

Invest for the future

Responsible Investment

About us

Cazenove Capital is the wealth management and charity investment business of Schroders plc in the UK and Channel Islands. We offer personalised discretionary and advisory investment services to a broad variety of clients, as well as wider wealth management services such as wealth planning, cash administration, deposit-taking and lending.

Each of our clients has unique financial requirements and objectives, but all have a common goal – to preserve and grow the value of their assets. We explore each client's needs in detail and advise them on the most suitable financial solutions for their particular circumstances. Our client communication and reporting is effective, clear, flexible and comprehensive. We also have efficient custody, administration and reporting platforms which enable clients to centralise their financial affairs with us with confidence.

Overall, we believe that our complete range of services and the quality of our private client and charity specialists, together with the stability and depth of investment resource of the Schroder Group give us an unparalleled ability to look after our clients.

Foreword



Responsible Investment (RI) has evolved from the domain of a few ethical investors during the 1990s into best practice fund management. We developed an RI function in 2002 which is used by a growing number of our clients. As part of the Schroder Group we benefit from an extensive resource of Environmental, Social and Governance (ESG) specialists with whom our Head of RI works closely.

Our commitment to this space can be seen in our thought leadership piece, *Intentional Investing*, published jointly with the Association of Charitable Foundations in May 2015 and our win at the Charity Times Better Society Awards where we were named Asset Manager of the Year.

We see ourselves as long-term stewards of our clients' capital and our approach involves engaging with companies on their ESG processes to encourage best practice and help drive better performance. Both academic research and our own experience shows that companies with strong ESG management often deliver superior long term returns. The appraisal of ESG factors is integrated in our stock and fund selection process.

In addition to the research and engagement work we carry out for the benefit of all our clients, we offer a number of other services for more specific requirements. These include the exclusion of sectors and stocks in which a client does not wish to be invested and, for Charities, we provide a range of charity specific funds that exclude tobacco. We research, select and monitor funds provided by other asset management houses across all areas of RI and social impact. Finally, we monitor our preferred mainstream funds' exposure to areas such as tobacco and armaments and use our influence to encourage them to invest responsibly. Full details of all our RI services are clearly explained in this brochure and our menu of options means we can always tailor a solution to meet your specific needs.

A handwritten signature in black ink, appearing to read 'Andrew Ross', written in a cursive style.

Andrew Ross
Chief Executive

Taking good care of your assets

Strong ESG management requires dedicated resources and specialist skills

Our resource

Our committed ESG resource is integrated into the mainstream investment process and works with ESG specialists across the business. With over 100 years' combined investment experience, these experts deploy significant expertise in managing our approach to R.I.I.

Integrated research

While ESG factors are sometimes difficult to value, understanding them helps us make better-informed decisions, whether it be reducing risk, managing assets or identifying new opportunities. We train our analysts to integrate ESG considerations into their research and produce a number of detailed research pieces to help support and inform decision making processes. On occasion some ESG issues may have direct financial relevance (e.g. carbon emissions, water scarcity and the living wage) and in these instances we endeavour to integrate these considerations into our valuation process.

Engagement and stewardship

We aim to deliver superior returns through encouraging responsible business behaviours. Importantly, we do not overlook investing in businesses just because they fail to tick certain boxes; instead we work with them to help them improve their ESG policies and processes thus mitigating risks and identifying opportunities.

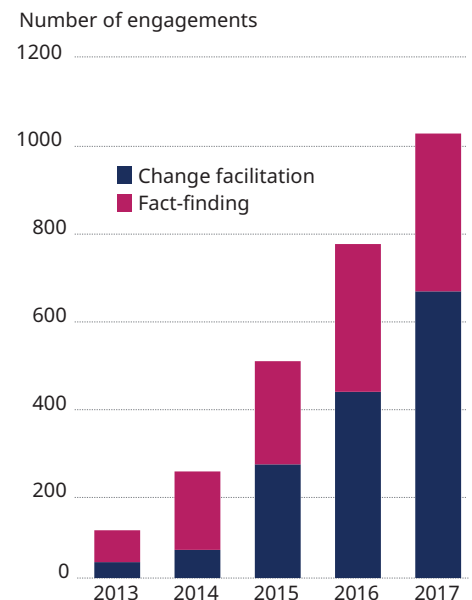
The key to success is the ability to measure outcomes and we have a strong track record of promoting best business practice. We expect engagements to become increasingly important as responsible business practices are recognised as drivers of a company's competitive position, success and profitability. By engaging with these companies on our own and with other investors, we hope to speed up the process.

Investment process



ESG Engagement

+1,000 engagements during 2017



Source: Schroders, as at 31 December 2017. Governance engagements are included from 2014 onwards.

Case studies

Anglo American

More than a decade of engagement

Since 2014 we have been asking the company to disclose its carbon scenarios/pricing and to improve its reporting on this issue

In 2016, Schroders co-filed a shareholder resolution on climate change at the company's AGM

The 'Aiming for A' coalition proposed a resolution requesting that the company 'Approve Strategic Resilience for 2035 and Beyond', referring to the resilience of the company's portfolio of commodities to climate change. The resolution was an important step forward in escalating our engagement process

Shareholders representing 5% of the voting shares co-filed and the resolutions went on to be supported by management and were passed

This action complements the several good climate change initiatives in place, in particular its focus on energy efficiency and clean coal



23 Meetings

4 Engagement successes

Tesco

Better reporting on social metrics

In 2010, we met with Tesco to discuss its CSR report. While the company's commitment to corporate responsibility was evident, we were disappointed with the lack of human capital performance data disclosed and requested better reporting

Despite continuing to ask for better disclosure, there was no progress in 2011 and 2012; and limited data was disclosed in 2014

In 2015 we engaged with the company further following the announcement of National Living Wage

In 2016 we engaged with the Tesco's Head of CSR and Supply Chain director to get an update on the company's sustainability efforts and the company's policy in health and wellness and its impact on products, customers and employees

In 2016, Tesco finally reporting more meaningful data on human capital, including employee turnover, employee satisfaction and gender pay gap



52 Meetings

6 Engagement successes

Our Objective: Strengthen risk management and better adoption of industry best practices, which we expect should support the company stock price

Ethics and missions

Ethical screening

Many clients wish to avoid investing in certain areas such as tobacco or armaments. Beyond this some clients want to invest in a way that delivers social outcomes, often in line with their mission. For example, this could be support for small business start-ups in India, the alleviation of homelessness or the protection of forests and water sources.

We have a menu of 11 ethical screens for directly invested clients to select from if they wish. Where a client's ethical requirements differ from our menu of screens, it is possible to create a bespoke policy in detailed discussion with our RI specialist. We also manage a UK and Global ethical equity model which abides by the Church of England ethical approach. All screens are updated regularly to ensure that clients will not hold stocks associated with the screened activity.

Clients should be aware that, in reducing scope for diversification, screening can increase portfolio risk in the short-term.

Impact investment

Impact investment - which is sometimes known as Social Finance - is provided on client request. These investments potentially sacrifice a proportion of financial return for a measureable social benefit.

The investment vehicles tend to be small, illiquid and have a limited track record. We continually identify and monitor a range of impact investments, be they companies, funds or venture capital trusts across areas such as forestry, microfinance and property.

Supporting responsible investment worldwide

The industry is increasingly working together, pooling resources and coordinating its approach. We regularly meet with organisations to discuss their plans and the course we feel responsible investors should take to influence change.

We collaborate and support the following institutions and initiatives:

- Principles for Responsible Investment
- UK Sustainable Investment and Finance Association
- European Social Investment Forum
- Carbon Disclosure Project
- Corporate Governance Forum
- Institutional Investors Group on Climate Change
- International Corporate Governance Network
- Association of British Insurers
- Association of Real Estate Funds' ESG
- UK Green Building Council
- Access to Medicine Index
- European Fund and Asset Manager Association Responsible Investment Working Group

The best opportunities, the best managers

Since 2003, we have been investing in funds that play to sustainability themes – such as water, alternative energy, demographic changes and the rise of globalisation. We select these funds via a robust process supported by our Ethical Asset Class Committee.

The universe set is identified and kept up to date via sector contacts and newsflow. Initial performance screens are applied followed by a thorough RI assessment. We then meet the managers to understand fully the people, process and philosophy before making an investment decision. Funds selected for investment are regularly monitored and will be removed from the investment list if they become unsuitable.

We also have the ability to analyse the holdings within our preferred mainstream managed funds and use our influence to encourage them to invest responsibly.

Some clients would like their entire portfolio to be managed with strict ethical considerations, others apportion a certain percentage to focus on their mission. Please discuss your ethical requirements with your Cazenove Capital contact and we will shape your portfolio accordingly.

Contact us

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