

Schroders

Assurance Statement AA1000AS (Version 3)

2021 Greenhouse Gas Inventory

February 2022

Assurance Statement: AA1000AS

Assurance Standard and Criteria

Incendium Consulting Ltd undertook assurance in accordance with AA1000AS Type 2 Moderate Level Assurance. This covered:

1. An evaluation of adherence to the AA1000APS (2018) principles of inclusivity, materiality, responsiveness and impact
2. The reliability, completeness and accuracy of Schroders' GHG emissions statement for external reporting for the calendar year 2021

Intended Users

The intended users of this assurance statement are the management and stakeholders of Schroders.

Responsibilities of Schroders and assurance provider

The management of Schroders has sole responsibility for the preparation and content for external reporting. Incendium's data assurance statement following the dataset review, represents the company's independent and balanced opinion on the content and accuracy of the information and environmental data held within the data management system.

Assurance Level

Incendium undertook this verification engagement in line with AA1000AS v3, completing a Type 2 assessment to a moderate assurance level.

AccountAbility principles:

Schroders Data Management adherence to the AA1000 AccountAbility Principles:

- Foundation principle of Inclusivity
- Principle of Materiality
- Principle of Responsiveness
- Principle of Impact

Schroders' GHG Emissions Statement 2021

Schroders have collected data in line with the GHG Protocol Corporate Accounting and Reporting Standard. A risk assessment for the verification of GHG emissions in accordance with ISO14064-3 was applied to determine the risk of a material misstatement of each emission source.

Assurance Methodology

Incendium undertook the assurance based on the AccountAbility principles including:

- Periodic meetings with senior management and day-to-day sustainability managers to understand the effectiveness of processes used to adhere to the AccountAbility Principles.
- Review of existing processes of sustainability management systems, data and reporting to understand effectiveness and accuracy.
- Review of the overall quality of disclosure and the design and management of underlying systems, processes and data.
- Evaluation of performance information to determine reliability, including analysis of significant emissions-producing activities reviewed against evidence documentation provided by Schroders.

- The sampling method for each emission source was determined separately to gain a representative sample for emission source. For example, the top 80% of electricity consumption, all gas and fuel supplies, and all reported recharges of refrigerants were sampled.
- Reviews of appropriate emissions were completed for all emissions sources.
- Review of anomalies in all provided emission sources.
- Inquiries on data points were raised directly with Schroders' global network of individual data providers, co-ordinated through Schroders' appointed Sustainability Programme Manager.
- Evidence of the processes undertaken and findings have been retained and documented.

Scope

Incendium were engaged to undertake an assurance survey of sustainability data for external reporting disclosures, based on the period from 1st January to 31st December 2021. Incendium were asked to review data associated with Scope 1 and 2 emissions, as well Scope 3 associated with purchased goods and services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets and downstream leased assets. Incendium was not asked to provide assurance relating to emissions arising from Schroders' investment activities.

Schroders provided all associated data and evidence and apply a financial boundary approach to emissions reporting.

The assurance review was undertaken by Incendium's sustainability team who are experienced in emissions reporting, compliance, and associated assurance practices, principles and standards including GHG lead verifiers.

As part of the review, evidence for reported renewable energy supply was viewed and confirmed. However, overall responsibility for purchasing green energy supplies lies with a third party. It is their responsibility to confirm the supplies are backed by demonstrable Energy Attribute Certificates.

Limitations

There were no limitations observed related to the assessed disclosures, the assurance engagement, or the evidence gathering.

Independence

Incendium Consulting work with the Schroders Workplace Services team to compile operational emissions data in conjunction with internal engineering, travel and finance teams at Schroders. This assurance exercise has been completed by a separate member of the Incendium team to ensure independence and impartiality.

Observations & recommendations

1. AA1000 AccountAbility Principles

Principle	Observations & recommendations
Inclusivity is actively identifying stakeholders and enabling their participation in establishing an organisation's material sustainability topics and developing a strategic response to them. An inclusive organisation accepts its accountability to those on whom it has an impact and to those who have an impact on it.	Schroders recognises the importance of an Environmental, Social and Governance (ESG) approach to both employees, clients, stakeholders, and shareholders. This approach has been engrained into day-to-day activities within the business to achieve tangible results that can be shared both internally and externally. ESG is a business priority and is regularly reviewed at board level with input from the CR Committee. Schroders has developed an Environmental Management System (EMS) certified to ISO14001 across its major sites in London, New York and Hong Kong. As part of this a stakeholder analysis has been completed to determine the need and expectations of all interested parties for Schroders' operations.
Materiality relates to identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on an organisation and its stakeholders. A material topic is a topic that will substantively influence and impact the assessments, decisions, actions and performance of an organisation and/or its stakeholders in the short, medium and/or long term.	The CR Committee oversees the process to determine materiality, and this is supported by responsible local teams across the business. Schroders evaluates investment decisions in a wider context than traditional financial analysis and explicitly includes a range of risks and opportunities related to ESG. The ESG team provides ongoing training to investment analysts to ensure that ESG evaluation is incorporated and continuously updated when they are undertaking their analysis. In conjunction the team undertakes regular global ESG research that is shared with Investment Analysts and Investors to keep abreast of the latest ESG trends and potential impact on valuation and risk. Schroders' EMS has established a list of key material environmental aspects related to its operations with targets and action plans to minimise the risk posed by these activities.
Responsiveness is an organisation's timely and relevant reaction to material sustainability topics and their related impacts. Responsiveness is realised through decisions, actions and performance, as well as communication with stakeholders.	Schroders have a robust and effective group-wide approach to responding to issues that affect its sustainability performance, through an engrained process for facilitating and responding to stakeholder queries. There is a dedicated ESG team and a CR Committee that reports directly to the board, and co-ordinates communications with stakeholders. Through the EMS, complaints are reported through a direct chain of communication. There are also annual audits to monitor performance, after which any non-conformities are promptly actioned and closed by the team.
Impact is the effect of behaviour, performance and/or outcomes, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself. Material topics have potential direct and indirect impacts — which may be positive or negative, intended or unintended, expected or realised, and short, medium or long term.	Schroders recognise the role that their operations and business activities can have on the environment. They have collected greenhouse gas emission data applicable across their operations. Furthermore, they have set Science-based Targets to reduce their greenhouse emissions in line with limiting global heating to 1.5°C., with a commitment to achieve net-zero by 2050. In addition to this, Schroders have implemented a global EMS, certified to ISO14001, applicable to their offices in London, Hong Kong and New York with further expansion planned in 2022 and beyond. Overall responsibility of this system will be with Senior Management.

2. Greenhouse Gas Emission Summary 2021

A summary of the overall 2021 emission totals for disclosure is illustrated below:

	Source	CO ₂ e (tonnes)
Scope 1	Building-related gas and Fuel	533
	Cars (Company Owned or Leased)	419
	Fugitive Emissions	1,028
	Total Scope 1 Emissions	1,980
Scope 2	Electricity (Location-Based)	3,438
	Electricity (Market-Based)	593
	Purchased Heat (Location-Based)	470
	Total Scope 2 Emissions (Location-Based)	3,908
Scope 3	Category 1: Purchased goods and services	221,316
	Category 2: Capital goods	7,951
	Category 3: Fuel and energy-related activities	1,308
	Category 4: Upstream transportation and distribution	1,737
	Category 5: Waste generated in operations	137
	Category 6: Business travel	1,722
	Category 7: Employee commuting	1,652
	Category 8: Upstream leased assets	849
	Category 13: Downstream leased assets	8
	Total Scope 3 Emissions	236,680

Observations and recommendations

Observation	Recommendation
For the calculation of purchased goods and services, capital goods and upstream transportation and distribution the spend-based method as described in the GHG Protocol has been applied. However, changes to invoice figures to account for inflation have not been applied. This is important as the spend emission factors relate to the year in which they were published, not the reporting year.	Apply inflation figures available from the Bank of England to spend information before applying spend-based emission factors.
The methodology for calculation of emissions from cars in Scope 1 is based on contracted mileage. There is also limited visibility on whether the mileage undertaken relates to business or employee personal travel as the purchaser of the fuel is not accounted for.	Improve methodology to account for only the fuel which has been purchased by Schroders.
There is often a lack of clarity from primary evidence needed to account for fugitive emissions from the whole lifecycle of the equipment including installation, operation and disposal.	Recommend that engineering managers and facilities staff are trained further on the importance of reporting maintenance and updates to F-gas containing equipment. This could include a dedicated global asset list with unique codes for each asset that contains F-gas.
Emissions arising from waste generated in operations have been estimated for the global portfolio based on data available from London HQ.	Expand reporting on waste data to other large offices.
Due to the short time frame available to collect and validate data from Q4 2021, some of the data has been estimated. These estimation methods were reviewed in lieu of primary evidence checks, although it is highly likely these figures will differ at least slightly from the actual figures when they become available.	Create a process to log the data for Q4 in future years as soon as possible or move reporting deadlines to later in the year so that data has more time to be processed and validated.

Our unqualified opinion

Based on the work undertaken, the Incendium assurance review found that Schroders 2021 disclosure adheres to the AA1000AS (Version 3) principles, aligned with moderate assurance characteristics.

Based on procedures undertaken aligned with moderate assurance requirements, Schroders have a comprehensive process and systems to collate, evaluate and aggregate emissions data included in the scope of the assurance review. The observations described in this statement are all low risk and will, if actioned, help to ensure the accuracy of GHG reporting going forward but are not likely to significantly cause a misstatement in emissions. Additionally, several queries were identified, actioned, and documented with Schroders during the review process.



Sam Pickering
17th February 2022
Incendium Consulting, Senior Director, UK

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Registered Office: The Blue Fin Building, 110 Southwark Street, London, SE1 0TA.

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