

SUSTAINABLE INVESTMENT REPORT

VOTING AND ENGAGEMENT AT A GLANCE

Our active ownership statistics from the quarter.

AGM SEASON REVIEW

Our round-up of the season's trends and how we voted.

CASE STUDY: CLIMATE ACTION

How we're calling on firms to respond.

CASE STUDY: REPORTING IN ASIA

What the credit team has been asking property developers.

COMPANIES WE'VE ENGAGED WITH

The businesses we've engaged with on ESG issues this quarter.

Marketing material.

THIRD
QUARTER
2021



Hannah Simons
Head of Sustainability Strategy

Our new-look quarterly review hones in on our active ownership activities and puts the spotlight on the actions we are taking on climate

Environmental impact and societal principles are the key reasons people want to invest sustainably. That is one of the key sustainability findings from [Schroders' 2021 Global Investor Study](#).

It is also evident from some of the most popular content we published this quarter. [What is natural capital? What makes a company a climate leader? Why are heat pumps so important for the energy transition?](#) These are just some of the questions investors want answered.

The appetite for information and action on climate change is, unsurprisingly, at an all-time high and we are expanding our engagement in this area.

We have deepened our commitment to transparency through the reporting we offer our clients, [arguably the most important enabler of sustainable investment](#). Our active ownership themes for 2022 will be shared soon.

Visit [Schroders Insights](#) or learn more about [active ownership at Schroders](#).

OUR ENGAGEMENTS AND VOTING

ENGAGEMENT IN NUMBERS

Tier

Our tiered approach to reporting allows us to capture the full scope of our influence.¹

	Tier	Scope	Number of engagements
Narrow scope	1	In-depth engagements led by the Sustainable Investment team	22
	2	Investor-led engagements	75
	3	Collaborative engagements and communicating expectations at scale	296
Broad scope	4	Global voting activity and company meetings recorded by investment teams	2,940
	5	Industry and public policy involvement	Reported annually

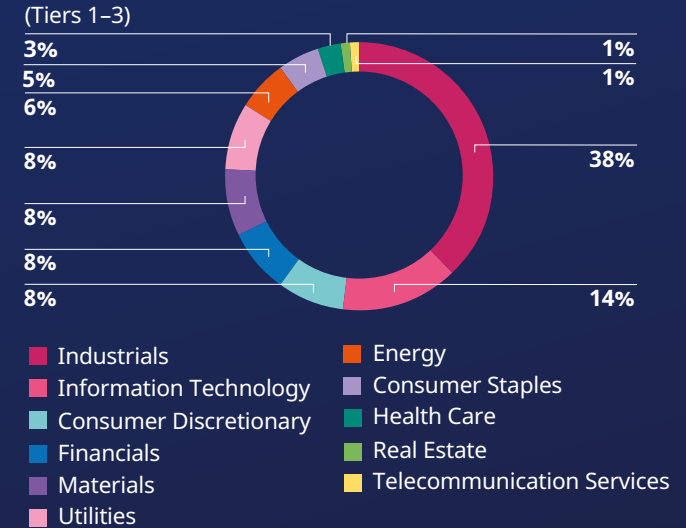


Region

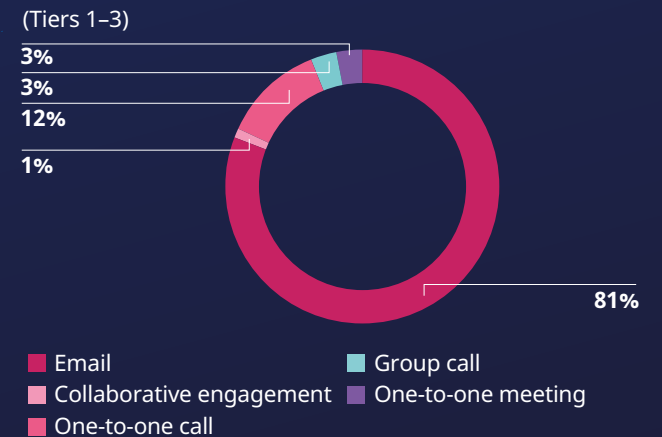
(Tiers 1-3)

North America	34%
Europe (ex-UK)	24%
Asia Pacific	24%
UK	13%
Latin America	3%
Middle East and Africa	2%

Sector



Format



Source 1: For more information please see our annual sustainable investment report
 Data Source: Schroders, 30 September 2021

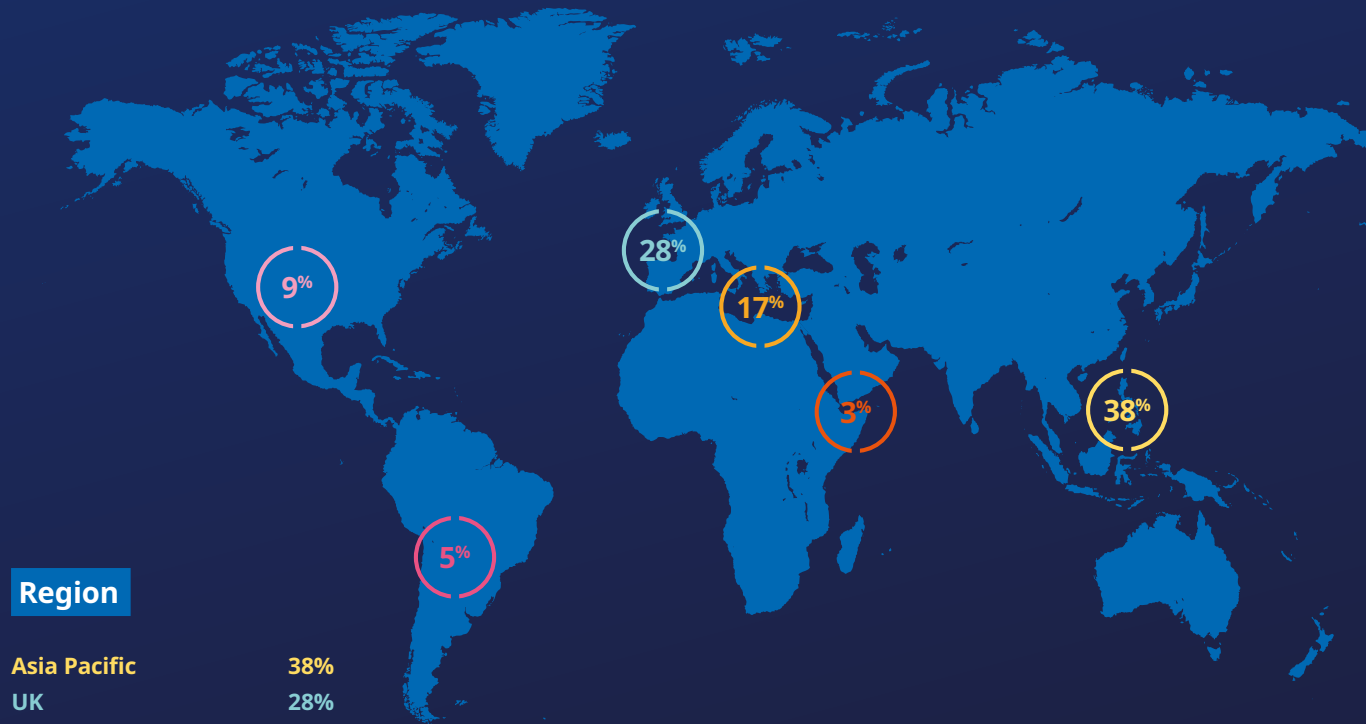
OUR ENGAGEMENTS AND VOTING

VOTING IN NUMBERS

This quarter we voted at 1026 meetings and on approximately 99.7% of all resolutions. We voted on 4 ESG-related shareholder resolutions, of which we voted with management on 1.

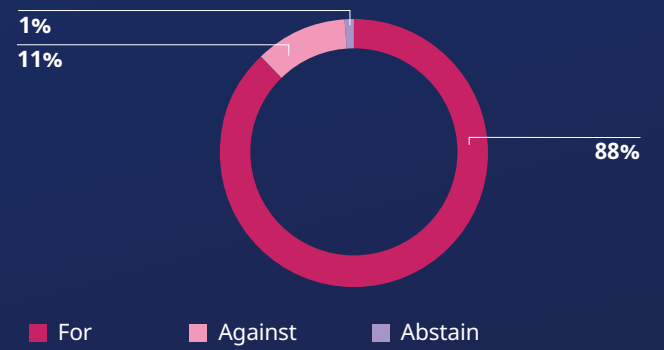
We publish our voting decisions on the [voting section of Schrodgers' website](#). This AGM season we published our decisions for all sustainability-related shareholder resolutions on a weekly basis.

We believe we have a responsibility to exercise our voting rights. We evaluate and vote in line with our fiduciary responsibility to clients. We vote on all resolutions unless we are restricted from doing so, for example through share blocking.

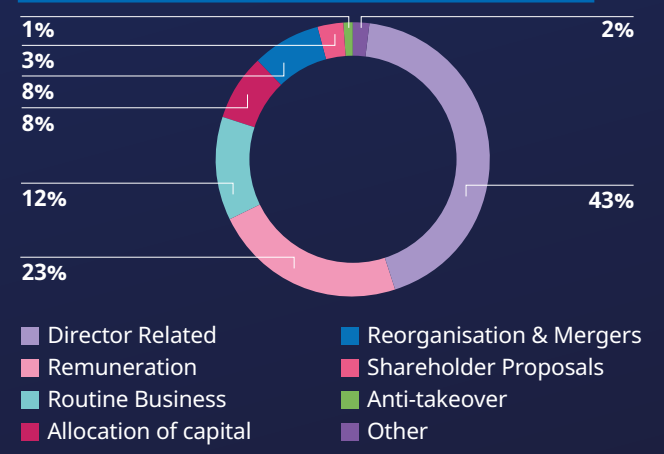


Region	
Asia Pacific	38%
UK	28%
Europe (ex-UK)	17%
North America	9%
Latin America	5%
Middle East and Africa	3%

Direction of votes



Category of vote against management



OUR ENGAGEMENTS AND VOTING

ENGAGEMENT PROGRESS

In the third quarter of 2020, Schroders undertook 87 requests for change classified as tier 1 engagements. The pie chart shows the progress we have made on reviewing these engagements in the third quarter of 2021.

The bar chart shows the effectiveness of our requests for change over a three-year period. We have found that typically at least two years of dialogue is required before our requests begin to materialise in the form of measurable change. It is for this reason that the two most recent years are omitted.

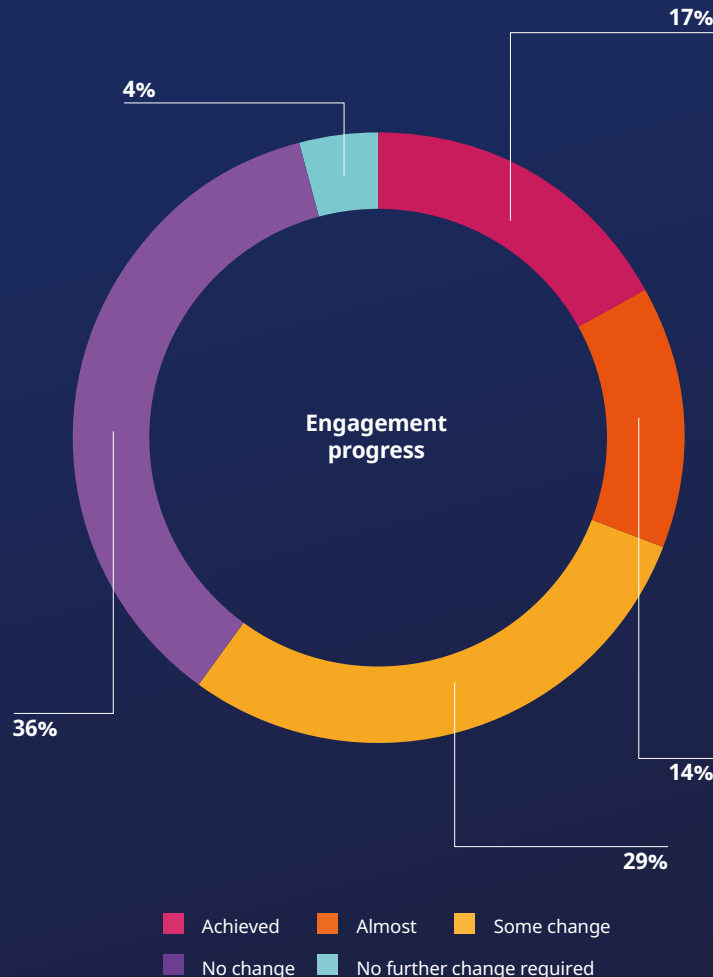
We record our engagement activity in our proprietary research database to facilitate the monitoring of companies in which we are invested. We define expected timeframes for targets, track progress and – if necessary – revise them.

In order to review progress on historical engagements they are categorised as “Achieved”, “Almost”, “Some change”, “No change” or “No further change required”. If no change is required it is usually because we have sold out of the position.

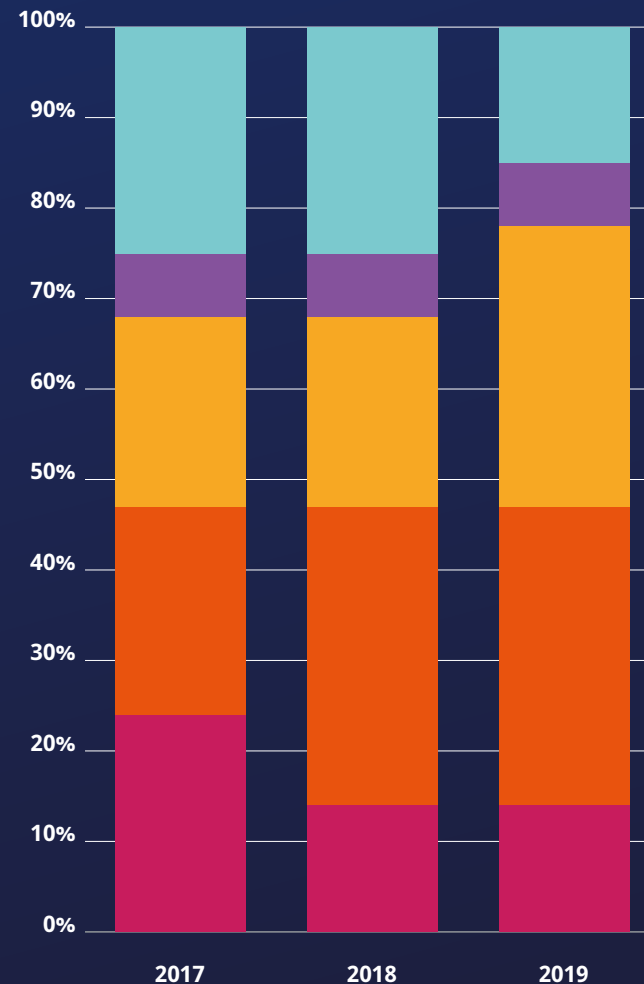
We typically review requests for change one year after they have been made and then on an ongoing basis. We will escalate where necessary.

Requests for change effectiveness

Engagement progress from Q3 2020



Three years: 2017 vs 2018 vs 2019



ACTIVE
OWNERSHIP

AGM SEASON REVIEW

Against the backdrop of the pandemic, the AGM season threw up some difficult judgements. Here's a quick round-up of the season's trends and how we voted.

REMUNERATION ADJUSTMENTS
DUE TO THE PANDEMIC

1 Many companies have made retrospective adjustments to their remuneration plans in light of the pandemic, meaning targets set in early 2020 were no longer relevant or achievable. We assessed these pay and bonus packages on a case-by-case basis, taking into account various factors.

ESG METRICS IN
PERFORMANCE-RELATED PAY

2 There is increasing pressure for companies to rethink metrics used in assessing performance, and to ensure the targets set are ambitious, measurable and tied to their corporate sustainability strategies. For us as investors, the key is to ensure the metrics are based on clear key performance indicators and are tied to strategy.

SHAREHOLDER RESOLUTIONS

3 Our support of climate resolutions has doubled in the past year, and we expect this trajectory to continue. In particular we have supported more shareholder proposals than ever before across the issues of climate, human capital management, diversity and biodiversity. We published all votes on environmental and social resolutions and the rationales on the voting section of our [website](#) this year.



READ MORE:
Our full article reviewing the AGM season is available here



Pippa O'Riley
Corporate Governance Analyst



Yousif Ebeed
Corporate Governance Analyst

"SAY ON CLIMATE" VOTES

4 The "Say on Climate" vote is a new item on AGM agendas. It is a proposal from management teams that allows shareholders to vote on a company's climate transition plan. We are supportive of the inclusion of these. That being said, we have voted against management in instances where we do not believe the emissions reduction targets to be stretching enough.

DIVERSITY

5 Globally we require all boards to have at least one woman on the board. If they do not, we will vote against the Head of the Nominations Committee or the Board Chair. In many developed regions we require at least 25% gender diversity on a board. In 2021, we voted against our highest number of individuals based on poor gender diversity by a count of 238 compared to 156 in 2020 and 21 in 2019.

AUDITOR TENURE

6 One of the major changes we made to our voting policy this year was the introduction of an external auditor tenure guideline. We expect companies to rotate, or at least tender, their external auditors at least once every 10 years in the UK and Europe, and once every 20 years in the USA. Our votes against on this topic were higher than ever before: 14.8% in 2021 compared to 5.4% in 2020.

AGM SEASON IN NUMBERS

VOTING IN FOCUS (YEAR-ON-YEAR)

	2021	2020	2019
No. of meetings	5,636	4,934	4,610
No. of proposals	64,421	56,273	51,793
With management	89.1%	89.5%	90.0%
Against management	10.2%	9.5%	8.9%
Do not vote	0.7%	1.0%	1.1%
Meetings where we voted against at least one proposal	50.0%	48.3%	49.9%

GOVERNANCE RESOLUTIONS IN FOCUS (YEAR-ON-YEAR)

Governance	2021	2020	2019
% supported director elections	91.2%	93.0%	92.8%
% supported remuneration	75.1%	86.1%	71.6%
% supported auditors	85.2%	94.6%	97.7%
% supported capitalisation	85.4%	83.1%	82.2%

SHAREHOLDER RESOLUTIONS IN FOCUS (YEAR-ON-YEAR)

	2021	2020	2019
No. of shareholder proposals voted	1,416	1,206	1,222
No. of sustainability related shareholder proposals voted	220	239	194
No. of resolutions voted against due to gender diversity concerns (Management proposal)	238	156	27
% supported climate	41.5%	24.4%	21.1%
% supported human rights	85.7%	36.8%	42.9%
% supported human capital management	71.1%	36.3%	30.8%
% supported diversity proposals	91.6%	56.4%	46.3%
% supported biodiversity resolutions	50%	60%	50%
% supported say on climate vote (Management proposal)	95.8%	n/a	n/a

Source: Schroders, all data measured over 1st January - 31st July



READ MORE:

This AGM season's shareholder resolutions and how we voted

ACTIVE OWNERSHIP CASE STUDY

OUR CLIMATE CHANGE ACTION

Our call for response on transitioning to net zero emissions

SCHRODERS' LATEST CLIMATE CHANGE COMMITMENTS

At the start of the year, Schroders became a signatory to the Science Based Targets initiative (SBTi). We also committed to the Net Zero Asset Manager initiative at the end of 2020.

Through both of the initiatives we will be defining our long-term pathway to net zero. We are in the midst of finalising our interim targets.

CLIMATE ACTIVE OWNERSHIP UPDATE

In January, [we wrote to FTSE 350 chairs](#) asking for them to publish transition plans in 2021, a process which Schroders is also undertaking.

We now have plans to expand our engagement to Europe and the US and are developing our existing engagement and escalation plans. Look out for an update in our Q1 2022 sustainable investment report.



THE IPCC REPORT: MORE AGGRESSIVE ACTION IS NEEDED

The scale of the threat has been made clear. Temperatures are likely to rise by more than 1.5C above pre-industrial levels, breaching the ambitions of the 2015 Paris climate agreement, according to landmark research published in August.

Without action, temperatures are on track to rise by up to 4°C over that historical baseline before the end of the 20th century.

The actions required by companies and governments to meet the goal are huge.

As we look forward to COP26, Andy Howard, Head of Sustainable Investment, stresses the action that is critical in combatting the crisis. Read our full article [here](#).

Head of Global Resource Equities, Mark Lacey, also looks at what the report means in practical terms for his investments. Read his full article [here](#).

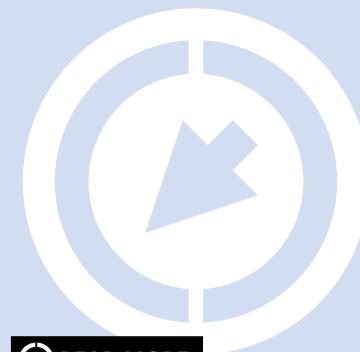
In order to reach the 2050 net zero target, investment levels will need to substantially increase to facilitate the change.

“While some investors may point to the steady and slow investment pace we have seen over the last five years, we would make the point that the ‘real growth’ off a much bigger base is likely to come through over the next few years.”

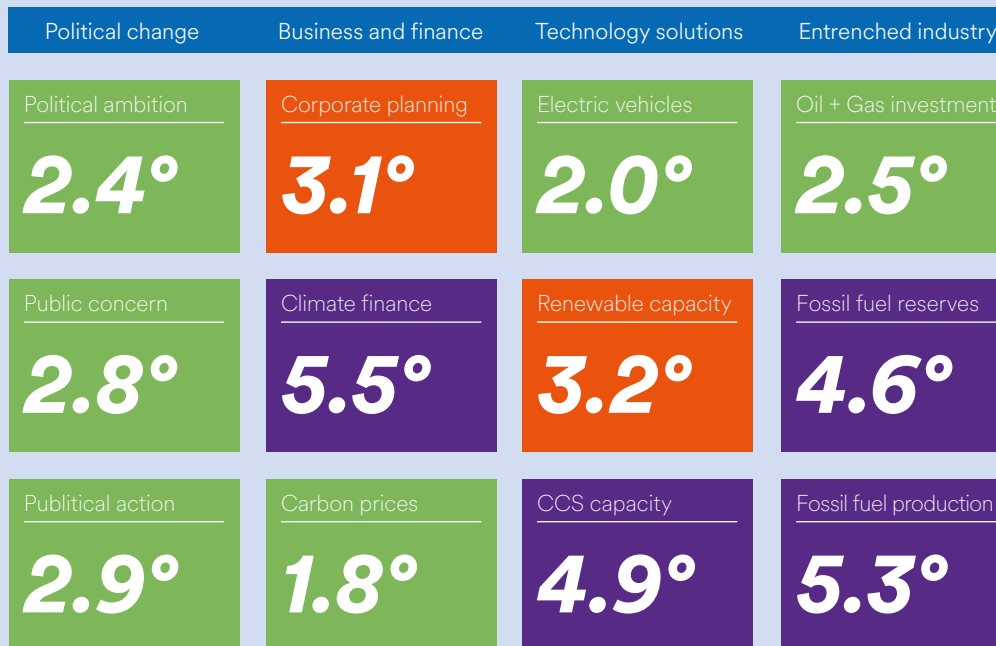
SCHRODERS' CLIMATE PROGRESS DASHBOARD

The dashboard tracks the pace of change across a range of measures that will be required to meet long term emissions reduction targets. It provides us with an objective, transparent and comprehensive view of the pace and scale of global climate action.

For the past five quarters, we have watched the Climate Progress Dashboard report a decrease in aggregate implied temperature rise. Our latest estimate is a rise of 3.4 degrees.



READ MORE:
Climate progress tracker improves on higher carbon prices and electric vehicle sales.





ACTIVE OWNERSHIP CASE STUDY

REPORTING IN ASIA

Real estate is a big sector for Asian credit markets, but environmental, social and governance reporting is still in the earlier stages of development.

WHAT WE ARE DOING

Schroders' Raymond Chia, Head of Credit Research, Asia, along with credit portfolio manager Jeannette Leong and Wong Dan Chi, Head of ESG Integration for APAC, have been tackling this through dialogue with firms.

The team sent a questionnaire to 50 real estate companies with the aim of gathering more standardised quantitative data. This was also a way of encouraging firms to develop better processes.

QUESTIONS ASKED INCLUDE

- How many affordable housing units have you built and do you plan to build over the years?
- Do you have any green buildings, green utilities, or green projects in your portfolio?
- Can you provide statistics on health and safety?

WHAT WE FOUND AND WHAT NEXT

Credit portfolio manager Jeannette Leong has explained: "At the beginning only about 5-10 responded. That rose to about 20 after we followed up with a one-to-one approach leveraging our established and frequent company engagements to elaborate on the purpose of the survey."

"One positive outcome of this was that we were able to provide information about green bonds and encourage the companies to consider them," she said.

Post-survey, the team checked that almost all the companies have or plan to publish an annual sustainability report and are working towards developing an ESG framework or targets.

Jeannette said: "From the replies, we found that all but one company collects safety data.



Wong Dan Chi
Head of ESG Integration, APAC



READ MORE:
How we are engaging on ESG in Asian real estate credit

"All but two companies indicated they collect environmental data but, notably, we found that the quality of reported survey data was weak for most companies."

The Asia credit team plans to conduct a survey at least once or twice a year to track companies' progress.



Raymond Chia
Head of Credit Research, Asia



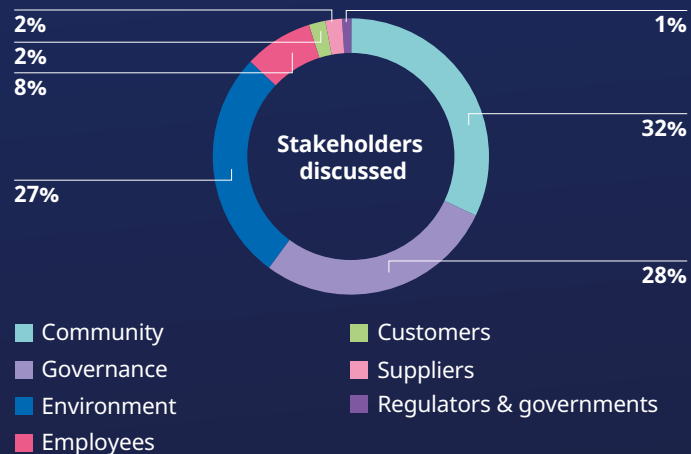
Jeannette Leong
Credit Portfolio Manager,
Asia Credit Research

OUR ENGAGEMENTS
AND VOTINGCOMPANIES WE'VE
ENGAGED WITH

We undertook 393 tier 1-3 ESG engagements this quarter with the 374 companies listed. We show here whether we were tackling an environmental, social or governance issue with each. The chart shows how we categorised them by stakeholder, from employees and communities to governments and regulators. For further details about active ownership at Schroders, please contact your client director.

Stakeholder breakdown of engagements

(Tiers 1-3)



Company	E	S	G
Consumer Discretionary			
Bayerische Motoren Werke	✓		
Bharat Forge		✓	
Canadian Tire		✓	
Centre Testing International		✓	✓
Chow Tai Fook Jewellery			✓
Cie Financiere Richemont			✓
City Pub	✓	✓	✓
Daimler	✓		
Dongfeng Motor		✓	
DRB-Hicom		✓	
EZ TEC Empreendimentos Participacoes		✓	✓
Ford Motor	✓		
Fosun International	✓		✓
Fubon Multimedia		✓	✓
General Motors	✓	✓	
Hyundai Wia		✓	
Immsi		✓	
Kia Motors		✓	
Kongsberg Automotive		✓	
Mahindra & Mahindra		✓	
Man Wah			✓
Nemak	✓		✓
Polaris Industries		✓	
Renault	✓		
Shakey's Pizza Asia Ventures			✓
SNT		✓	
Stellantis	✓		
Subaru		✓	

Company	E	S	G
ULS Technology			✓
Volkswagen	✓	✓	✓
Xinyi Glass			✓
Consumer Staples			
Australian Agricult			✓
Bunge	✓		
Coca Cola	✓		
Colgate Palmolive	✓		
Cranswick			✓
Danone	✓		
Diageo			✓
Magnit		✓	✓
Meituan Dianping		✓	✓
Nestle	✓		
Pepsico	✓		
Procter & Gamble	✓		
São Martinho			✓
SSP	✓		
Tate & Lyle			✓
Topsports			✓
Treant			✓
Walmart	✓		
Energy			
Canadian Natural Resources	✓		
Chevron Texaco	✓		
Conoco Phillips	✓		
Enbridge	✓		
Ente Nazionale Idrocarburi	✓		
Enquest			✓
Equinor	✓		

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Company	E	S	G
Exxon Mobil	✓		
Gazprom		✓	✓
Imperial Oil	✓		
Indika Inti Energi	✓		
Kinder Morgan	✓		
Lundin Energy			✓
Marathon Petroleum	✓		
Medco Energy	✓		
Neste Oil			✓
Nordic American Tanker			✓
Occidental Petroleum	✓		
OMV	✓		
Phillips 66	✓		
Repsol	✓		
Siemens Gamesa Renewable Energy		✓	
Suncor Energy	✓		
Total	✓		
Transcanada Pipelines	✓		
Valero Energy	✓		
Financials			
Adler			✓
Al Rajhi Bank	✓	✓	✓
Antin Infrastructure Partners	✓		
Banco do Brasil Seguridade		✓	✓
Banco Santander			✓
BBVA		✓	✓
Berkshire Hathaway	✓		
BR Malls		✓	✓
Brascan		✓	
Brookfield Asset Management		✓	

Company	E	S	G
Brookfield India Trust	✓		✓
Capital One Financial		✓	
CIFI	✓		
CreditAccess Grameen			✓
Derwent London			✓
Intercorp Financial Services			✓
Landmark Infrastructure			✓
Mapletree Commercial			✓
Mapletree Industrial			✓
Mitsui Fudosan	✓		✓
Standard Chartered	✓		
Terreno Realty	✓		✓
Toronto Dominion Bank	✓		
VGP	✓		
Washington Real Estate Investment Trust			✓
Wells Fargo		✓	
Weyerhaeuser	✓		
Health Care			
Alembic Pharmaceuticals			✓
AstraZeneca	✓	✓	
Bayer	✓		
Fortis Healthcare			✓
FSD Pharma		✓	✓
Jazz Pharmaceuticals			✓
Phoenix Pib Dutch Finance	✓		
Piramal Enterprises			✓
Saudi Chemical		✓	
Spire Healthcare			✓
Torrent Pharmaceuticals			✓

Company	E	S	G
Industrials			
AAR		✓	
Adani Enterprises		✓	
Aerogjet Rocketdyne		✓	
AeroVironment		✓	
Air France-KLM	✓		
Airbus	✓	✓	
Airtac			✓
Allied Motion Technologies		✓	
Allison Transmission		✓	
American Airlines	✓		
Ametek		✓	
Ammo		✓	
Anhui Transportation	✓		
AP Moller-Maersk	✓		
Aselsan		✓	
Ashtead			✓
Astronics		✓	
AviChina Industry & Technology		✓	
Avio		✓	
Avon Rubber		✓	
Axon Enterprise		✓	
B&M European Value Retail			✓
Babcock		✓	
BAe Systems		✓	
Bet Shemesh Engines		✓	
Bharat Dynamics		✓	
Bharat Electronics		✓	
Bodycote		✓	
Boeing	✓	✓	

Source: Schroders, 30 September 2021

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Company	E	S	G
Bombardier		✓	
Burckhardt Compression			✓
BWX Technologies		✓	
Caterpillar	✓		
Chemring		✓	
China Aerospace International		✓	
Chongqing Nan'an Urban Construction & Development	✓		
Chongqing Rail Transit	✓		
Cie de Saint-Gobain	✓		
CNH Industrial		✓	
Cohort			✓
Corporacion Moctezuma		✓	✓
CTT Systems		✓	
Cummins	✓		
Curtiss-Wright		✓	
Daewoo Shipbuilding		✓	
Dassault Aviation		✓	
DCC			✓
Delta Air Lines	✓		
Dmc Global		✓	
Donaldson Company		✓	
DP World	✓		
Elbit Systems		✓	
Electro Optic Systems		✓	
Embraer		✓	
Evergreen Marine		✓	
FACC		✓	
James Fisher & Sons		✓	
General Dynamics		✓	

Company	E	S	G
General Electric	✓		
Gilat Satellite Networks		✓	
Glory	✓		
GP Strategies		✓	
Grupo Mexico Transportes		✓	✓
Hanwha Systems		✓	
Haulotte		✓	
Heico		✓	
Hensoldt		✓	
Héroux-Devtek		✓	
Hexcel		✓	
Honeywell		✓	
Howmet Aerospace		✓	
Huntington Ingalls Industries		✓	
Hyundai Heavy Industries		✓	
Interroll			✓
Invisio		✓	
ITT		✓	
Jamco		✓	
Kennametal		✓	
Kier			✓
Komatsu		✓	
Koninklijke Philips	✓		
Korea Aerospace Industries		✓	
Kratos Defense & Security Solutions		✓	
KuangChi Science		✓	
Kunming Rail Transit	✓	✓	✓
L3Harris Technologies		✓	
Leonardo		✓	
LIG Nex1		✓	

Company	E	S	G
Lisi		✓	
Lockheed Martin	✓	✓	
Magellan Aerospace		✓	
McPhy Energy			✓
Meggitt		✓	
Mercury Systems		✓	
Mitie			✓
Mitsubishi Electric		✓	
Moog		✓	
Mtu Aero Engines		✓	
Nabtesco		✓	✓
Norcros			✓
Northrop Grumman		✓	
OHB		✓	
Paccar	✓		
PAE		✓	
Parker Hannifin		✓	
Qatar Gas Transport			✓
Qinetiq		✓	
Raven Industries		✓	
Raytheon	✓	✓	
RBC Bearings		✓	
Rheinmetall		✓	
Rolls-Royce		✓	
Ryanair			✓
Saab		✓	
Safran		✓	
SatrecInitiativeCo		✓	
Senior		✓	
Singapore Technologies Engineering		✓	

Source: Schroders, 30 September 2021

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Company	E	S	G
SKF			✓
Smiths		✓	
Spirit Aerosystems		✓	
Sumitomo		✓	
Tank & Rast			✓
Taurus Armas		✓	
Textron		✓	
Thales		✓	
Timken		✓	
Transdigm		✓	
Transport for London	✓	✓	
TriMas		✓	
Triumph		✓	
Ultra Electronics		✓	
United Continental	✓		
Vectrus		✓	
Virgin Galactic		✓	
Volvo	✓	✓	
Weg		✓	✓
Wincanton		✓	
Wizz Air			✓
Xinyi Solar			✓
Information Technology			
Ai	✓		
Amphenol		✓	
AMS			✓
ANSYS		✓	
ASM Lithography	✓		
Avast			✓

Company	E	S	G
Baidu		✓	✓
Bizlink			✓
Chroma ATE		✓	✓
Codan		✓	
CTS		✓	
Daqo New Energy		✓	✓
Delta Electronics			✓
DiscoverIE	✓	✓	✓
DuzonBizon			✓
DXC Technology		✓	
Elan Microelectronics			✓
Elite Material			✓
Fortinet	✓		
Fortive		✓	
General Interface Solution			✓
Halma		✓	
Indra Sistemas		✓	
Innolux			✓
Jabil Circuit		✓	
KoMiCo			✓
Larsen & Toubro Infotech			✓
Leeno Industrial		✓	✓
Lenovo			✓
Mediatek		✓	✓
Nan Ya Plastics			✓
Nlight		✓	
PAR Technology		✓	
Parade Technologies			✓
Park Electrochemical		✓	

Company	E	S	G
Persistent Systems			✓
Playtech			✓
Samsung SDI		✓	✓
Sanmina		✓	
Sea		✓	✓
Sectra		✓	
Sichuan Development	✓		
Software			✓
Soitec			✓
Solid State			✓
Spirent		✓	
Suse		✓	✓
Teradyne		✓	
Tongcheng-Elong		✓	✓
Tongda		✓	✓
Trustpilot	✓	✓	
TT Electronics		✓	
u-blox		✓	
Vtech			✓
Materials			
Air Liquide	✓		
Allegheny Technologies		✓	
Arcelor Mittal	✓		
BHP Billiton	✓		
Carpenter Technology		✓	
Dow Chemical	✓		
DS Smith	✓		
Eramet		✓	
Evonik Industries	✓		

Source: Schroders, 30 September 2021

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Company	E	S	G
H&R			✓
HeidelbergCement	✓		
Hoa Phat		✓	✓
Holcim	✓		
International Paper	✓		
JSW Steel			✓
KGHM Polska Miedz			✓
Korea Zinc		✓	✓
Kumho Petro Chemical			✓
LG Chemical		✓	✓
LyondellBasell	✓		
Martin Marietta Materials	✓		
Navin Fluorine			✓
Orica			✓
Rio Tinto	✓		
SK Materials		✓	✓
SSAB	✓		
Teck Resources	✓		
ThyssenKrupp		✓	
ThyssenKrupp	✓		
UFP Technologies		✓	
Victrex		✓	
Real Estate			
Emaar Properties			✓
Civitas			✓
CubeSmart			✓

Company	E	S	G
Telecommunication Services			
AT&T			✓
Pearson	✓	✓	✓
Iliad			✓
Qorvo		✓	
Helios Towers	✓		
Utilities			
Adani Power			✓
AES	✓		
Centrica			✓
CEZ	✓		
Dominion Resources	✓		
Duke Energy	✓		
E.ON	✓		
EDF	✓		
ENEL	✓		
Exelon	✓		
First Energy	✓		
Fortum	✓		
Iberdrola			✓
Naturgy Energy Group	✓		
NextEra Energy	✓		
Nordex			✓
NRG Energy	✓		
PPL	✓		
RWE	✓		

Company	E	S	G
Southern	✓		
Terna Energy			✓
Terna Energy		✓	✓
UK Power Networks			✓
Uniper	✓		
Vistra Energy	✓		
WEC Energy	✓		
XCEL ENERGY	✓		
Xiaomi	✓	✓	

Key

E – Environment

S – Social

G – Governance

Source: Schroders, 30 September 2021

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