Schroder Investment Management (Europe) S.A

SFDR Financial Advisor principal adverse impact statement

As a financial advisor, we believe that we should incorporate sustainability factors into our advice on and analysis of potential investment opportunities. In our view, consideration of sustainability factors is an intrinsic part of assessing investment risk in our clients' investment portfolios. Companies face competitive pressures from a wider range of sources, on a larger scale and at a faster pace than ever before. We no longer have a choice over whether to seek exposure to sustainability risks and opportunities for our clients; we believe that all companies and portfolios will be impacted over time. By considering sustainability risks alongside other factors we seek to achieve superior risk-adjusted returns for our clients consistent with their preferences.

Our approach to sustainability means that the financial products that we may recommend to our clients through our investment advice can have a potential to generate positive societal and environmental impact or sustainability risk-measured performance, alongside financial returns. Sustainability considerations are integrated into our asset allocations, where we analyse from a top-down perspective, the long-term implications of sustainability factors on asset class returns. To form an assessment on what asset classes may pose the greatest risks to investment performance over the longer term, we use certain proprietary models. One of these models is SustainEx™, which is Schroders' proprietary measure of the social and environmental impact that a company may create. Based on independent data and research, the model combines measures of both the harm companies can do (for example, through activities like carbon emissions) and the good they can bring (for example, through paying a 'living wage') to produce an aggregate measure of each company's social and environmental impact.

In addition to assessing environmental, social and corporate governance factors from a top-down perspective (for example, by limiting our exposure to carbon-intensive assets), we also determine that the funds and investments we select for our clients meet any relevant longer-term sustainability goals consistent with their preferences. Schroders has integrated sustainability risk and factors into our investment processes across our asset management business. This has been done with the aim of ensuring that material long term sustainability risks and opportunities are considered as part of the investment decision-making processes, including within our investment advisory programs.

Over time, we intend to continue to review our methodologies and presentation of sustainability-related disclosures to our clients and other stakeholders to ensure that we remain aligned with the developing detailed requirements of Regulation (EU) 2019/2088 known as the Sustainable Finance Disclosure Regulation (SFDR) and its related regulatory standards.