



Sustainable investment introduction

March 2022

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Asset Management 3.0

Evolution towards three key dimensions of investing



Asset Management 1.0
Growth of professionally managed mutual funds



Asset Management 2.0
Development of risk models and quantitative strategies



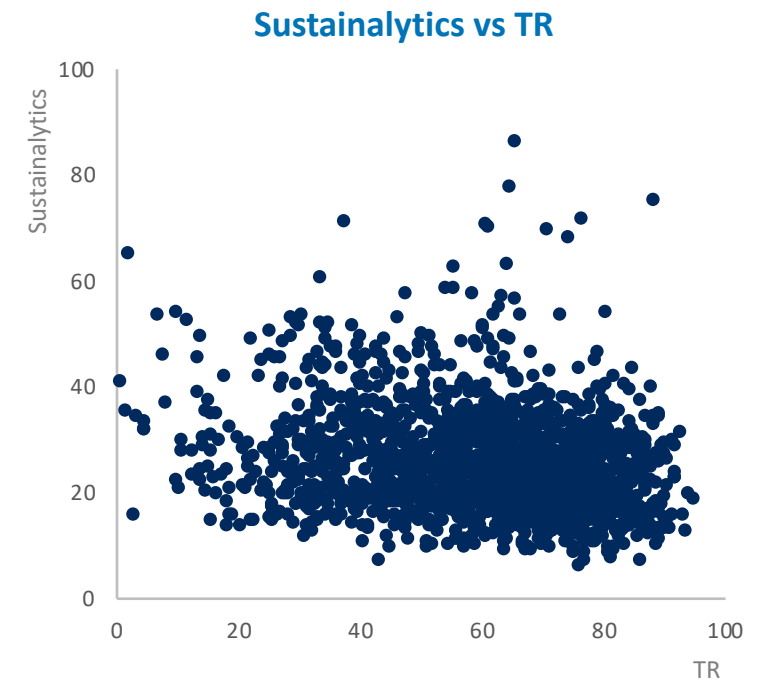
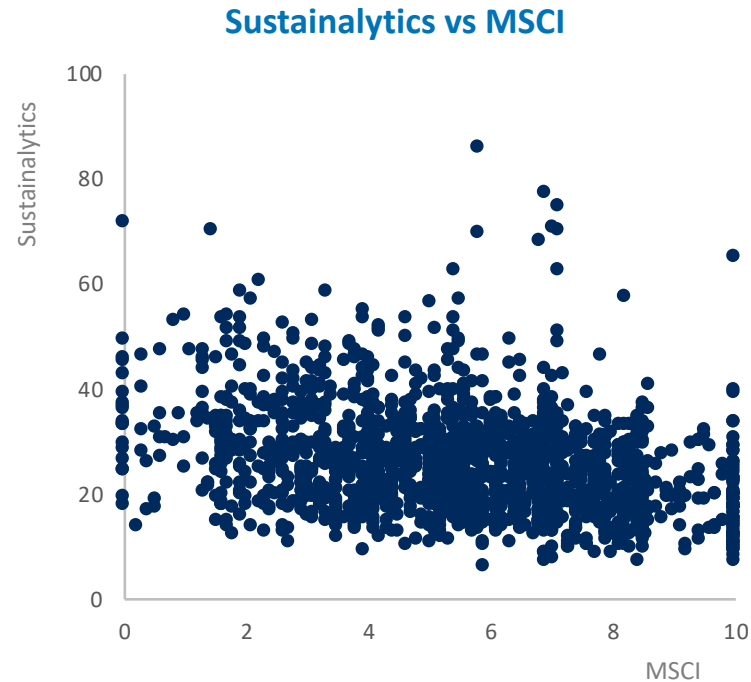
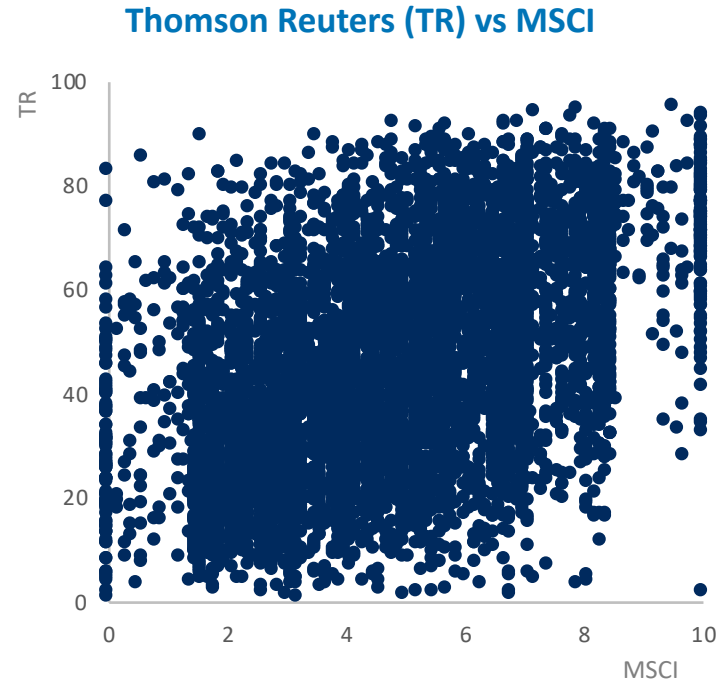
Asset Management 3.0
Materiality of sustainability risks and opportunities

Now there is a new dimension to investing. Investors must understand the cost of a company's entire activities – they must value their stocks based on 'impact-adjusted profits'

Peter Harrison, Group CEO Schroders, January 2021

The need for a proprietary approach

Low correlation of company ESG scores across providers

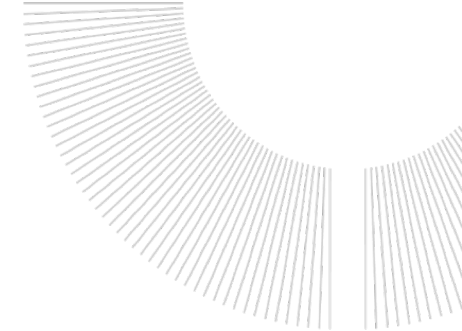


“Relying on third parties would be like trying to wear someone else’s glasses – we wouldn’t see a clear picture.” – Katherine Davidson, Global Equities Portfolio Manager

Source: Schroders analysis, 2020.

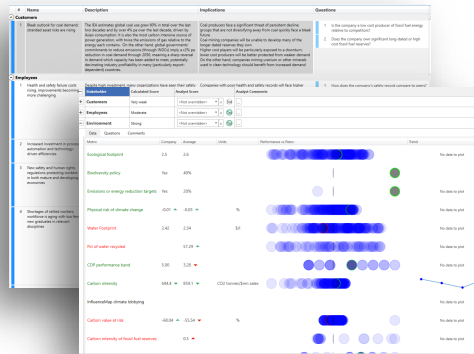
A proprietary approach to sustainability

Delivering value through unique analysis, measurement and reporting



- Strategy development
- Investment decisions
- Active ownership
- Reporting

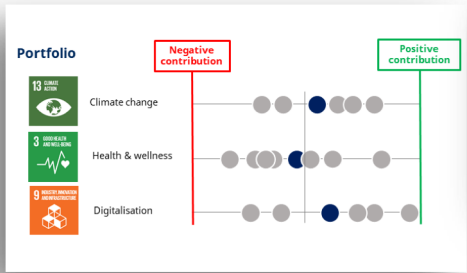
Investment analysis
(CONTEXT)



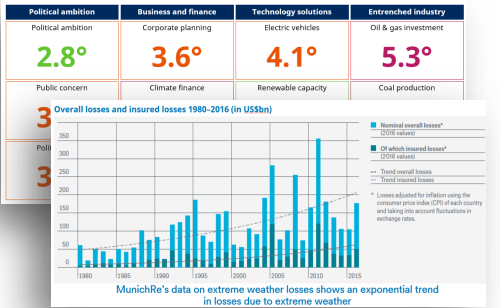
Impact measurement
(SustainEx)



Thematic alignment
(ThemEx)



Climate change
(Multiple tools)

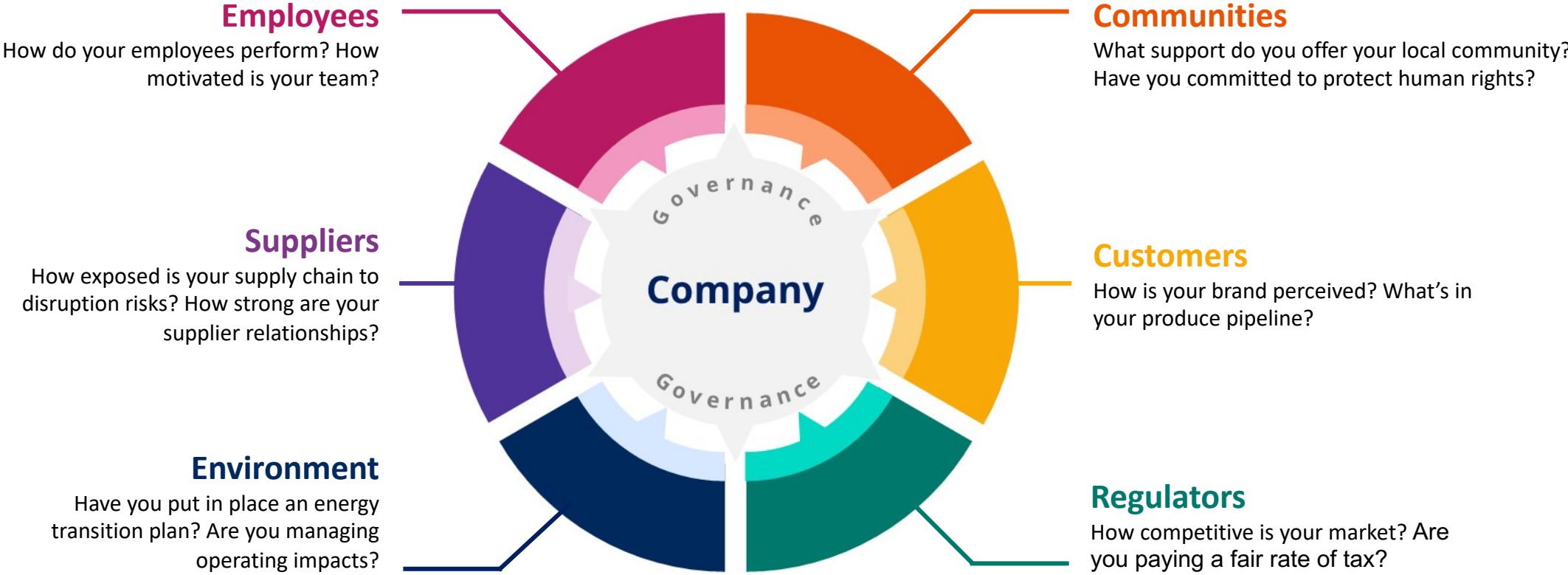


Underpinned by innovative research & deep investment knowledge

Source: Schroders

Preparedness for a dynamic future

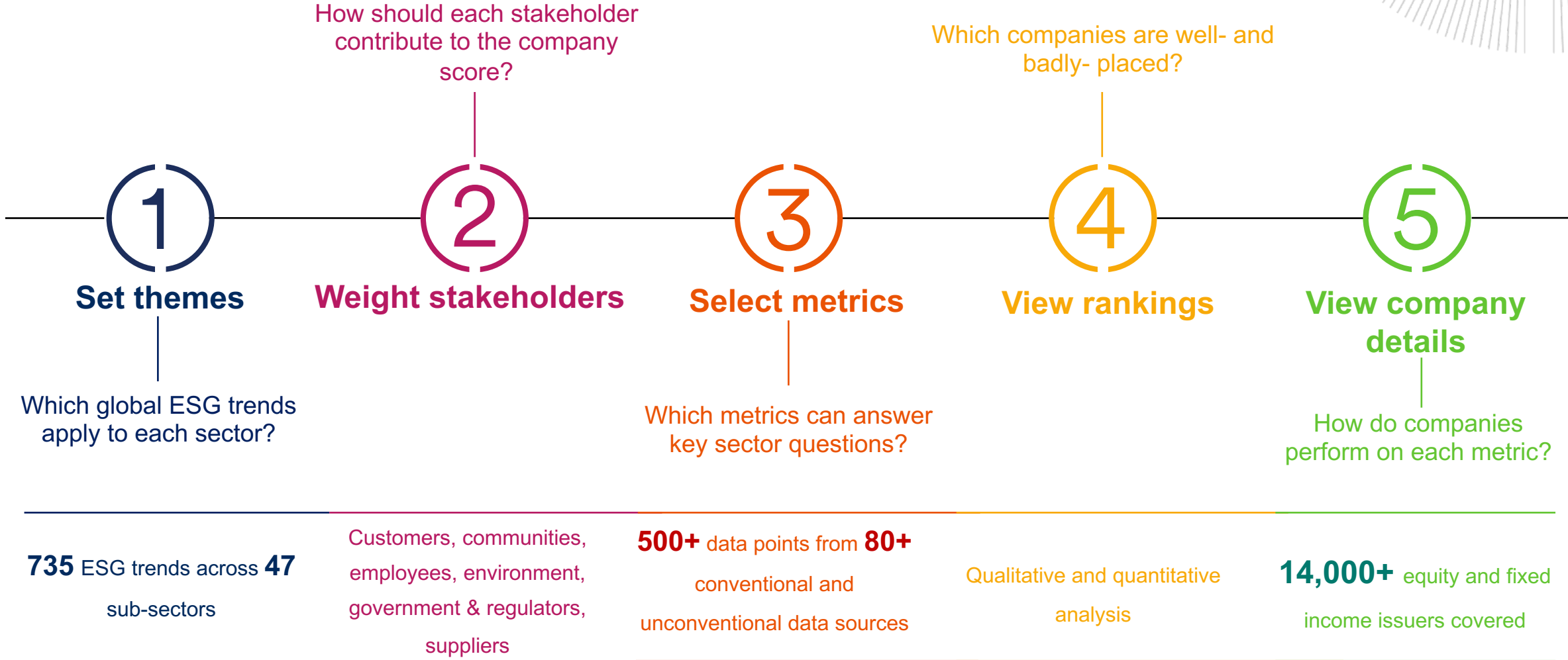
Stakeholder analysis provides insights into managing change



Source: Schroders.

CONTEXT

A structured approach to stakeholder analysis



Source: Schroders

SustainEx

Translating social impacts into financial costs

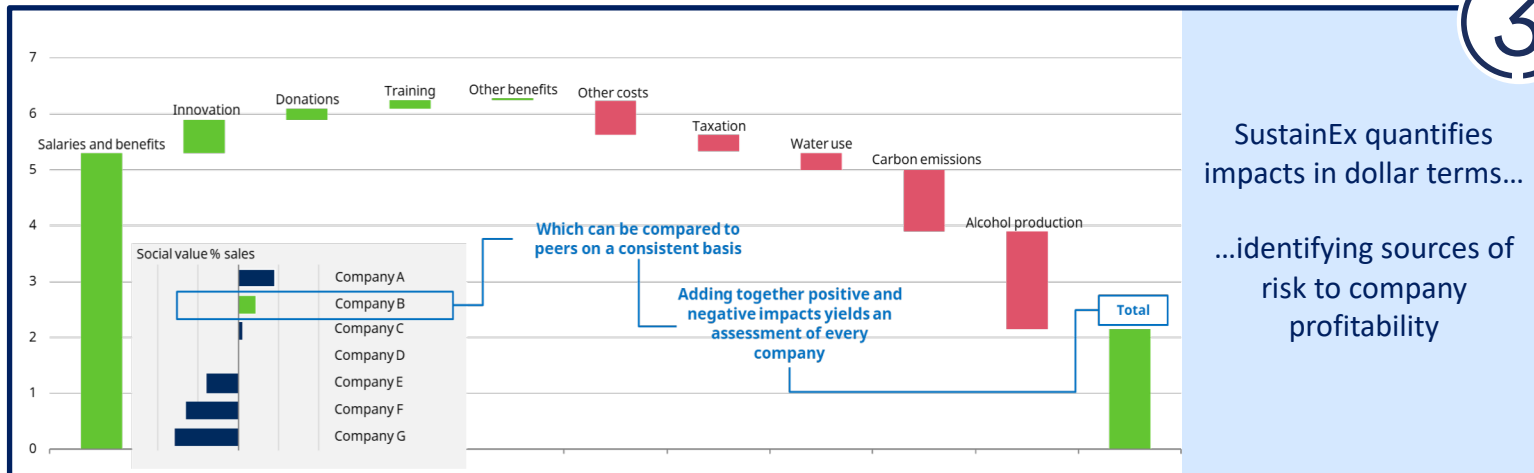
1

Companies generate impacts on society

Regulation is increasingly making companies pay for those impacts

2

We mapped a wide range of possible impacts (positive and negative)



A proprietary tool built on...

Over **700** academic and industry studies of social impacts and externalities

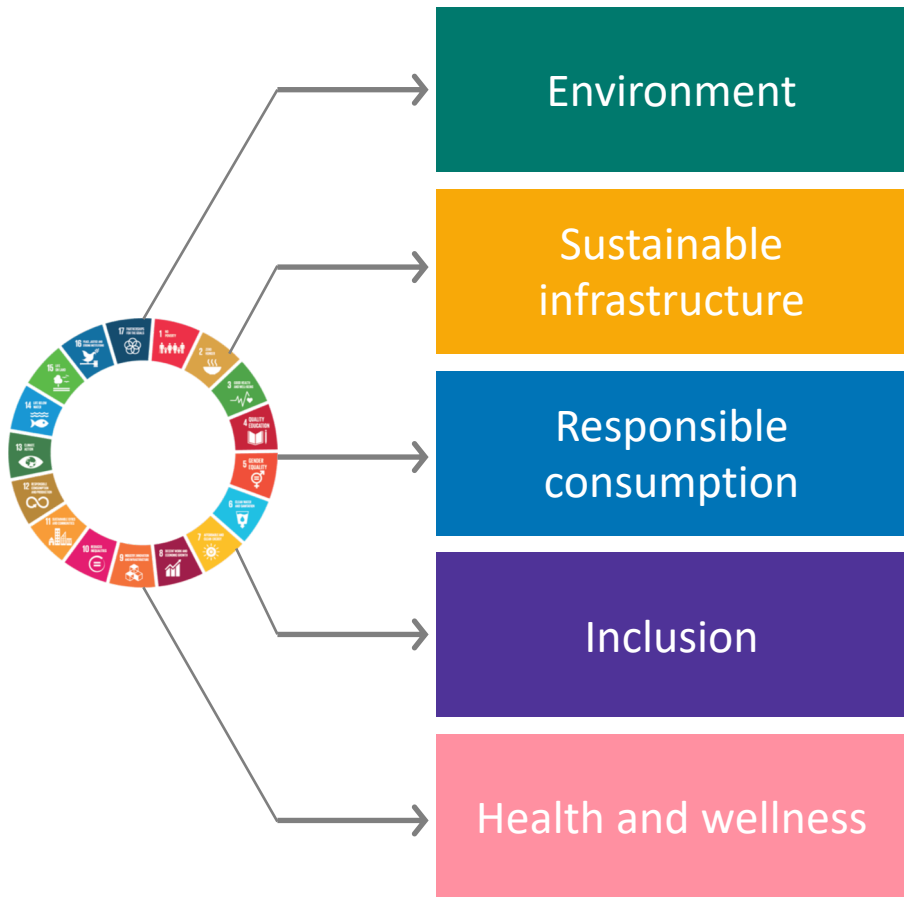
Over **70** data points for each company, estimated where not disclosed

~16,000 global companies examined

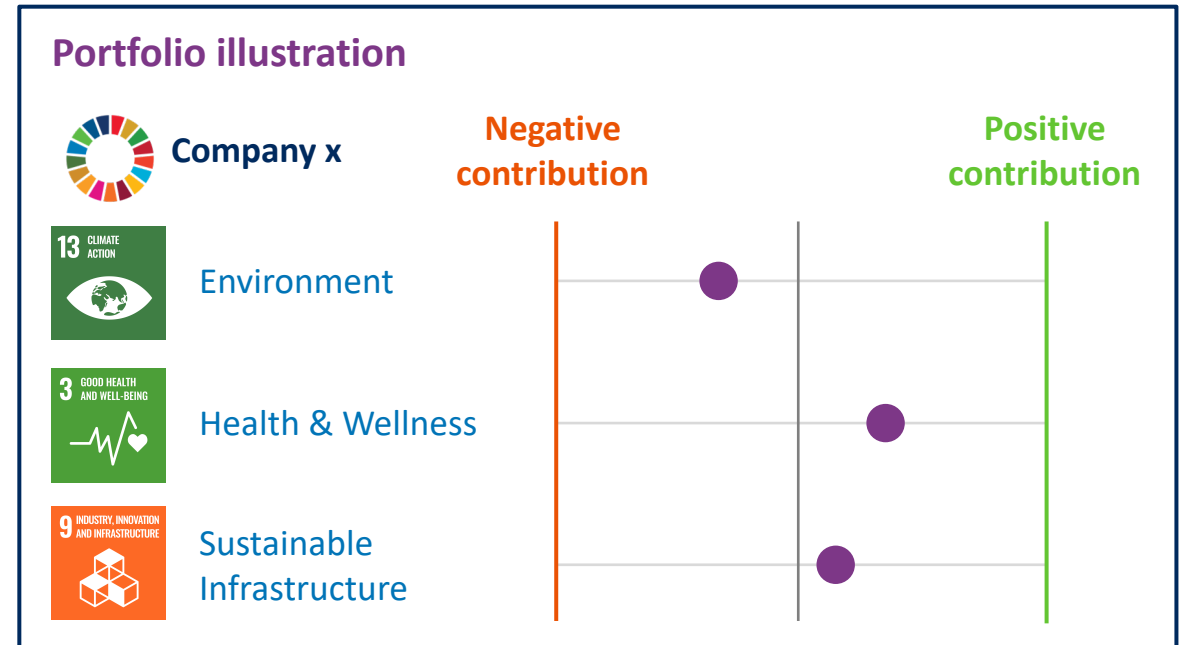
Source: Schroders, February 2021. Illustrative purposes only.

ThemEx*

Aligning the product and services of companies to the SDGs



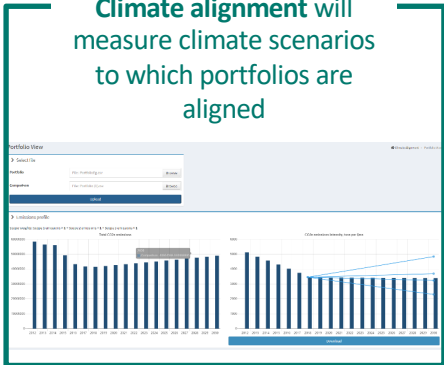
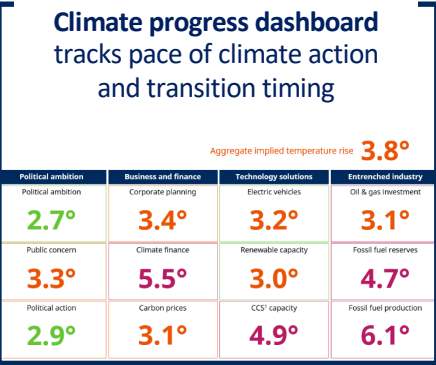
Quantification of portfolio exposures



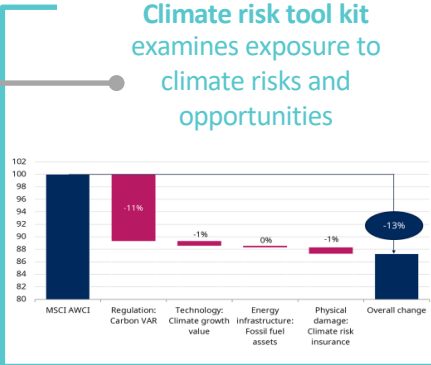
Source: Schroders, for illustration only. *ThemEx is under development

Incorporating climate change into investment analysis

Transforming research and innovation into structured analysis and integration



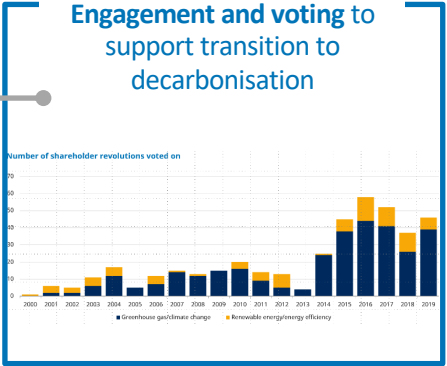
- Tools**
- Carbon VAR
 - Physical risk
 - Stranded assets
 - Growth opportunities



Fundamental assessment of investees' management of risks

| Recommendation | Recommended Disclosure | Banking (104) | Insurance (147) | Energy (128) | Water & Buildings (213) |
|---------------------|---|---------------|-----------------|--------------|-------------------------|
| Governance | a. Board Oversight | 60% | 79% | 58% | 57% |
| | b. Management's Role | 54% | 55% | 57% | 50% |
| Strategy | a. Risks and Opportunities | 51% | 59% | 57% | 50% |
| | b. Impact on Organization | 55% | 26% | 64% | 65% |
| | c. Resilience of Strategy | 22% | 32% | 32% | 12% |
| Risk Management | a. Risk ID & Assessment Processes | 52% | 50% | 58% | 41% |
| | b. Risk Management Processes | 45% | 50% | 42% | 39% |
| | c. Integration into Overall Risk Management | 32% | 58% | 23% | 38% |
| Metrics and Targets | a. Climate-Related Metrics | 51% | 27% | 49% | 42% |
| | b. Scope 1,2,3 GHG Emissions | 42% | 22% | 39% | 41% |
| | c. Climate-Related Targets | 50% | 24% | 49% | 57% |

- Measures**
- Targets
 - Actions
 - Organisation
 - Transition

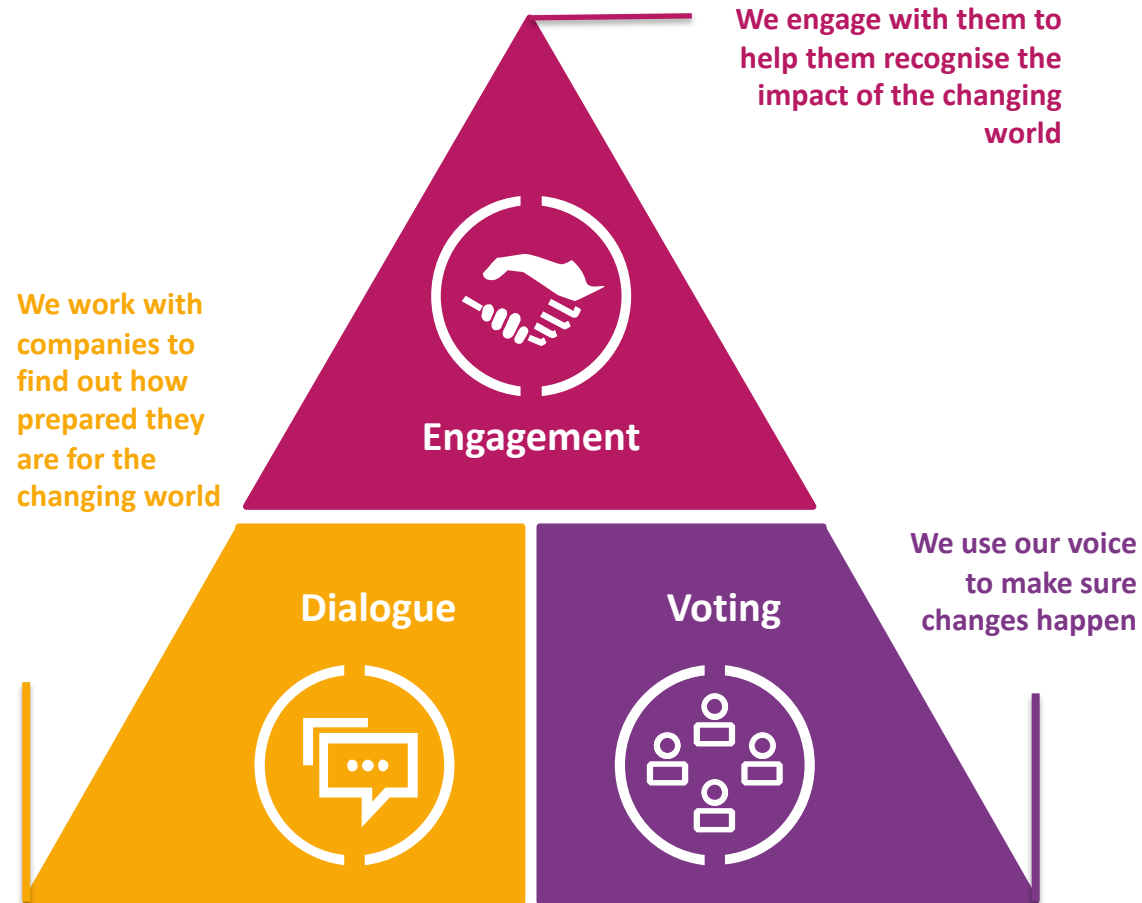


Source: Schroders. For illustrative purposes only.

Active ownership

Enhancing our analysis

Influencing company behaviour



Source: Schroders.

Six key thematic priorities



Climate

- GHG Emissions
- Decarbonization
- Net Zero
- Physical Risks
- Renewable



Biodiversity and Natural Resource Constraints

- Biodiversity
- Deforestation
- Pollution and Chemicals
- Waste and Circular Economy
- Water Stress
- Responsible Sourcing
- Plastic pollution



Human Capital Management

- Health and Safety
- Wellbeing
- Compensation & Benefits
- Employee Engagement
- Freedom of Association
- Culture



Inclusion and Diversity

- Board Diversity
- Workforce Diversity & Inclusion
- Impact of Products Services on Diverse Communities
- Gender & Ethnic Pay Gap



Human Rights

- Child Labour
- Ethical Supply Chain
- Indigenous Rights
- Basic Access to Products and Services
- Modern Slavery



Governance and Oversight

- Shareholders Rights
- Executive Compensation
- Board Composition
- Governance interlinks with E+S issues

Important information

Important Information

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Schroder Investment Management (Hong Kong) Limited

Level 33, Two Pacific Place, 88 Queensway, Hong Kong

Telephone +852 2521 1633 Fax +852 2530 9095