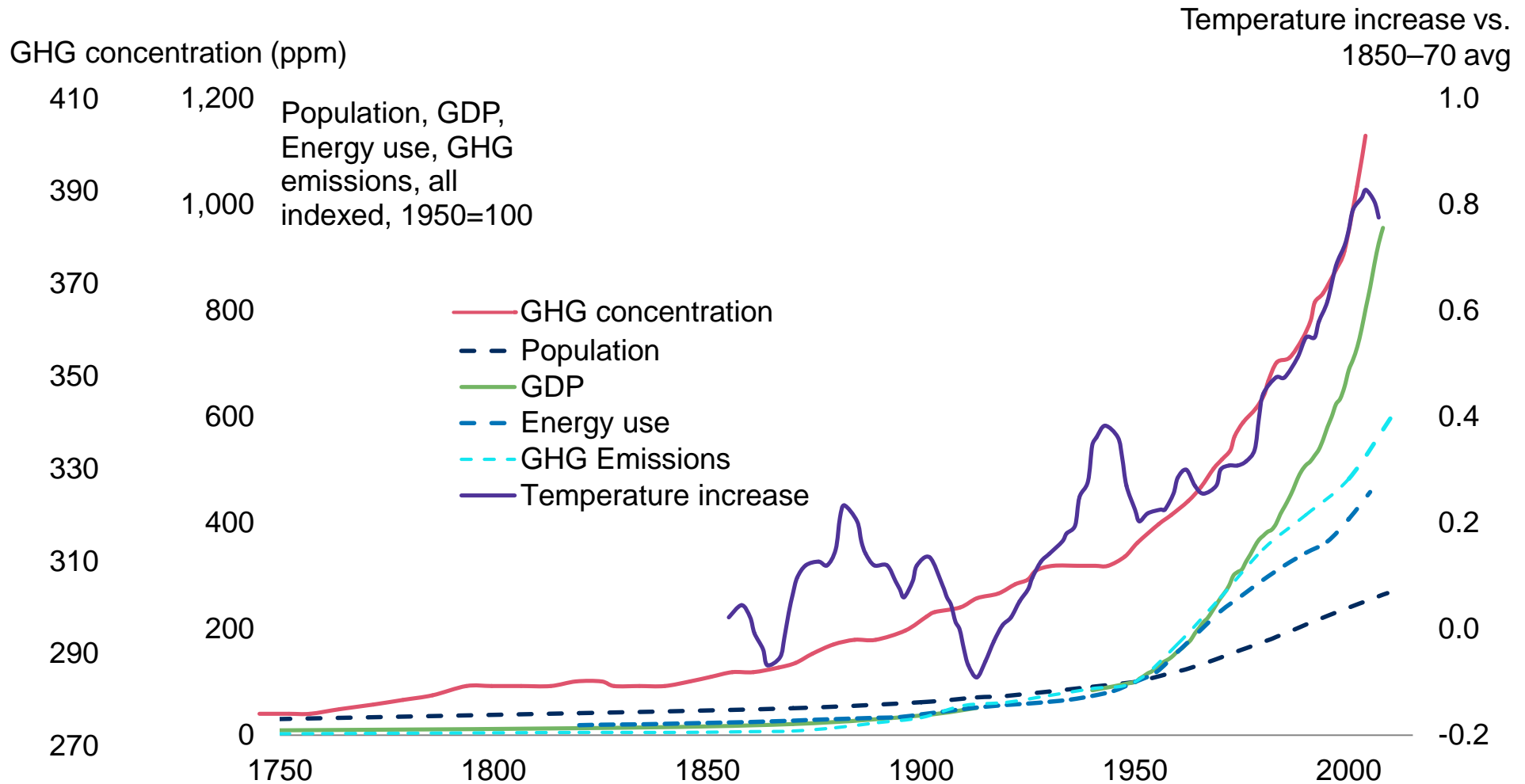
ESG factors important through investment processes

Social and environmental views are important across activities



Climate Challenge: Accelerating toward a cliff

Economics, demographics and environment are entangled

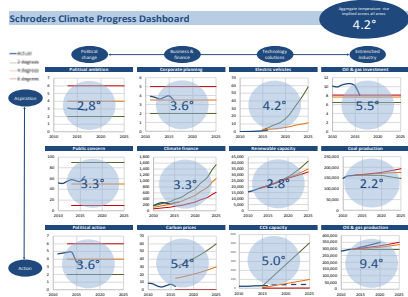


Source: Maddison, EU Europa, UK Met Office, NOAA, Vaclav Smil, BP Statistical Review.

Complex challenge requires comprehensive view

Tying together a range of climate analyses

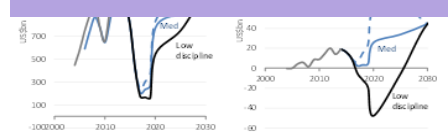
The Climate Progress Dashboard tracks the speed and scale of progress towards decarbonisation



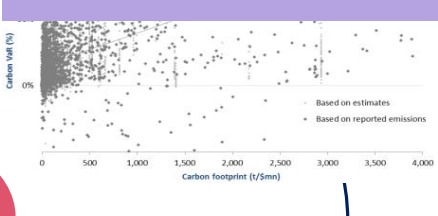
Growth opportunities will emerge



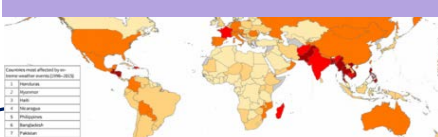
Fossil divestment is too limited



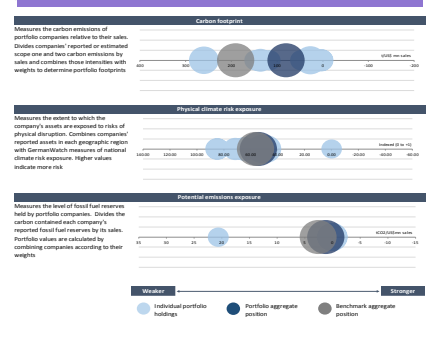
Tougher policies will impact profit pools



Physical climate impacts will accelerate



Portfolio analysis across the range of climate impacts will become increasingly key to risk management

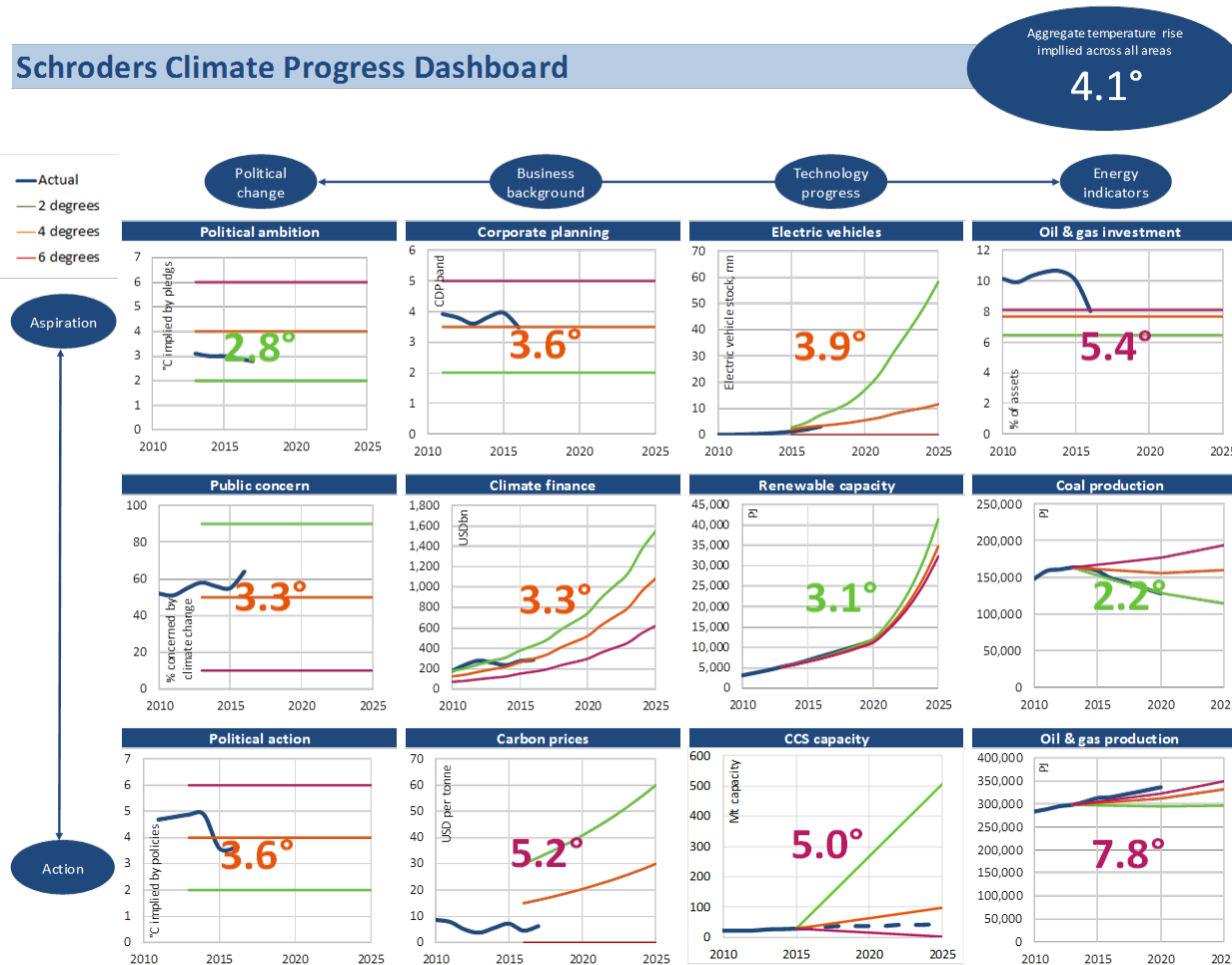


Impacts

Source: Schroders

Climate Progress Dashboard

Focusing on what is likely, rather than what we would like to see



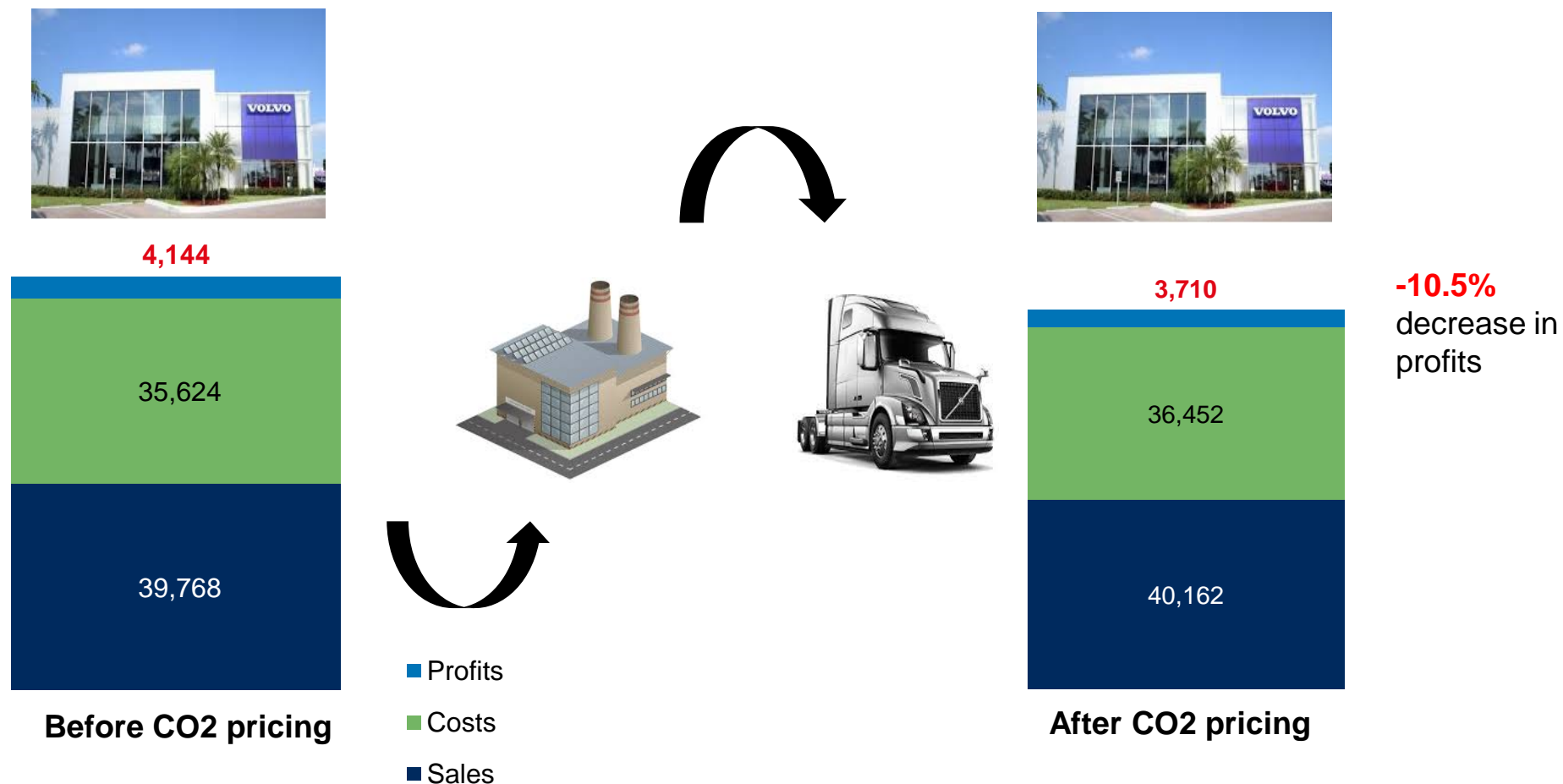
The Climate Progress Dashboard provides a birds eye view of the pace of change and scale of ambition across key aspects of climate progress

Source: Schroders analysis based on industry sources. Based on data available in September 2017. For further details please visit: <http://www.schroders.com/en/sysglobalassets/digital/insights/2017/pdf/sustainable/climate-change-dashboard/climatedashboard-july2017.pdf>



Examining the implications of tougher policies

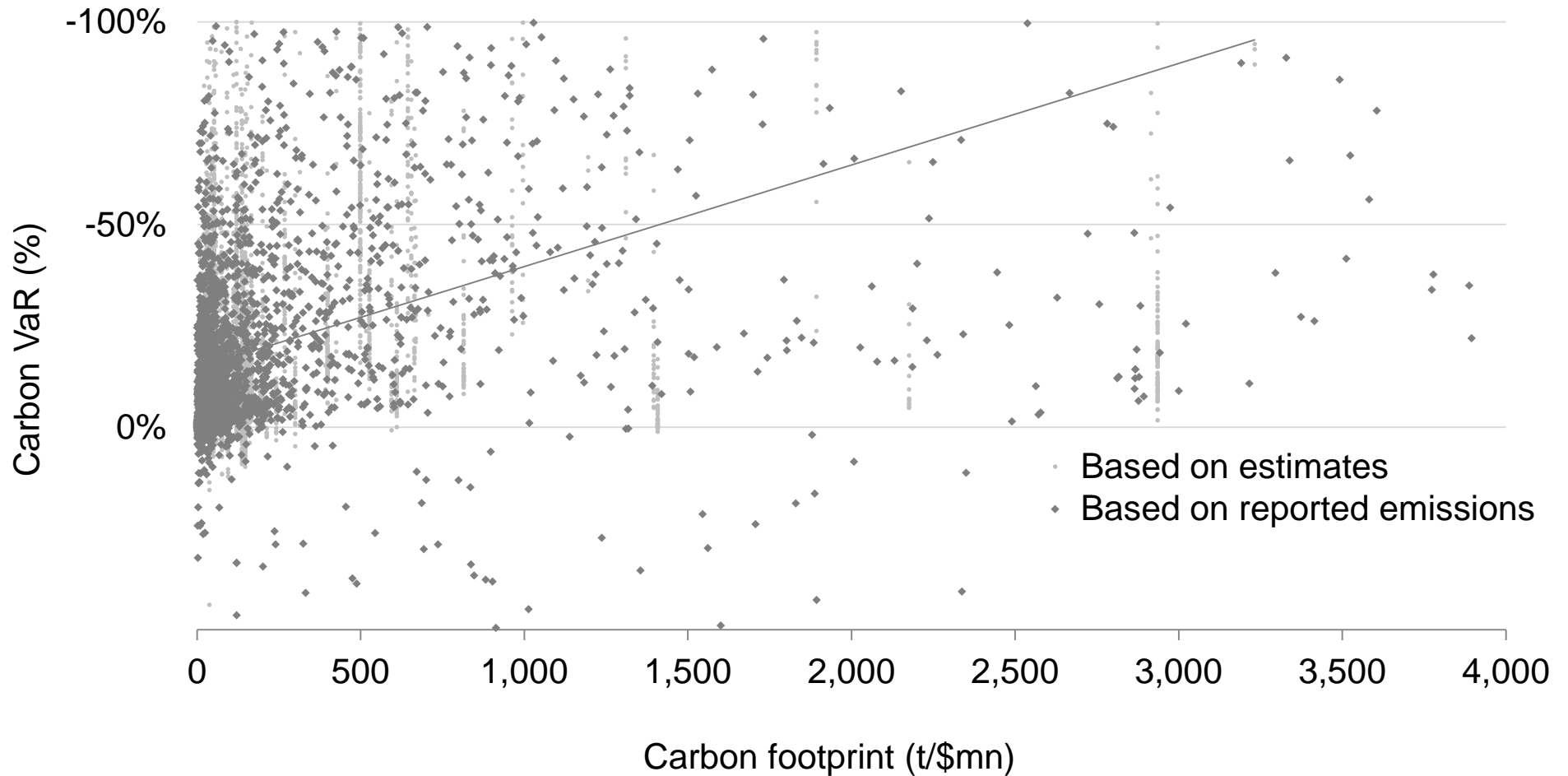
Taking an investment lens to climate impacts



Source: Schroders, All numbers in \$mn. Sales, Costs, EBITDA values are averages over 2013-16. Assumption: CO2 prices increase to \$100t/tonne.

Common tools are not a shortcut to thorough analysis

Little relation between carbon footprints & Carbon VaR



Source: Schroders Investment Management
Note: Based on global universe of ~10,000 listed companies

Sustainability at Schroders

Our experience and expertise

20 years +

Firm wide ESG integration

11

Dedicated ESG specialists

With

100 years +

Combined investment experience

\$41 bn

Ethically screened mandates (8.6% of total assets) ¹

760+

ESG engagements in 2016

Across

34

Countries globally

With

5,160+

Company meetings voted on

A+

UN PRI annual assessment ²

#1

2017 ShareAction Responsible Investment Survey of European asset managers³

Top 5

2017 AODP Global Climate Index⁴

Tier 1 signatory

UK Stewardship Code⁵

Source: Schroders, as at 30 September 2017 unless otherwise stated. ¹As at 31 December 2016. ²PRI, 2015, 2016 and 2017 Assessment Reports.

³ShareAction, "[Lifting the Lid: Responsible Investment Performance of European Asset Managers](#)", March 2017.

⁴Asset Owners Disclosure Project, "[Global Climate Index 2017](#)", April 2017. ⁵[Financial Reporting Council](#) 2016 Assessment

Important information

For professional investors and advisers only. This material is not suitable for retail clients.

This presentation is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroder Investment Management Limited (Schroders) does not warrant its completeness or accuracy. No responsibility can be accepted for error of fact or opinion. Reliance should not be placed on the views and information in the presentation when taking individual investment and/or strategic decisions.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested.

Schroders has expressed its own views and these may change.

The forecasts included in this presentation should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Issued by Schroder Investment Management Limited, 31, Gresham Street, EC2V 7QA, who is authorised and regulated by the Financial Conduct Authority. For your security, communications may be taped or monitored.

Positioning Disclosure

Sectors, industries, regions, countries or securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy/sell. Weights will vary among accounts within the strategy, are subject to change and should not be viewed as an investment recommendation.

Ex-ante Tracking Error is sourced from PRISM (Style Research).

Attribution Disclosure

Performance attribution is based on FactSet data and should be taken as indicative only. It will not match actual published performance due to several features of FactSet methodology.

These include: timing differences on pricing of constituents; not accounting for transaction costs or management fees; assuming trades go through at closing prices rather than actual price dealt; using un-audited accounting data. Sectors, industries, regions, countries or securities shown are for illustrative purposes only and should not be viewed as a recommendation to buy/sell. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.

Model Disclosure

Ranks are constructed by ranking stocks within the relevant universe comprise a selection of Value terms (such as Earnings to Price, Book to Price, Sales to Price, etc.), and Quality terms (Profitability e.g. Return on Equity, Stability e.g. Sales Stability and Financial Strength Debt to Market Cap). The final construction of the rank is done using QEP proprietary weighting scheme

Where model results have been included, there could be no assurance that any transactions actually performed in a managed portfolio could have been executed at the times or prices used for the purpose of calculating the performance in the model. No allowance was made in the model portfolio for advisory fees.

The actual performance of managed accounts can also be impacted by non-quantitative factors such as additional stock selection and risk management activities of the portfolio management team. These factors cannot be modeled predictably and were not used in preparing the underlying quantitative model or the simulated results. The model portfolio results are hypothetical results. They do not represent an attempt to show actual performance. They are used only to illustrate the impact of a quantitative model. They cannot be used to reflect actual or expected managed portfolio returns.