



# 2022 ESG Report

The Charles Schwab Corporation  
Environmental, Social, and  
Governance Report



*Own your tomorrow.*

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# 2022 ESG Report

We are pleased to present our 2022 ESG Report. As noted in last year's inaugural report, Schwab is committed to taking a long-term view and making thoughtful decisions that integrate ESG issues into our corporate strategy for the benefit of the firm and our stakeholders for years to come. That approach continues to serve us in our approach to ESG today.

For Schwab, ESG is about managing our firm responsibly. To us, corporate responsibility is good business. Our executive leadership team shares a commitment to running all aspects of our business in a manner that builds and maintains the trust of our clients, employees, stockholders, and communities. That commitment is reflected in the pages of this report.

2022 was a remarkable year for Schwab. As we welcomed thousands of new colleagues and completed our return-to-office plans, we strengthened our focus on unifying across all dimensions of our work: our core business, advancement of financial literacy, volunteerism, philanthropy, and commitment to diversity and inclusion. We deepened our connections to one another by coming together as One Schwab, and we delivered innovative products and services that help all our clients take a personalized approach to meeting their financial goals. More than 33,000 Schwabbies bring our values to life every day, building brighter futures for our clients and our communities.

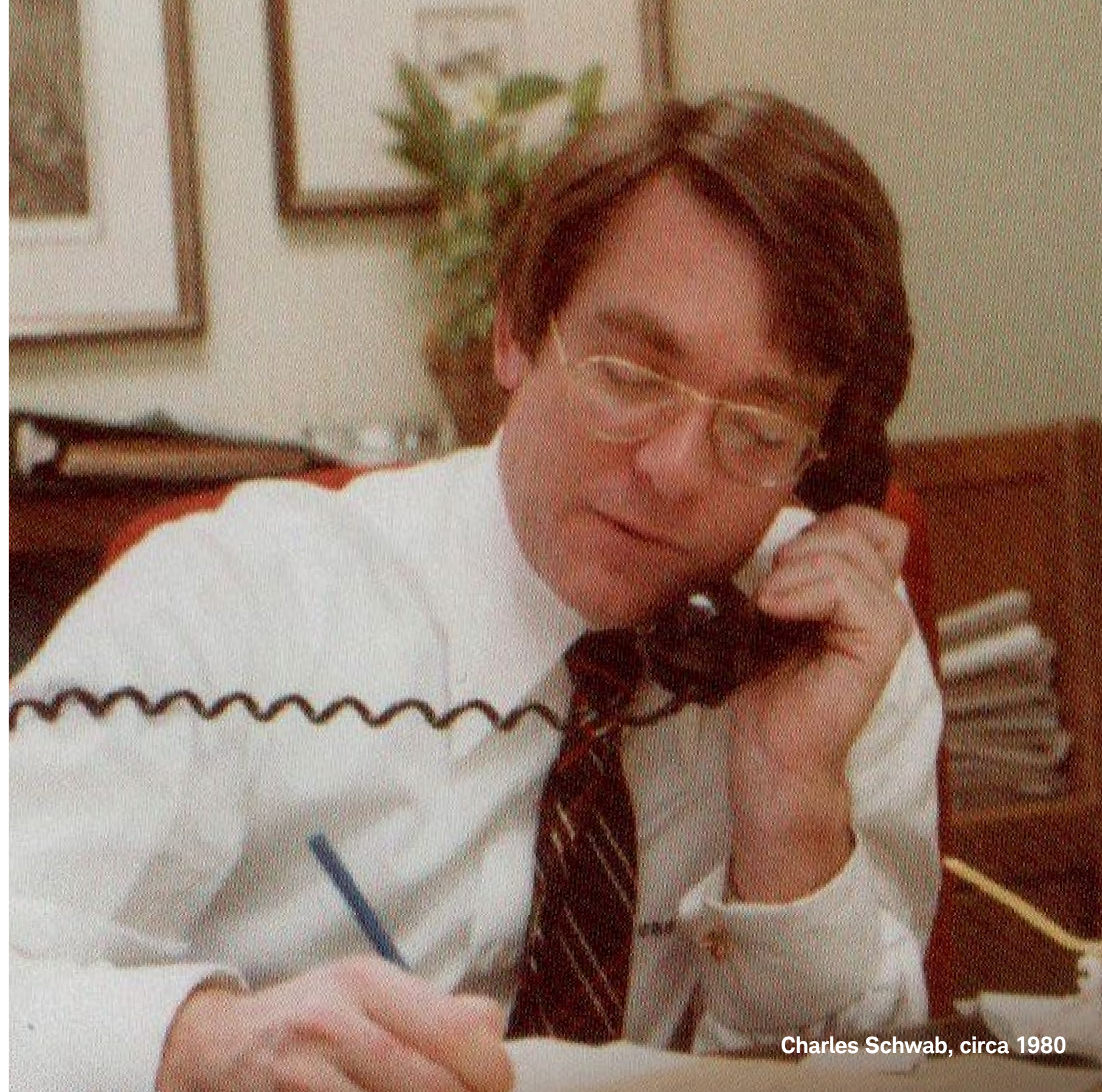
Our ESG Report captures actions we are taking across our organization to operate responsibly, including in how we serve clients, engage employees, contribute to communities, and protect the environment. We share a cross section of those actions here so that our stakeholders can assess how we are integrating our values of trust and responsibility into our day-to-day work. We are striving to be better; we will always have room to improve.

Above all, we hope you see in these pages our ongoing commitment to seeing the world Through Clients' Eyes. That concept remains the heart of our corporate strategy as well as the inspiration for how we operate and how we contribute to society. We are focused on building a firm worthy of earning our stakeholders' trust over the long run. We believe that is the best way to stay invested in what matters most.



## INTRODUCTION

Since our founding, Schwab has served as the champion of Main Street investors by giving them the tools, resources, and investment advice needed to secure their financial futures. Our unwavering vision has always been to be the most trusted leader in investment services, and our purpose remains clear—to champion every client’s goals with passion and integrity.



Charles Schwab, circa 1980





# About Schwab

From day one, we’ve set out to challenge the status quo, looking for ways to offer our clients more value and a better experience. We are confident our approach can help people secure their financial futures.

Guided by this vision and purpose, we have adopted a strategy described as Through Clients’ Eyes, which places clients’ perspectives, needs, and desires at the forefront.

With our roots as a pioneer in discount brokerage services, we have continuously sought to democratize investing and challenge the status quo. Led by our core values, Schwab has grown into a leading investment services firm, a custodian for independent advisors, and a leader in asset management, digital banking, and retirement planning.

Our purpose drives us to help our clients at all levels of income and every stage of life, because investing for the future is one of the most important things people can do for themselves and their families. We believe it is critical to the health of our communities and to our society.

Everything we do as a company is focused on helping our clients take ownership of their financial futures. Putting clients at the heart of the experience has enabled us to create products, services, platforms, and robust digital capabilities that have shaped our industry and helped clients meet their financial goals.

## OUR CORE VALUES



**TRUST**  
Earning our client’s **trust** by treating them in an ethical, empathetic, and proactive way



**INNOVATION**  
Constantly improving the client experience through **innovation** that benefits clients



**TEAMWORK**  
Respecting fellow employees and reinforcing the power of **teamwork**



**STEWARDS**  
Being good **stewards** of our brand and stockholder value

This report provides descriptive and quantitative information about Schwab’s ESG approach through December 31, 2022. The terms “Schwab,” “the company,” “we,” “us,” and “our” refer to The Charles Schwab Corporation together with its consolidated subsidiaries, unless otherwise indicated or implied.



## OUR BUSINESS

We offer a broad range of products through intuitive end-to-end solutions to address our clients’ varying investment and financial needs.

Schwab provides these financial services to individuals and the independent Registered Investment Advisors (RIAs) who serve them through two segments—Investor Services and Advisor Services. The Investor Services segment provides retail brokerage, investment advisory, and banking and trust services to individual investors. This segment also provides retirement plan services, stock plan services, and other corporate brokerage services to businesses and their employees.

The Advisor Services segment provides custodial, trading, banking and trust, and support services, as well as retirement business services to independent RIAs, independent retirement advisors, and recordkeepers.

We completed our acquisition of TD Ameritrade on October 6, 2020, and we continue our commitment to a smooth integration of the two organizations by not only integrating our systems but also harmonizing our cultures. Our cultures have a foundation in our shared values and the Golden Rule of treating others as you would like to be treated.



### BROKERAGE

An array of full-feature brokerage accounts with equity and fixed income trading, margin lending, options and futures trading, and cash management capabilities, including third-party certificates of deposit



### MUTUAL FUNDS

Third-party mutual funds through the Mutual Fund MarketPlace®, including non-transaction-fee mutual funds through the Mutual Fund OneSource® service, which also includes proprietary mutual funds, plus mutual fund trading and clearing services to broker-dealers



### EXCHANGE-TRADED FUNDS

An extensive offering of ETFs, including both proprietary and third-party ETFs



### ADVICE SOLUTIONS

Managed portfolios of both proprietary and third-party mutual funds and ETFs, separately managed accounts, customized personal advice for tailored portfolios, specialized planning, and full-time portfolio management



### BANKING AND TRUST

Checking and savings accounts, first-lien residential real estate mortgage loans, home equity lines of credit, pledged asset lines, trust and custody services, personal trust reporting services, and administrative trustee services





INVESTOR SERVICES

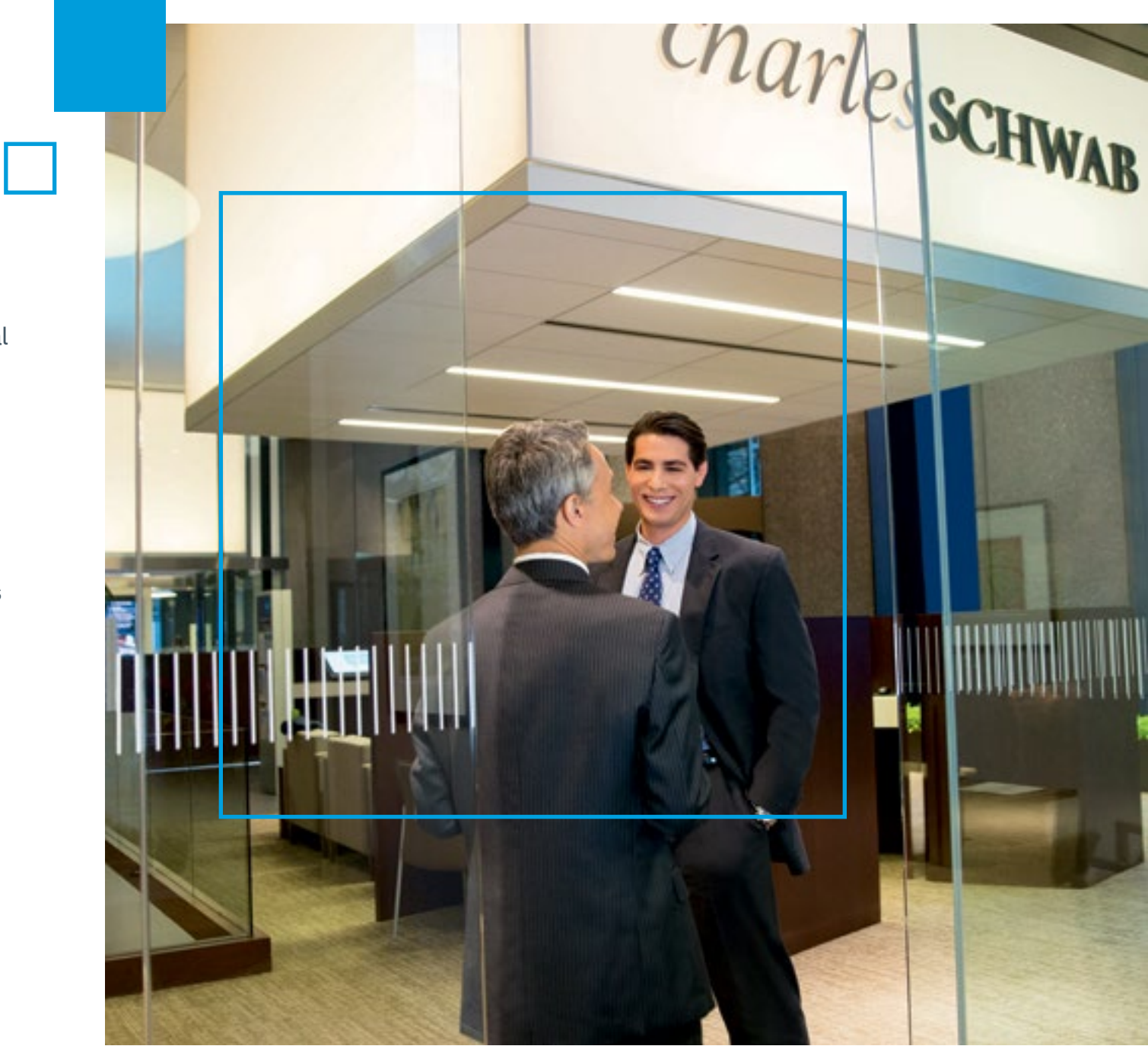
Retail investors

Individual Investors have access to a broad set of products, tools, educational content, trading, and advisory solutions. We offer award-winning, 24/7 service to all our clients, regardless of asset levels. Most clients choose to interact with us via phone or a digital channel, but our omnichannel approach also provides access to in-person support nationwide at one of Schwab’s more than 400 branches.

We offer our clients advice and guidance through a broad set of relationship models that help personalize the investing journey. Financial Consultants, Active Trader Financial Consultants, and Wealth Consultants in our branches and regional centers focus on building dedicated client relationships. We also have a range of professionals available to support clients with a broad set of specialized needs, including financial planning, managed investing, estate management, equity compensation, and lending. Additionally, we have teams focused on supporting the advice and educational needs of clients across all asset levels.

Retirement Plan Services

We provide retirement plan sponsors with extensive investment options, trustee and custodial services, and participant-level recordkeeping. We also offer retirement plan design features, which increase plan efficiency and achieve employer goals, such as automatic enrollment, automatic fund mapping at conversion, and automatic contribution increases. In addition to an open architecture investment platform, we offer access to low-cost index mutual funds and ETFs. Individuals investing for retirement through 401(k) plans can take advantage of multiple investment choices, education, and third-party advice.



## ADVISOR SERVICES

### Registered Investment Advisors

We provide custody, trading, banking, and support services to RIAs and their clients, along with retirement business services to independent retirement advisors and recordkeepers. In addition to focusing on superior service, we use technology to provide RIAs with a highly developed, scalable platform for administering their clients' assets easily and efficiently. RIAs are not employees of Schwab and maintain an independent relationship.

Through our Advisor Services website, RIAs conduct daily business activities online with Schwab, including viewing and managing client account information and accessing news and market information. We also provide RIAs with access to third-party platforms that support a variety of advisor needs.

We offer a variety of services to help RIAs grow and manage their practices—including business, technology, and operations consulting on a range of topics critical to an RIA's success, as well as an annual RIA Benchmarking Study to help firms understand key business metrics relative to their peers. We also offer an array of services to help advisors establish their own independent practices through a robust prospect consulting offer, access to business startup and transition consultants, technology engineers, and dedicated service teams.

Schwab provides extensive educational materials, programs, and events to RIAs seeking to expand their knowledge of industry issues and trends as well as sharpen their individual expertise and practice management skills. We conduct industry research and sponsor events that address topics of interest to RIAs, including business strategies and best practices. Schwab's IMPACT® conference, our signature annual event for RIAs, provides a national forum for the company, RIAs of all sizes, and other industry participants to gather and share information and insights.

For more information on our two operating segments, please see our Annual Report on [Form 10-K](#) filed with the SEC and our [What We Do](#) page. You can learn more about our asset management and banking solutions by visiting the respective [Schwab Asset Management™](#) and [Schwab Bank](#) websites.



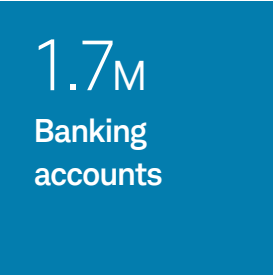
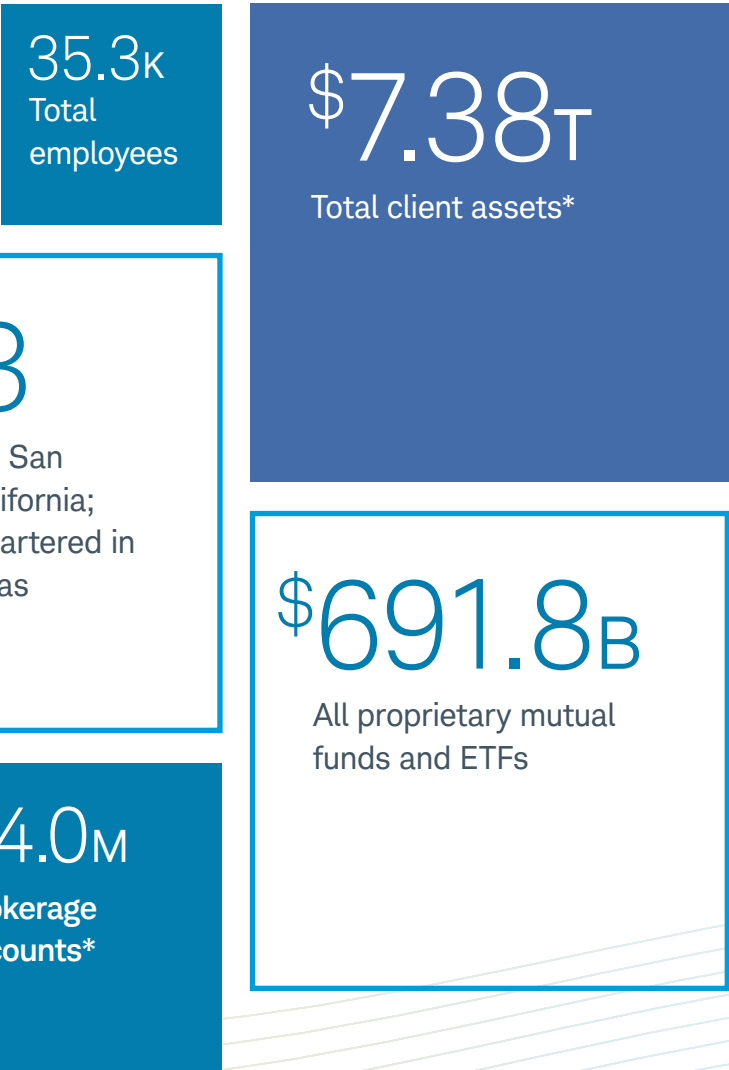
### Recognition

We are grateful for the recognition we have received for earning our clients' trust, giving back to the community, and creating a great place to work.





SCHWAB BY THE NUMBERS



As of December 31, 2022.  
\*Total client assets and brokerage accounts based on combined data for Schwab and TD Ameritrade as of February 28, 2023, using company reports.



## Our approach to ESG

At Schwab, we believe in the power of investing to transform people's lives. We see it as an act of optimism and a commitment to the future.

We approach ESG with the same focus we bring to our day-to-day work: a commitment to creating long-term value and a belief in investing for the future. Likewise, our core values of trust, innovation, teamwork, and stewardship guide our interactions with our stakeholders and the communities we serve. Our values embody how we execute our vision to be the most trusted leader in investment services and, along with our Through Clients' Eyes strategy, anchor our approach to ESG.

Because of the diversified nature of our business, we consider ESG from both a corporate perspective and an asset management perspective. We recognize that Schwab and Schwab Asset Management™ have different stakeholders and complementary approaches to ESG. For The Charles Schwab Corporation,

our parent company, we consider specific risks and opportunities associated with environmental, social, and governance issues most relevant to our business and our stakeholders, and we strive for continuous improvement in areas that align with and support our vision. Within Schwab Asset Management, our asset management business, we focus on opportunities to meet the needs of our clients who wish to pursue various ESG investing approaches, whether through impact investing, thematic investing, or ESG as a risk-mitigating and value-driven proposition. In addition, Schwab Asset Management's proxy voting process supports transparency in reporting on key ESG issues.



STAKEHOLDER ENGAGEMENT

Our approach to ESG begins with our stakeholders, many of whom are increasingly focused on ESG issues. In the conduct of our business, we regularly engage with key stakeholders to understand and meet their expectations. Their perspectives inform how we prioritize ESG factors. These stakeholders include:



Retail investors

Continuous engagement with our clients is core to our business, including through the use of surveys relating to trust, reputation, and service levels.



Independent advisors

We maintain open lines of communication with the independent RIAs we serve, and we regularly convene an advisory council of RIAs to provide direct feedback on issues that are important to their business.



Employees

We keep employees apprised of the company’s strategy and performance through regular town halls and quarterly updates. In addition to our employee engagement surveys, we support a variety of councils or groups that keep us connected. These include our Employee Resource Groups and advisory groups consisting of Financial Consultants and Branch Managers. Born during the pandemic and continued as an open access point to the Chief Executive Officer and the Executive Council, our “Ask Walt” and “Ask the Executive Council” channels allow employees to submit questions to company leaders directly.



Investors

Through our Investor Relations team, we regularly engage with our stockholders on matters of concern to them, including climate, governance, and diversity. In 2022, we met with stockholders representing more than 50% of our outstanding shares. We also conduct quarterly business updates to provide the investment community with information on our strategy and performance.



Government

In support of our company’s purpose, we actively participate in discussions with policy leaders on both sides of the aisle, and we propose legislative alternatives that we believe protect and champion the needs of individual investors and the RIAs who serve them.



Ratings and rankings

We participate in the ratings processes of numerous analyst and research firms, including through dialogue and responses to questionnaires. Examples of ratings providers with a focus on ESG issues include Morningstar® and MSCI®, proxy advisory firms ISS and Glass, Lewis & Co., LLC®, and specialized reporting on climate through CDP.



Community

Through Charles Schwab Foundation and Charles Schwab Banking & Trust Services, we engage with the communities where we live and work through education, volunteerism, financial support, and mentorship. Our culture of service includes empowering our employees to connect with and help address local community needs.

OUR ESG PRIORITIES

Our stakeholders express a variety of views on a range of ESG factors. Just as with other strategic priorities, we believe that each organization must assess the ESG factors that are most relevant to its stakeholders and core to creating a sustainable and resilient business.

Business-relevant ESG indicators

We have developed a list of indicators specific to Schwab across environmental, social, and governance factors. These indicators are informed by GRI (Global Reporting Initiative) standards relevant to our business and the Financial Sector standards for Asset Management & Custody Activities and Commercial Banks (as applicable) published by SASB (Sustainability Accounting Standards Board).

We have reviewed these indicators with a number of internal and external stakeholders to assess their importance.

As the ESG reporting space matures and ESG factors relevant to our industry become more standardized, we expect our Schwab-specific indicators, their definitions, and parameters (described in the following tables) to evolve as well.

SCHWAB’S ESG INDICATORS

SEEING THROUGH CLIENTS’ EYES (SOCIAL AND INVESTING)

ESG-Themed Investment Products:

Investment products that include consideration of material ESG factors in the traditional financial analysis and investment process as a measure of long-term performance in portfolio creation

Sustainability-Themed Investment Products:

Investment products that seek to have an environmental and/or social outcome (e.g., renewable energy funds)

Data Privacy & Security:

Identifying and addressing vulnerabilities and threats to client and employee data security, safeguards for preventing fraudulent transactions and breach of privacy or data security, and responsible use of big data

Client Service:

Honest and transparent communications, managing client risks, improving consumer financial security, and ensuring that products and services meet client expectations

INVESTING IN OUR PEOPLE AND CREATING A CULTURE OF RESPECT (SOCIAL)

Employee Diversity & Inclusion:

Workforce that reflects our business and clients and the communities in which we operate

Talent:

Pipeline of top talent and professional growth and development opportunities

Employee Well-being:

Competitive pay and employee benefits, a healthy and safe work environment, and wellness programs to promote overall employee well-being

Responsible Sourcing:

Policies and procedures for responsible environmental and social sourcing practices, including meeting internationally agreed-upon labor standards in working hours and conditions, wages and benefits, humane treatment of workers employed in the supply chain, and supplier diversity



Schwab’s ESG Indicators

Organizing and Governing to Build and Maintain Trust (Governance & Leadership)

Ethical Business Practices:

Schwab’s efforts to foster an environment of transparency and high ethical standards in business conduct and to work against corruption, extortion, and bribery in all markets in which Schwab operates or does business

Board Composition & Effectiveness:

Promoting director independence, diversity, and other qualifications to secure the long-term success of the company and its sustained competitiveness

Board Responsiveness & Stockholder Engagement:

Fostering the rights and voice of stockholders with respect to voting, proposals, and accountability and election of directors

Legal & Regulatory Compliance:

Schwab’s efforts to ensure compliance with legal and regulatory expectations

Commitment to Risk Management:

Schwab’s cultivation of a robust risk control environment through risk control assessments across business operations and within individual departments, including ESG risks

Public Policy Engagement:

Schwab’s engagement on public policy initiatives in line with corporate values and standards, as well as ESG issues

Investing in and Giving Back to Our Communities (Social)

Financial Literacy:

Efforts to increase financial literacy among underrepresented and under-resourced groups

Community Relations:

Schwab’s monetary contributions, charitable gifts, partnerships with community organizations, and time contributions through paid volunteer hours

Being Good Stewards of Our Environment (Environment)

Environmental Footprint:

Responsible natural resource management in direct operations and supply chain

Climate Change:

A strategic action plan for carbon mitigation and carbon offsets, with the overall goal of achieving net carbon neutrality by a designated year



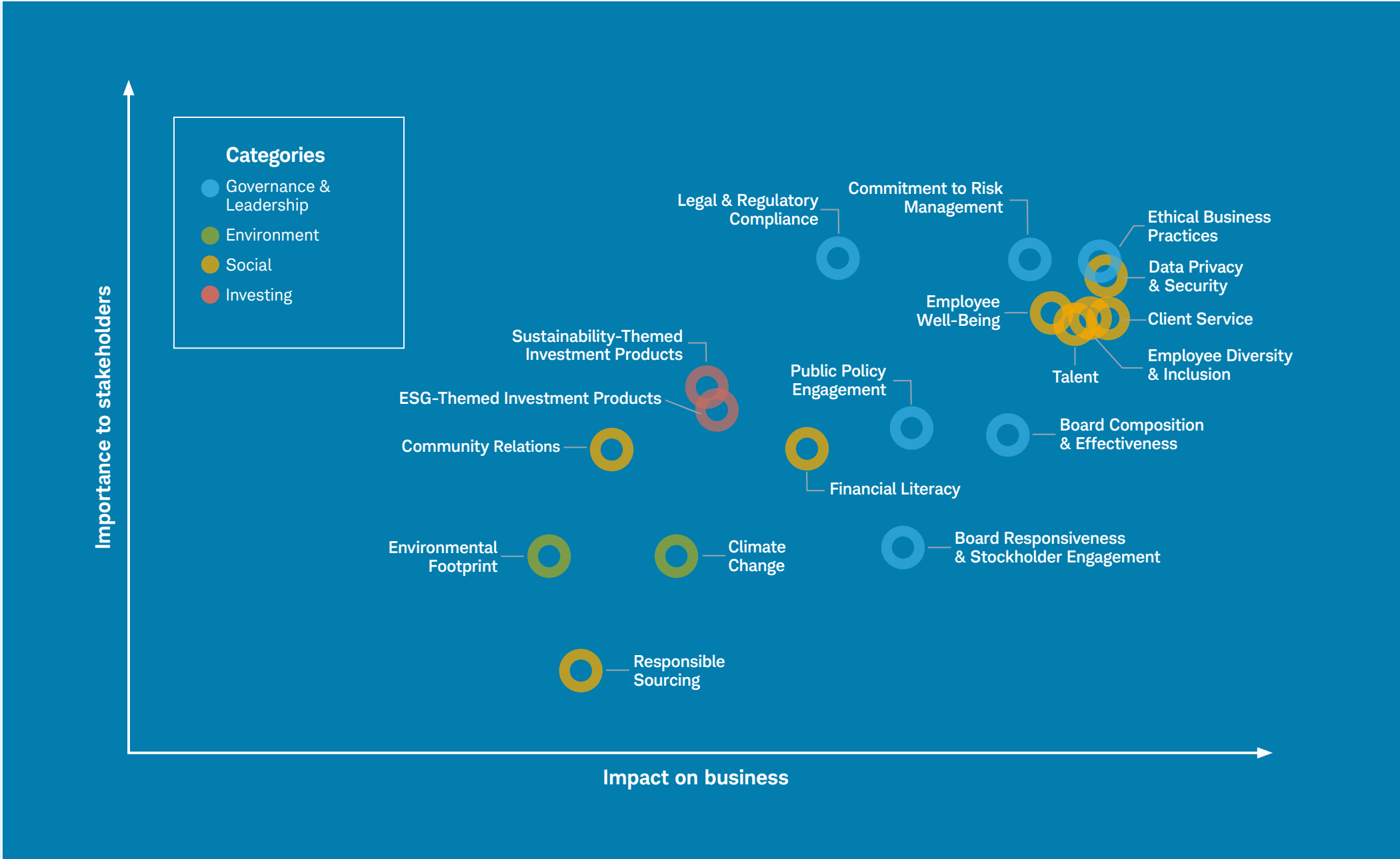
ASSESSING RELATIVE IMPORTANCE

To identify the most relevant ESG indicators to our business and stakeholders and the relative importance of such indicators, we conducted a firm-wide ESG assessment in 2021. In 2022, we expanded the ESG assessment by including discussions with key client advisory groups within our Advisor Services and Retirement Plan Services businesses. Conversations with internal and external stakeholders have provided valuable perspectives on ESG and its interconnectedness with our clients’ ESG strategies (if any) and values.

Over the past two years, we have hosted numerous focus groups to conduct the ESG assessment and prioritize Schwab’s ESG indicators. Each focus group was asked to prioritize the importance of these indicators for Schwab to fulfill our vision as the most trusted leader in investment services within the next five years as well as the importance to them.

We also engaged in deeper one-on-one conversations, including with institutional owners of Schwab stock and senior management, investor relations, legislative affairs, corporate strategy, financial consultants, independent branch leaders, relationship managers for RIAs and corporate clients, the human resources team, business heads, and our real estate team.

In many ways, the ESG assessment reinforced our Through Clients’ Eyes strategy and focus. Our business is based on earning the trust of all our critical stakeholders. We build trust among these stakeholders, in part, by managing our business with integrity and in ways that foster a sustainable and resilient business.







## Key ESG developments

The following discussion highlights some of our key ESG initiatives and the actions we took in 2022 to advance ESG priorities. As we discuss later in this report, we are making investments in a sustainable future by:

### SEEING THROUGH CLIENTS' EYES

For investors who prioritize environmental and social issues, ESG investing can allow them to align their investments with their beliefs and values. Our vision is to facilitate ESG investing as part of our broader personalized investing strategy. Within Schwab Asset Management™, our Head of ESG Strategy guides our approach to incorporating ESG resources and investment choices.

In 2022, we launched three initiatives that advance our personalized approach to investing and further support our clients who wish to pursue an ESG investing strategy:

Schwab Personalized Indexing™, a direct indexing offer, allows investors to select an index that can be customized for their goals and values.

In March 2022, we launched thematic stock lists, a new resource designed to help self-directed investors choose stocks aligned with their interests and values. This new Schwab offering allows clients to explore dozens of thematic categories, including ESG-related themes such as renewable energy, electric vehicles, workforce diversity leaders, and water sustainability.

In April 2022, we gave our clients access to MSCI's ESG ratings for individual securities as a tool for clients interested in building their own ESG portfolios.

### CREATING A CULTURE OF RESPECT

Our Diversity and Inclusion (D&I) strategy is focused on four pillars: our workforce, the workplace, the marketplace, and the community. Since 2020, we have focused this strategy on programs that make a meaningful impact across four dimensions: inside to support our employees, outside to support our clients and local communities, today with programs that create immediate impact, and tomorrow with programs that create impact over time.

In 2022, we deepened our commitment to building a diverse and inclusive workforce by expanding our dedicated D&I group within the Talent Acquisition team. We continue to leverage diversity sourcing partners to help us identify diverse talent, and we have developed specific partnerships to help us recruit talent from the disability community and historically Black colleges and universities as well as Hispanic-serving institutions.

With a focus on retaining and developing our diverse workforce, we enhanced our mentorship and allyship programs and saw growing interest in our Employee Resource Groups. In addition, we enhanced our efforts to foster diverse talent in the financial services industry to better serve an increasingly diverse investor base.

## INVESTING IN OUR PEOPLE

Demonstrating our continued commitment to our talent, we expanded our suite of professional development opportunities for our colleagues across the firm. We launched our Manager Excellence program and enhanced our career development programs to support internal mobility for all employees, as we believe that internal mobility is beneficial to executing our business strategy. We also expanded some of our standard benefits to better meet the needs of all employees.

## ORGANIZING AND GOVERNING TO BUILD AND MAINTAIN TRUST

We earn clients’ trust by exercising a careful balance of stability, thoughtful entrepreneurship, and measured risk calculation. We continue to benefit from the leadership of our founder, Chuck Schwab, who serves as Co-Chairman of the Board of Directors and is actively involved in the firm’s strategic direction.

In 2022, the board appointed our Chief Executive Officer to serve as Co-Chairman along with Mr. Schwab, reflecting our intention to ensure strategic and leadership continuity for the firm through a long-term succession plan.

Our board oversees execution of our Through Clients’ Eyes strategy and our risk management program. The Nominating and Corporate Governance Committee of the board has primary oversight of our ESG programs and priorities and reports to the full board.

At a management level, in 2022 we established a new ESG Policy and Reporting Office, led by a Managing Director. This office is dedicated to assessing, reporting, advancing, and integrating ESG considerations on a cross-functional basis in alignment with our Through Clients’ Eyes strategy.

## INVESTING IN OUR COMMUNITIES

The Community Development Group of Charles Schwab Banking & Trust Services leverages our resources to invest in communities in ways that allow us to outperform our requirements under the Community Reinvestment Act (CRA).

In 2022, we continued to partner with local organizations to support small business development, affordable housing, and financial literacy initiatives in the geographies identified in our CRA Strategic Plan. Our CRA programs reflect our Through Clients’ Eyes strategy by increasing access to investing, supporting our D&I programs, enhancing our efforts to support our community, and meeting our requirements under the CRA.

## GIVING BACK TO OUR COMMUNITIES

Grounded in our belief that education can help solve some of the social issues facing our country, Schwab has created impactful financial literacy programs supported by our financial, intellectual, and volunteer resources. In 2022,

we celebrated the one-year anniversary of our signature Moneywise America™ program by hosting an all-day financial literacy field trip at our Westlake headquarters for 220 students from underserved communities.

After two years of virtual service resulting from the COVID-19 pandemic, Charles Schwab Volunteer Weeks returned to in-person service in 2022 and saw record participation. Schwab employees filled more than 9,200 volunteer spots in support of 850 service projects and 360 nonprofit partners across the country.

## BEING GOOD STEWARDS OF OUR ENVIRONMENT

Recognizing that our environmental footprint has an impact on the climate, we continue to seek opportunities to mitigate our impact by reducing our consumption of energy, adopting sustainable energy options when appropriate, and reducing waste generated in our locations. In 2022, we expanded our internal Corporate Real Estate team to bring targeted expertise in house, including a new Senior Manager, Energy and Sustainability.



## INVESTING AND STEWARDSHIP

We believe investing and stewardship begin with establishing and maintaining trust with our clients. Our breadth of services reflects our desire to cultivate lifetime client relationships through engaged employees who embody our Through Clients' Eyes strategy and approach. Our clients are long-term investors, and we apply that same long-term lens to creating and evolving our products and services in a manner that fosters trust and a resilient business.





## Seeing Through Clients' Eyes

In this section, we highlight the ways clients can engage with us and how we are evolving our products and services, including ESG offerings, to match the different ways clients—at any stage of life—can take control of their financial futures.

### THROUGH CLIENTS' EYES GUIDES HOW WE DO BUSINESS

Trust is paramount in the many roles we play in serving our individual and institutional clients with their investment needs, including:

- As a broker, empowering the individual investor with a spectrum of investment products and services
- As an advisor, guiding clients to meet their investment goals
- As a custodian, safeguarding client assets
- As a manager of separately managed accounts and proprietary investment funds
- As a fiduciary, engaging with issuers and exercising our proxy voting responsibilities
- As an administrator of retirement and equity compensation plans
- As a federally insured depository institution



## PERSONALIZED INVESTING FOR THE MAIN STREET INVESTOR

From the beginning, we set out to empower the individual investor. Implicit in empowering our clients is helping them develop a sustainable investing approach that enables them to adapt to the market and their needs through life's changes.

The retail investor remains our primary client base, even as we have grown to serve institutional clients, independent advisors, and employers through our Retirement Plan Services business. Staying true to our roots, we offer a variety of products, services, and solutions for clients. Many of these investment products include options dedicated to ESG considerations for our clients who want the choice of having these products in their portfolios.

Our commitment to empowering clients to take a personalized approach to investing is evident in our varied product offerings and service models. Our Through Clients' Eyes strategy drives us to embrace the diversity of our client base and the different ways that they approach investing.

We cater to all individuals with accounts of any size. We believe a strong relationship is based on transparency and trust, and our website includes extensive explanations and details about how we are compensated for each product or service, along with the associated risks, potential conflicts of interest, and other considerations.

See more investment advice options on our [Advice page](#).

Key ways clients can manage their investment journey include the following:

### SELF-DIRECTED BROKERAGE

At Schwab.com, any individual in the U.S. can open a brokerage account with any dollar amount. Through our scale and offerings, individual investors who want to control all aspects of their investment strategy can access the whole suite of investment products and services. These run the gamut of our Schwab proprietary options—such as Schwab Funds® and Schwab Stock Slices™—and include stocks, fixed income alternatives, and third-party mutual funds and ETFs.

### SCHWAB MANAGED PORTFOLIOS™ PORTFOLIO SOLUTIONS

Schwab Asset Management™ creates and manages a number of distinct proprietary Schwab mutual funds and ETFs managed by our portfolio asset managers. [Schwab Managed Portfolios](#) is an advice solution that uses Schwab Funds and ETFs and third-party mutual funds and ETFs to create a variety of model portfolios with different investment strategies intended to match a variety of risk tolerances and objectives.

### MANAGED ACCOUNT SELECT®

Instead of a mutual fund, clients have access to [a range of investment strategies](#) with direct ownership, control, and transparency of underlying securities. The account is managed on a client's behalf by a third-party professional asset management firm of the client's choice that has been vetted by Charles Schwab Investment Advisory, Inc. based on rigorous, research-based quality standards.

### SCHWAB WEALTH ADVISORY™

Clients work with a dedicated [Wealth Advisor](#), supported by a team of investment professionals who provide individualized service, a customized investment strategy, and ongoing guidance and execution.

## ESG INVESTMENT PRODUCT AND SERVICE EVOLUTION

We recognize that many individual and institutional clients are looking for ways to manage portfolio risk by considering ESG factors, make an impact on the world through sustainability-themed products that align with their values, or both.

ESG investing is often used interchangeably with a variety of other terms, such as socially responsible investing or sustainable investing. All of these terms capture an approach to investing that is defined in different ways by different stakeholders. Schwab Asset Management™ uses “ESG investing” as an umbrella term that encompasses:

- Traditional investment vehicles (either active or passive) that are applying ESG factors to manage risk, build resiliency, and create opportunities for the long term
- Impact investing, which refers to deploying investment dollars in an effort to directly achieve some outcome that addresses an environmental or social need
- Values-based investing, which can include screens to exclude certain sectors or types of companies, such as tobacco, firearms, or fossil fuel companies

Schwab’s approach to ESG investing aligns with our Through Clients’ Eyes strategy, which is grounded in empowering clients to personalize their investment choices. Our Head of ESG Strategy within Schwab Asset Management guides our efforts

to further incorporate ESG product offerings and services. A major focus is providing our Financial Consultants and clients with resources that can help them navigate the quickly evolving ESG landscape.

Our educational resources and product offerings for clients are intentionally broad. ESG investing presents risks for some and opportunities for others. We recognize the changing demographics of our clients and a desire among many younger clients, in particular, to align their investments with their values.

Through surveys over the last three years, Schwab has connected with investors across the income and age spectrum to listen to and gain an understanding of their familiarity with, interest in, concerns about, and needs relating to ESG investing, among other topics. Although ESG investing is not important to all of our clients, these engagements have provided insights that we are using to create educational resources for those clients who want to make informed ESG investment choices.





Today, we provide our clients with a wide range of products and resources that can help them advance their ESG investing goals:

Third-party products

Currently, Schwab offers clients access to more than 700 third-party ESG options, including funds and ETFs. The options available include funds identified by Morningstar as “Sustainable Investment – Overall,” which is defined as a fund explicitly indicating any kind of sustainability, impact, or ESG strategy in its prospectus or offering documents. This definition aligns with Schwab’s view of ESG investing. See [Socially Responsible Investing](#).

Thematic investing

In March 2022, we launched thematic stock lists, a new resource designed to help socially minded investors pick stocks aligned with their interests and values. This new offering allows clients to explore dozens of thematic categories, including ESG-related themes like renewable energy, electric vehicles, workforce diversity leaders, and water sustainability.

Schwab Personalized Indexing™

In April 2022, we introduced a new direct indexing solution. This offering is a separately managed account that allows investors to own individual stocks that reflect the

characteristics of the index. Investors enrolled in Schwab Personalized Indexing have access to four index-based strategies, including an ESG strategy based on the MSCI KLD 400 Social Index.

ESG Ratings

In April 2022, we gave our clients access to MSCI’s ESG ratings for individual stocks as a tool for clients interested in building their own ESG portfolios.

Wasmer Schroeder™ Strategies

Through Wasmer Shroeder, a fixed income investment manager that we acquired in 2020, we offer our clients two positive-impact strategies: Positive Impact Tax Exempt and Positive Impact Bonds.

The Wasmer positive-impact strategies consider the following factors to identify bonds that exhibit a positive impact on society and the environment: whether there are clearly defined and quantifiable community and/or environmental benefits expected from the financing; whether the mandate or objectives of the lending program align with social, environmental, or community benefits; or whether the proceeds will be used to create, enhance, sustain, or improve upon an essential government function.

Schwab Ariel ESG ETF\*

Schwab Ariel ESG ETF is an actively managed, semi-transparent (also referred to as a non-transparent) ETF, sub-advised by Ariel Investments LLC. This ETF is designed to identify attractively valued, high-quality small- and mid-cap companies with favorable ESG risk ratings based on Ariel’s proprietary assessment of industry exposure, disclosure, and management of material ESG issues. Please see the ETF’s [Prospectus](#) for more information.

The Schwab Ariel ESG ETF highlights the long-standing relationship between Schwab and Ariel. Schwab has partnered with Ariel for more than 20 years to conduct the Black Investor Survey to better understand and generate awareness of the financial issues facing Black investors.

For more information on our history of providing industry-leading products, services, advice, and education, see our [Access to Investing](#) page.

\*The Schwab Ariel ESG ETF is different from traditional ETFs. Traditional ETFs tell the public what assets they hold each day. This fund will not. This may create additional risks for your investment. For example:

- You may have to pay more money to trade the fund’s shares. This fund will provide less information to traders, who tend to charge more for trades when they have less information.
- The price you pay to buy fund shares on an exchange may not match the value of the fund’s portfolio. The same is true when you sell shares. These price differences may be greater for this fund compared to other ETFs because it provides less information to traders.
- These additional risks may be even greater in bad or uncertain market conditions.
- The ETF will publish on its website each day a “Proxy Portfolio” designed to help trading in shares of the ETF. While the Proxy Portfolio includes some of the ETF’s holdings, it is not the ETF’s actual portfolio.

The differences between this fund and other ETFs may also have advantages. By keeping certain information about the fund secret, this fund may face less risk that other traders can predict or copy its investment strategy. This may improve the fund’s performance. If other traders are able to copy or predict the fund’s investment strategy, however, this may hurt the fund’s performance.

For additional information regarding the unique attributes and risks of the fund, see *Proxy Portfolio Risk, Premium/Discount Risk, Trading Halt Risk, Authorized Participant Concentration Risk, Tracking Error Risk and Shares of the Fund May Trade at Prices Other Than NAV in the Principal Risks and Proxy Portfolio and Proxy Overlap* sections of the prospectus and/or the Statement of Additional Information.



73%

of American investors agree that their values guide their investment choices\*

69%

of American investors say they invest in companies that align with their personal values\*

Company reputation and corporate values were ranked almost as important as more traditional factors like performance and stock price\*

\*According to Schwab's [Modern Wealth Survey 2022](#)

## ISSUER ENGAGEMENT AND PROXY VOTING AT SCHWAB ASSET MANAGEMENT

Historically, Schwab Asset Management™ has taken a mostly quantitative approach to evaluating investment options and strategies, reflecting the largely passive-index orientation to our investment products. Since 2020, Schwab Asset Management has engaged more actively with issuers to further promote our philosophy on the importance of strong corporate governance, risk management, and disclosure practices.

During proxy season, we meet with issuers—as well as shareholder proponents and dissidents—that have items of concern to us on their annual or special meeting agendas. In the off-season, we generally engage with issuers in which we hold a significant number of shares and have identified potential material risks that we would like to discuss with senior leaders.

We aim to use the engagement process to share our company-specific concerns and priorities, get a better understanding of an issuer's risk management practices, and inform our discretionary voting decisions on proxy contests, mergers and acquisitions, environmental and social disclosure-related shareholder proposals, and certain say-on-pay proposals.

To better understand overarching shareholder preferences on key proxy issues, Schwab Asset Management became the first large asset manager to pilot a new proxy polling solution from Broadridge Financial Solutions. The pilot, launched in October 2022, gives shareholders of Schwab 1000 Index Fund, Schwab 1000 Index ETF, and Schwab Ariel ESG ETF the opportunity to complete a survey designed to provide insights into their priorities on a range of proxy issues, including ESG issues. Insights from the poll will be leveraged as a new source of intelligence to help inform Schwab Asset Management's proxy voting approach.

Schwab Asset Management maintains a proxy voting policy that guides our proxy votes for all securities held by Schwab Funds, Schwab ETFs, and clients who have delegated proxy voting to Schwab Asset Management. The proxy voting policy reflects Schwab Asset Management's belief that, in most instances, a company's board is best positioned to determine a company's strategy and manage its operations. Schwab Asset Management generally does not support shareholder proposals seeking a change in business practices.

In 2022, Schwab Asset Management updated its proxy voting policy to further articulate its ESG philosophy and proxy voting approach. Schwab Asset Management evaluates shareholder proposals requesting additional disclosure on environmental and social issues and corporate political activities on a case-by-case basis.

In recent years, proxy advisory firms such as Glass Lewis and ISS have introduced proxy voting recommendations to support a variety of ESG-related proposals. When updating our proxy voting guidelines and making decisions on how to vote on certain issues, we consider research and recommendations from both Glass Lewis and ISS. As part of our diligence in shaping our proxy voting guidelines, we regularly engage with both of these proxy advisory firms to understand the thinking behind their respective policy updates, including updates regarding ESG factors.

Schwab Asset Management's [proxy voting policy](#) is publicly available on the Schwab Asset Management website. Our proxy voting records and annual Investment Stewardship Report are publicly available on our [Investment Stewardship](#) page.



## PROTECTING CLIENT ASSETS

Schwab's cybersecurity and privacy programs play a key role in maintaining the trust of our stockholders, our regulators and, most importantly, our clients.

### Cybersecurity defense-in-depth approach

As a financial institution, we have implemented a defense -in-depth approach for addressing cybersecurity risk that includes technical, administrative, and physical safeguards. This means that, if a control fails, additional overlapping controls are in place to secure data and systems to mitigate threats.

### Technical safeguards

Schwab's technical safeguards are designed to protect stockholder, employee, client, and partner data in today's modern threat landscape. Among other things, these safeguards include:

- Multifactor authentication for accessing Schwab accounts
- Intrusion detection and prevention tools
- Encryption of data in transit and at rest (where appropriate)
- Use of secure coding practices
- Periodic penetration testing and vulnerability scanning
- Disciplined patch management
- Robust authentication and authorization measures to guard against unauthorized access to data

### Administrative safeguards

Our commitment to cybersecurity includes teams that monitor and maintain the cybersecurity of Schwab's systems that collect, use, or store personal or confidential data. We employ cybersecurity professionals across all lines of

business as part of this effort. Cybersecurity is also a core component of both our external and internal audit functions. We review and test our safeguards on an ongoing basis as part of our audit program, and we work diligently to consider additional safeguards where needed to address new and emerging threats.

Beyond our team of experts, we prioritize the protection of client assets across our businesses, and all of our employees receive annual training on privacy, cybersecurity awareness, and safe handling of private financial information.

### Physical safeguards

Physical security remains an important part of a holistic cybersecurity program. Schwab protects critical data centers and other facilities with strong perimeters, surveillance systems, and authentication-only access points, among other things.

With technical, administrative, and physical safeguards in place, we recognize that Schwab is part of a larger ecosystem. As part of putting clients first, we have instituted a number of client-facing processes to help maintain their trust in the ecosystem.

Schwab's [Security Knowledge Center](#) helps our clients understand common threats and the steps they can take to proactively mitigate those threats. Additionally, we regularly communicate with clients on security awareness, risks, and cybersecurity hygiene, and we view cybersecurity as an

important tool to combat elder financial abuse. We routinely work with seniors to better protect them from financial scams and various forms of "social engineering." See more on our [Cybersecurity](#) page.

### Privacy-by-design approach

Schwab has long been committed to privacy and privacy-by-design principles. Our privacy practices are outlined in the privacy notices and materials located in our [Privacy Center](#), and our use of personal data is rooted in core principles:

- We design our business processes and products with the privacy principles of transparency, usage, and minimization in mind.
- We provide clients with control over how their personal information is used for marketing, with opt-outs and unsubscribe mechanisms that are easy to find and use.

We recognize Schwab is a custodian of our clients' personal information in the same way that we are custodians of our clients' financial assets.

See important disclosures on [page 78](#).



## OUR CULTURE

Chuck Schwab's original vision was to bring more people from Main Street into the world of investing so they could take ownership of their financial futures. Fifty years later, we remain as committed as ever to that vision of democratizing investing and operating our firm in a way that's as inclusive as possible for our clients and our employees.







## Creating a culture of respect

At Schwab, our employees are the foundation of our business and at the heart of executing our Through Clients' Eyes strategy. It's our obligation to support our employees in the best way we can and to find ways to foster their professional development and meet their diverse needs, both at and away from work.

### OVERSIGHT

Our Managing Director, Head of Human Resources leads our talent strategy. Each year, she meets with the board in executive sessions for the Chief Executive Officer evaluation, a talent review, and Chief Executive Officer succession planning.

Our HR Advisory Council is composed of representatives from a cross section of the organization. The council creates an opportunity for dialogue and support for HR initiatives from a diverse set of internal stakeholders across the organization. Participants can discuss significant issues, provide open and honest feedback, offer a non-HR perspective, be a sounding board for ideas, and offer valuable input on project direction and potential obstacles.

With the integration of TD Ameritrade employees, we reorganized our HR team to achieve the scale necessary to serve our expanded workforce. Our team supporting talent acquisition and development has centralized and harmonized the different elements of the employee life cycle and adopted a more holistic approach to fostering engaged employees who feel supported.

### Key HR initiatives

- Completed our return-to-office plan across all corporate campuses and launched an updated Workplace Flexibility Program
- Launched The Power of One Schwab campaign to unify our expanded employee base around our Through Clients' Eyes strategy, our culture, and shared values
- Refreshed Schwab's employee value proposition to better convey the unique set of tangible and intangible benefits employees experience
- Further expanded our professional development opportunities to all employees with more choices to invest in themselves

## EMPLOYEE ENGAGEMENT

Prior to 2023, Schwab conducted an enterprise-wide survey of employees to measure engagement at work. The survey allowed us to take a pulse check on how engaged we are with our work, our teams, and Schwab. The survey results provided insight into how our leaders can manage engagement throughout the year and how Schwab can continue to deliver on our commitment to create a great place to work in service to our clients.

Approximately 92% of our employees responded to the annual survey in 2022, surpassing participation rates in 2021. Our overall engagement and satisfaction scores in 2022 were both above the 75th percentile.

In January 2023, we launched quarterly employee engagement pulse surveys, which will replace our annual survey. The quarterly surveys will equip our people leaders with a real-time ability to both understand and respond to changing employee sentiment.

Our new approach provides leaders with more frequent, actionable insights into engagement. Action planning recommendations based on actual results are delivered within the platform alongside quarterly results.

## THE POWER OF ONE SCHWAB

As a result of several acquisitions (USAA Investment Management Company, Motif, Wasmer Schroeder, and TD Ameritrade) and increased non-acquisition hiring, Schwab's employee base grew from about 19,000 people in 2019 to more than 33,000 in 2022. This was a critical and historic

inflection point for the firm at a time when the majority of our employees were working remotely because of the COVID-19 pandemic. In late 2021 and at the direction of our Executive Committee, Schwab launched *The Power of One Schwab*, a comprehensive, omnichannel campaign to unify the global employee base around our Through Clients' Eyes strategy, our culture, and shared values.

*The Power of One Schwab* campaign introduced a series of immersive, actionable events and programs, led by members of the Executive Council, demonstrating how a unified focus on strategy, teamwork, innovation, and trust will drive the firm's ongoing success. Highlights from 2022 activities include:

- 93% of employees responding to a survey conducted after One Schwab Week said they "agreed" or "strongly agreed" that they understood our Through Clients' Eyes strategy and how they individually contribute to it
- 92% said that working together as One Schwab would have a more positive impact on clients, colleagues, and communities
- 88% said that our culture was a direct reflection of the company's values

Efforts to connect employees to the company and each other through *The Power of One Schwab* will continue through 2023 and beyond.



~20k—  
employees attended a  
"One Schwab Week"  
kickoff meeting in  
February

92%  
of participants in Powerful  
Conversations, a series of  
roundtable discussions with  
senior leaders focused on our  
culture and values, expressed  
greater pride in working at  
Schwab as a result of the  
inclusive sessions

7K+ employees participated  
in the community-building  
*The Power of One Schwab*  
photo mosaic, submitting  
selfies and a description  
of how they made a  
difference in the lives of  
clients, colleagues, or  
our communities







## Fostering a culture of diversity and inclusion

Schwab's Through Clients' Eyes strategy benefits from having a workforce that reflects diversity of thought and backgrounds and positions us to support our diverse clients and communities.

To that end, we are on a long-term journey to improve our workforce diversity, enhance our inclusive culture, better serve our diverse clients, and build stronger connections to our diverse communities. It is important to our business and our clients that our talent is as broad and diverse as the communities we serve.

Our vision is to be known as the most trusted investment services provider whose inclusive culture and diverse workforce propel innovation and creativity in the solutions we deliver for our clients' investment needs.



## OUR FOUR-PILLAR D&I STRATEGY

Our diversity and inclusion strategy starts with four board-approved pillars:



### WORKFORCE

**Increasing workforce diversity.**

Schwab is focused on attracting more diverse talent through enhanced partnerships with professional organizations that represent diverse communities, including women, people of color, people with disabilities, and people with military backgrounds, among others.



### WORKPLACE

**Building on our culture of inclusion.**

Through our Employee Resource Groups (ERGs) and a variety of professional growth opportunities, we are building and maintaining a community of support, leadership development, mentorship, and connection to our diverse client base.



### MARKETPLACE

**Serving the needs of a diverse marketplace.**

As the United States becomes more diverse, the financial services industry is increasingly demanding new capabilities to meet the needs of a diverse client base.

To meet our clients' needs and advance better financial outcomes for all investors, Schwab is focused on delivering and expanding inclusive client service programming, understanding the unique needs of historically underrepresented investors, and fostering diverse talent in the financial services sector.



### COMMUNITY

**Making an impact on historically underrepresented communities.**

At Schwab, we focus on financial literacy and financial inclusion as a way to empower diverse communities. To that end, we support many organizations serving underrepresented groups with a long-term goal of broadening the diversity of our talent and our clients. Please see [Supporting Our Communities](#) for more information.



Underpinned by the four pillars, our D&I strategy is designed to have a meaningful impact across four dimensions:

- **Inside:** Programs aimed at supporting employees at Schwab
- **Outside:** Programs aimed at supporting our clients and local communities
- **Today:** Programs that create immediate impact
- **Tomorrow:** Programs that create impact over time

## OVERSIGHT

Schwab's Head of D&I supports the delivery of the D&I strategy across the organization and our talent acquisition and retention efforts. The D&I team also supports our ERGs and D&I programs.

Our D&I Sponsorship Committee, which is a subcommittee of our Executive Council, provides centralized oversight and governance to ensure that D&I partner sponsorships align with our four-pillar strategy.

We are proud of the progress we have made toward building a diverse workforce, and we recognize there will be more to do as best practices and the needs of our communities and markets continue to evolve. We are committed to our ongoing efforts to open doors and unlock the human and commercial potential that can flow from a strong focus on D&I across the company.

## WORKFORCE: HIRING DIVERSE TALENT

Schwab is committed to building an inclusive culture by hiring a diverse and vibrant workforce. In 2022, we deepened our commitment by expanding our dedicated

diversity and inclusion group within our Talent Acquisition team. This growth enhances our ability to identify, attract, and hire diverse candidates.

We recognize that there is no single solution to expanding diversity in our workforce, and we have developed a variety of approaches to support our efforts. A few of our outreach strategies include:

- **Hiring Our Heroes—Corporate Fellowship Program:** A Department of Defense program focused on military members transitioning back into the workforce
- **Military Spouse Employment Partnership:** Focused on supporting and recruiting military spouses, the majority of whom are women
- **Neurodiversity at Work:** An initiative focused on increasing the representation of neurodivergent talent through the lens of accessibility
- **Inclusively:** An employment network that matches people with disabilities with companies like Schwab and focuses on early talent and roles that require no experience

### Campus recruiting and organizational partnerships

Schwab partners with historically Black colleges and universities and Hispanic-serving institutions by leveraging our alumni from those universities to expand our presence at campus career fairs and career panels. We also reach out to underrepresented student groups at other colleges to provide job mentoring and career panels.

We partner with and sponsor over 30 organizations to help us recruit diverse talent. Our partnerships range from organizations like Mathison, which helps us source candidates from 12 different underrepresented communities, to the Toigo



Foundation, which helps us actively recruit Black and Latinx talent, to our sponsorship of Financial Women of San Francisco, which advances the success of women in finance.

#### **Affirmative Action**

As a federal contractor, Schwab develops annual Affirmative Action plans for our business locations with 50 or more employees. Our Affirmative Action program helps us balance Schwab's workforce in a way that reflects local workforce diversity through outreach strategies to hire, retain, and promote members of minority groups, women, protected veterans, and individuals with disabilities.

Coupled with our efforts to identify and attract diverse talent, Schwab provides equal employment opportunities to all employees and applicants.

#### **Interviewing@Schwab**

To reduce potential bias and enhance diversity in the workplace, we prioritize consistency in the interview process through our Interviewing@Schwab program. Interviewing@Schwab gives interviewers the training and tools needed to effectively evaluate candidates using the Targeted Selection® system. This system is a competency-based behavioral interviewing method that focuses on the quality of people hired.

#### **Bias-detection tools**

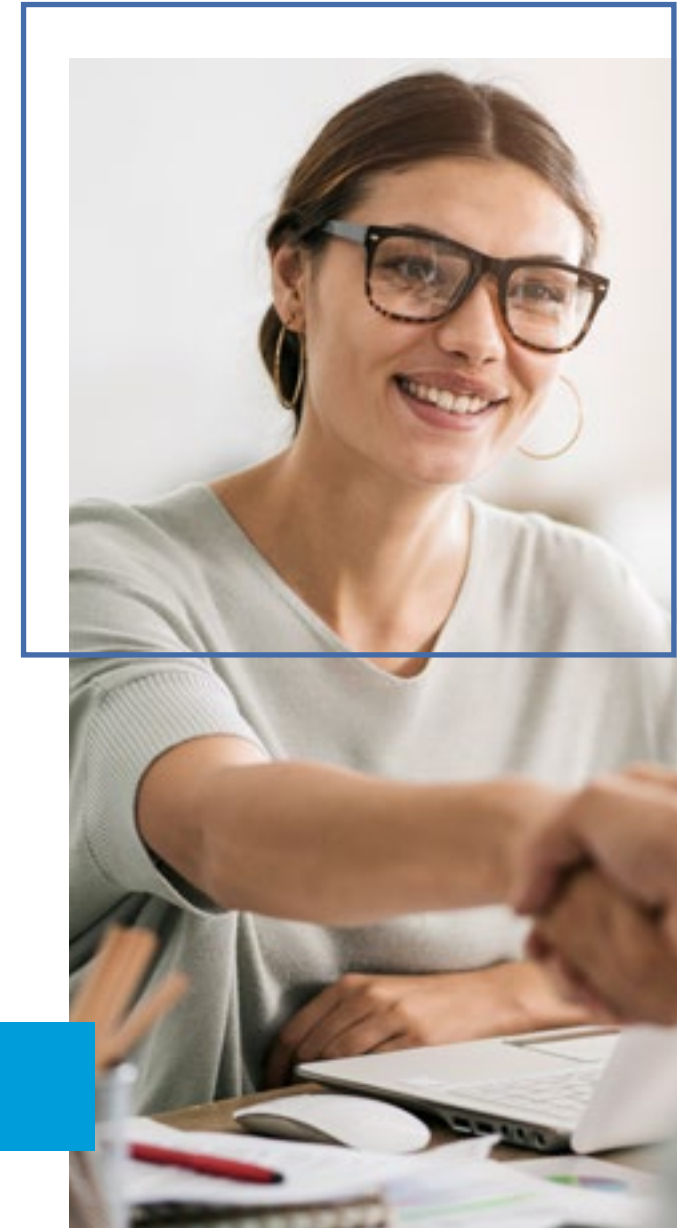
We use a bias-detection tool to ensure all job descriptions and recruiting communications are reflective of the diverse candidate pools we want to attract. Through this tool, all job descriptions and other recruiting communications are reviewed and updated to reduce language that may be harmful or offensive and to add more gender- and age-neutral tones in the language used in our recruiting materials.

#### **Slate Analytics diversity dashboard**

To continuously monitor progress toward attracting diverse talent, our Talent Acquisition team uses a Slate Analytics diversity dashboard to help inform them of diversity trends for candidate pools. Seeing and monitoring real-time data of our candidate pools' diversity allows us to adjust sourcing and other recruitment strategies.

#### **Market data talent sourcing**

Schwab uses unique market data, through TalentNeuron® and LinkedIn Talent Insights, to review and understand the distinct makeup of the talent pool for certain talent segments based on location, required skills, and competencies. Our Talent Acquisition team uses this data to collaborate with business partners on what steps can be taken to help increase the diversity representation for a role.





## WORKPLACE: DEVELOPING DIVERSE TALENT

Schwab recognizes that cultivating a diverse workforce does not end after employees join the organization. Mentoring and allyship are critical to retaining talent, and mentors play an instrumental role in career progression.

With a focus on retaining and developing our diverse workforce, we offer a few different avenues for our colleagues to mentor and be mentored. We offer a structured mentoring program for colleagues of color at the director level. In addition, our ERGs offer both group and one-on-one opportunities for guided mentorship to all employees, regardless of their position at Schwab.

As part of our structured program, dedicated mentors from senior leadership are paired for six months with Schwabbies at the director level who self-identify as people of color. Mentees focus on leadership development to prepare them for career advancement opportunities, broaden their professional network, and develop meaningful, supportive relationships with senior leaders.

Following a pilot in 2021, our first mentorship cohort included approximately 90 diverse director-level employees participating as mentees and approximately 40 senior leaders participating as mentors. Each of the three cohorts following the pilot has achieved a participation rate of 120 director-level mentees and 120 senior leaders participating as mentors. A high percentage of mentees have expressed overall satisfaction with the program.

Recognizing the importance of allyship, in 2022 we offered additional mentor training through an Inclusion Through

Allyship program, providing tools and support on how to be an ally to mentees and team members.

Separately, our company-wide ERG Mentorship program is built to meet the career growth and employee engagement needs of our underrepresented employees at all levels. Employees can participate in the ERG Mentorship program in two ways:

- Group cohorts are led by Schwab Managing Directors who mentor 8–12 mentees each through six biweekly, one-hour group mentorship sessions over three months, twice a year. The mentors also commit to a one-on-one meeting with each mentee.
- Guided programs are one-to-one matched mentorships offered over three months, twice a year. Schwab Managing Directors serve as mentors who meet with their mentees biweekly for one hour.

The ERG Mentorship Committee, made up of ERG leaders across our locations, hosts a closing ceremony at the end of each three-month program to acknowledge the hard work and commitment of the mentors and mentees.

Approximately 500 mentors and mentees participated in the ERG Mentorship program in 2022.

## WORKPLACE: SUPPORTING DIVERSITY AND INCLUSION FOR ALL SCHWABBIES

Schwab understands that employees have diverse experiences, needs, and expectations in the workplace. We strive to create an environment that allows each employee to bring their authentic self to work. We have developed a

number of employee resources to help promote D&I in the workplace.

### Week of Belonging

Schwab's annual Week of Belonging is a five-day intersectional event highlighting inclusion through employee and leadership engagement and development activities.

Open to all employees, the 2022 event, themed “Re-enERGize,” sought to re-activate, re-connect, re-define, and re-imagine what belonging looks like in our hybrid work environment. Leading up to and during the Week of Belonging, more than 450 Schwab employees joined ERGs.



Employee Resource Groups

Our ERGs are employee driven and provide communities of support for our diverse range of employees. Our ERGs are made up of employees who come together around common interests, shared characteristics, or life experiences and are committed to fostering a culture of inclusion at Schwab.

More than 30 years ago, we started our first ERG, Black Professionals at Charles Schwab (BPACS). Today, we have 10 ERGs. All ERGs receive equal access to funding from a centralized budget.

Currently, more than 12,000 employees are members of an ERG, reflecting an increase of more than 18% over 2021. In 2022, our ERGs hosted approximately 900 events.

12K

employees are members of an Employee Resource Group

18%

Increase in Employee Resource Group participation since 2021



Our ERGs:



APINS  
Asian Professionals Inclusion Network at Schwab



BPACS  
Black Professionals at Charles Schwab



CSAN  
Charles Schwab Abilities Network



FAMS  
Families at Schwab



GLOBE  
International Professionals at Schwab



MVN  
Military Veterans Network



NEXT  
Empowering Schwab's Next Generation



PRIDE  
LGBTQ+ Network at Schwab



SOL  
Schwab Organization of Latinxs



WINS  
Women's Interactive Network at Schwab



## Progress on workforce diversity

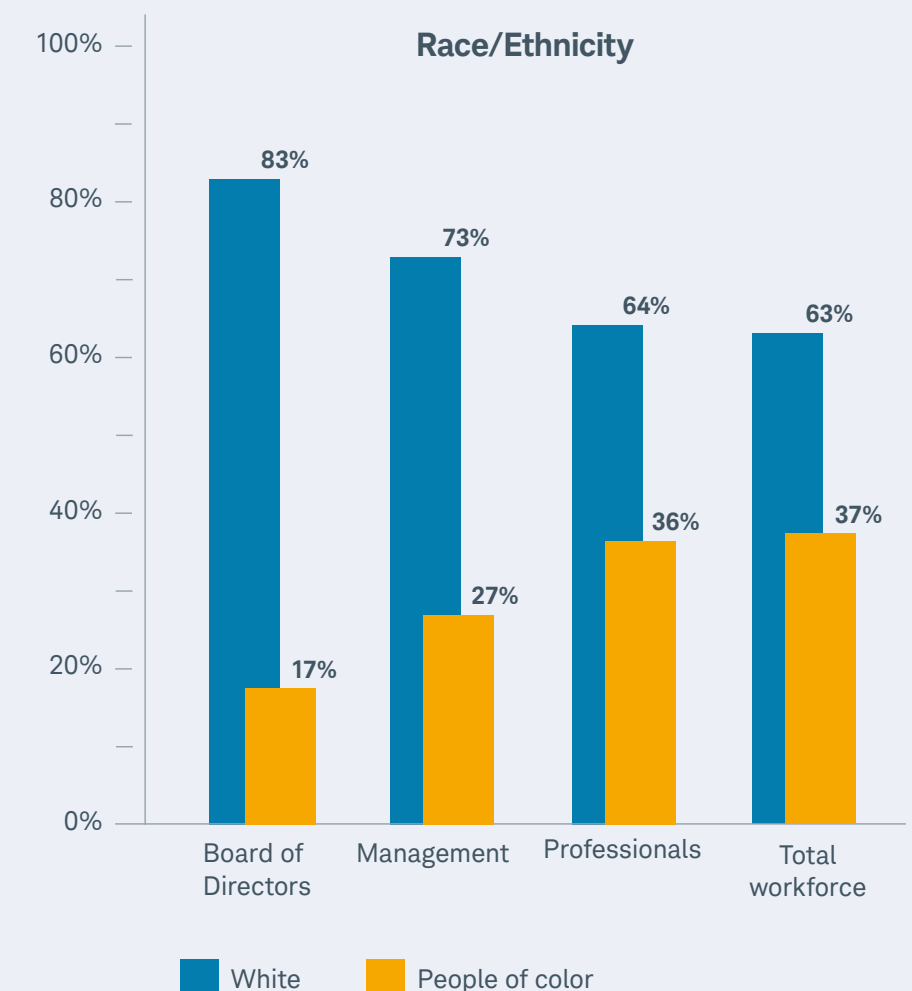
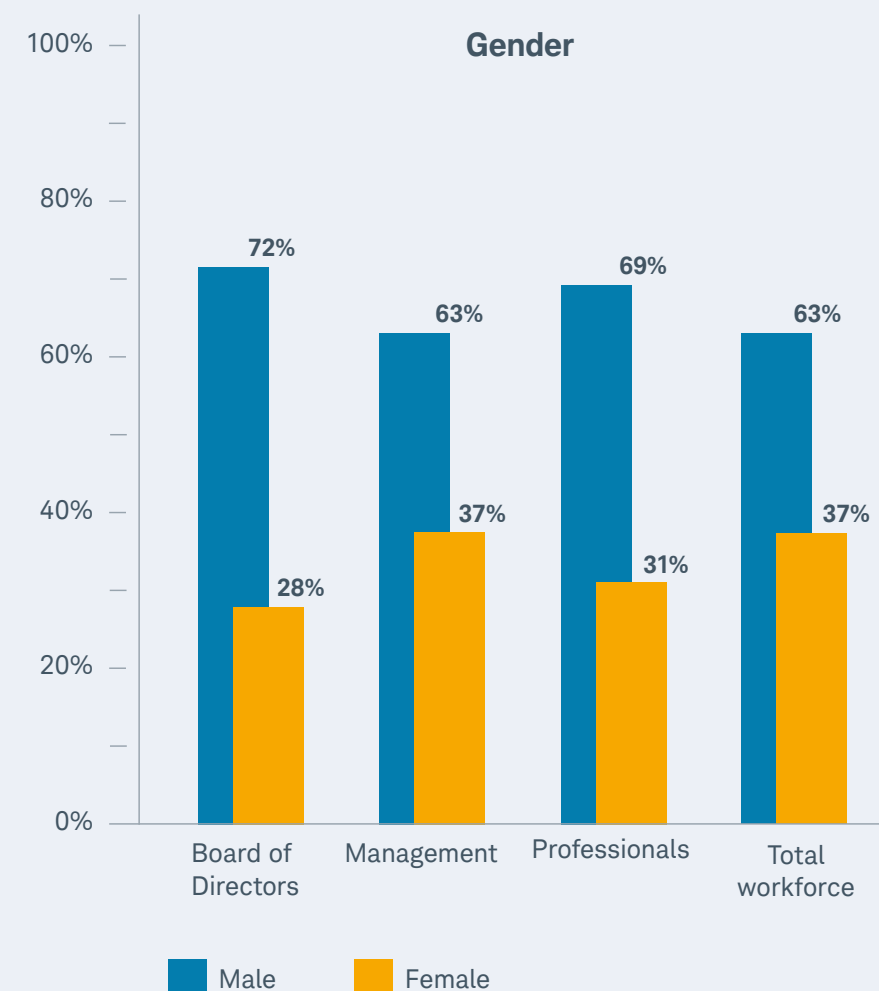
Over the last two years, we have seen an increase in the percentage of our employees who self-identify as racially and ethnically diverse, as well as the percentage of racially and ethnically diverse people leaders. We have seen smaller increases in the number of women in our workforce.

During 2022, our total workforce grew by approximately 8%. Employees who self-identify as people of color represented 37% of our total workforce in 2022, up from 35% in 2021. The number of women employees was unchanged at 37% of the total workforce in 2022 and 2021.

\*Race, ethnicity, and gender data is based on the percentage of employees who self-identified for purposes of EEO-1 reporting as of December 31, 2022, and for directors for purposes of proxy statement disclosure as of December 31, 2022. People of color includes Black or African American, American Indian or Alaska Native, Asian, Hispanic, and Native Hawaiian or Pacific Islander.

We make our EEO-1 report publicly available on our website: [Schwab EEO-1 Report](#). Our leadership and workforce representation, by gender, race, and ethnicity, on a percentage basis is shown below.

## Leadership and workforce composition\*



**Policies and training**

Schwab’s Preventing Harassment and Discrimination Policy expressly prohibits discrimination or harassment of any kind based on an individual’s status, including race, sex, gender, gender identity or expression, religion (including religious dress and grooming practices), disability, age, military status, or citizenship status.

Our Accommodations Policy reflects our commitment to creating an inclusive workplace for employees and applicants with disabilities, whether seen or unseen. Schwab will make good faith efforts to provide a reasonable accommodation for employees and qualified applicants with disabilities, pregnant employees, or an employee’s sincerely held religious beliefs, unless the accommodation would create an undue hardship in accordance with the requirements of applicable law.

New employees receive our Workplace Environment Training, which covers topics and related Schwab policies such as Bullying, Harassment, Discrimination, Sexual Harassment, and Violence in the Workplace. This training articulates Schwab’s commitment to maintaining a workplace free from any form of discrimination and harassment.

We also advance inclusion, diversity, equal opportunity, accessibility, and leadership through voluntary training courses. In 2022, more than 4,400 employees participated in a total of 48 training courses.

4.4K

employees participated in a total of 48 training courses

**Awards**

Our efforts and progress have not gone unrecognized in the market. We have received a number of external awards from leading D&I organizations for our initiatives and progress. For instance:

- Scored 100% on the 2022 Disability Equality Index
- Recognized annually since 2012 by *U.S. Veterans Magazine*
- Received a 100% rating on the Human Rights Campaign’s Corporate Equality Index for LGBTQ+ Equality for over 15 years
- Identified by *Forbes* as one of America’s Best Employers for Women, based on a survey of 50,000 workers across the U.S. in 2022





## MARKETPLACE: SUPPORTING DIVERSITY AND INCLUSION IN THE FINANCIAL SERVICES INDUSTRY

By providing encouragement and support to underrepresented students considering careers in financial services, we can strengthen both our company and our industry.

In 2022, we welcomed our second cohort of scholars into the Charles Schwab Scholars in Financial Planning Endowed Scholarship program. Established in 2021 at the direction of our Board of Directors, Schwab launched the \$3.5 million endowed scholarship program to provide financial assistance and career development opportunities to college students from underrepresented communities, aiming to break down barriers to careers in financial services and foster diverse talent in the sector.

Underrepresented students majoring in financial planning at participating universities across the United States are eligible to apply for approximately \$10,000 a year in scholarship funds for their junior and senior years. Scholarship recipients are invited to apply for an internship at Schwab, which could help inspire a future career in finance. All eight of the 2021 scholarship recipients accepted jobs in the financial services industry following graduation.

Similarly, efforts within our Advisor Services business support the cultivation of the next generation of independent RIAs.

Schwab Advisor Services™ provides a variety of resources to help our RIA clients create more diverse and inclusive workplaces. Building an Inclusive Firm Culture is a five-month training and networking program designed to help our client RIA firms develop a strategic road map for building a diverse

and inclusive workplace that attracts and retains the best talent. This program targets firms that are highly driven to advance diversity and inclusion efforts and participants who are leaders with the ability to effect change and influence decisions.

To cultivate diverse talent in financial services and better serve an increasingly diverse investor base, Schwab Advisor Services partners with Charles Schwab Foundation to sponsor the RIA Talent Advantage® Scholarship Program. This program aims to raise awareness of the independent investment advisory profession and provides \$10,000 scholarships to 12 students annually, reserving half for students from underrepresented groups. Of the 12 recipients selected for the 2022 class, 6 are racially or ethnically diverse.

Schwab's University Grant Program helps educational institutions establish and enhance financial planning majors and minors and increase awareness of the RIA profession. More than 30% of recipients are historically Black colleges and universities, Hispanic-serving institutions, or institutions that serve the Asian American/Pacific Islander and Native American population. Since its inception in 2007, the program has provided more than \$16 million in funding to over 24 universities.

**\$3.5M**  
in endowed  
scholarship  
programs were  
launched in 2021

**30%+**

of recipients are historically Black colleges and universities, Hispanic-serving institutions, or institutions that serve the Asian American/Pacific Islander and Native American population\*

### 2022 University Grant Program highlights:

- Expanding Howard University's wealth management program to add focus on the RIA industry and a certified financial planner curriculum
- A multi-year grant to Coppin State University to develop programs in financial planning and wealth management that will allow students to explore career pathways, establish a community-focused center, and create a Minority Registered Investment Advisor Mentorship Program
- Platinum-level sponsorship of the BLX Internship Program, which provides opportunities for aspiring Black and Latinx financial planners to intern at financial planning firms

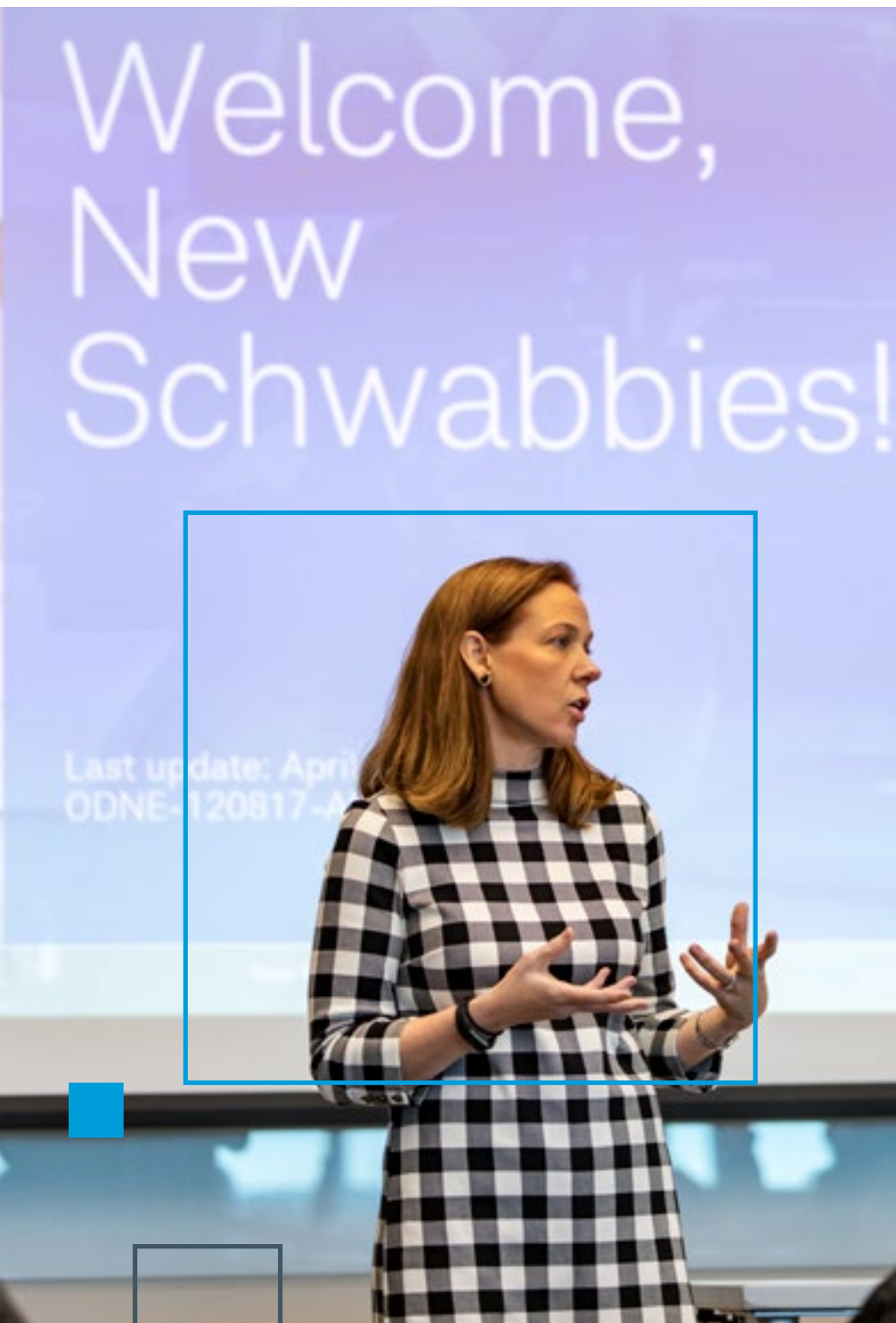
\*Schwab's University Grant Program

## OUR PEOPLE

Our human-centric employee value proposition (EVP) is central to our ability to attract, engage, and retain talent. In 2022, we refreshed our EVP to better convey the essence of our organization across three pillars, which speak to who we are and what we believe: (1) we lead the industry with integrity and service above all; (2) we succeed together as One Schwab; and (3) we are a place where you can own your tomorrow. Schwab's EVP recognizes that employees want to feel cared for, valued, and understood. As we design talent programs, touchpoints, and initiatives, we take into account the intrinsic needs of our employees to establish connections, share a sense of purpose, enable personal growth, and nurture well-being.







## Investing in our people

We are dedicated to developing our talent by creating capabilities and opportunities for both personal and professional growth. Through our cohesive and integrated talent solutions model, Schwab takes a centralized approach to talent development that spans the entire employee life cycle—from hire through retirement—and gives employees choice in how to shape their skills and grow their careers at Schwab.

Schwab strives to ensure that all employees feel supported, safe, and secure in the workplace. We understand that employees are more than just the work they do, and we are here to support them in both their professional careers and their lives outside of work.

## SUPPORTING OUR COLLEAGUES' PROFESSIONAL GROWTH AND DEVELOPMENT

We offer many different programs and resources to help employees achieve their personal and professional aspirations—no matter how big or small or what stage of their careers.

In 2020 and 2021, we expanded our offerings to give employees at all levels of the organization access to programs that suit their career stage and aspirations. In 2022, we expanded the size of our nomination-based leadership development programs (Aspiring Leader Program, Manager LEAD, Advanced LEAD, and the Securities Industry Institute) to better align with growth in the size of our workforce.

## INVESTING IN OUR PEOPLE LEADERS

We recognize that our people leaders are critical to carrying out our business strategy and creating an environment where employees can do their best work. Our significant growth and transition to a hybrid work environment over the past two years has underscored the need for a cohesive, well-informed management team that can model the values of our firm and move our business forward.

### Manager Excellence

In 2021, we created a new Manager Excellence program dedicated to supporting all people leaders across the firm. In 2022, our efforts focused on developing an online Manager Excellence Portal to provide just-in-time knowledge that managers can use to meet the needs of their teams. The Manager Excellence Portal had nearly 5,000 unique visitors in the third quarter of 2022 and more than 13,000 visits overall.

In connection with our return-to-office plans, we provided live training sessions to ensure that our managers had the information and resources necessary to support their teams as we transitioned to a hybrid work environment.

Beginning in early 2023, all people leaders will have access to expanded programming and content provided through a partnership with Harvard University. We will introduce three new learning experiences to further develop critical leadership capabilities and behaviors, equipping managers to tackle today's dynamic leadership challenges.

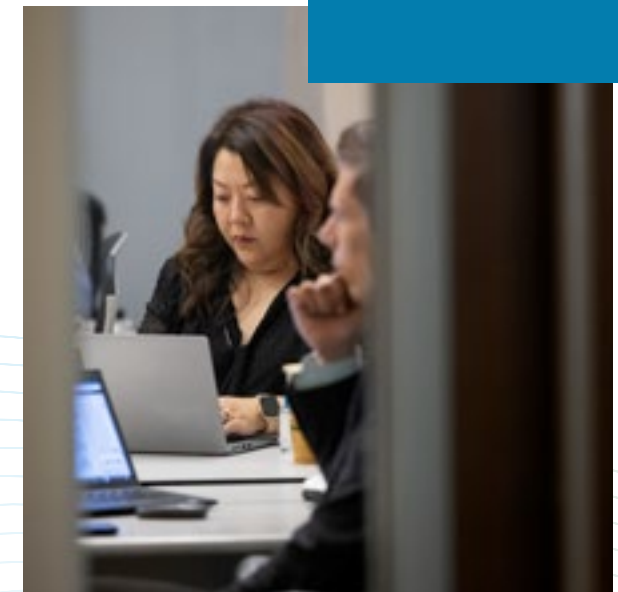
- For all new people leaders, we are completely redesigning and modernizing our People Leader Foundations training.
- For people leaders with two or more years of experience, we will be offering a cohort-based training program delivered by Harvard University. We expect to offer this program to approximately 900 participants over six cohorts in 2023. Each cohort will participate in a series of six live, moderator-led webinars.
- For all people leaders, we will offer a new series of continuous learning opportunities through our Manager Excellence Portal. These will include live virtual monthly seminars led by Harvard faculty, self-study programs with virtual debrief “cafes,” and access to on-demand offerings and community.

13k+

visits to the Manager Excellence Portal overall in 2022

5k

unique visitors to the Manager Excellence Portal in Q3 2022





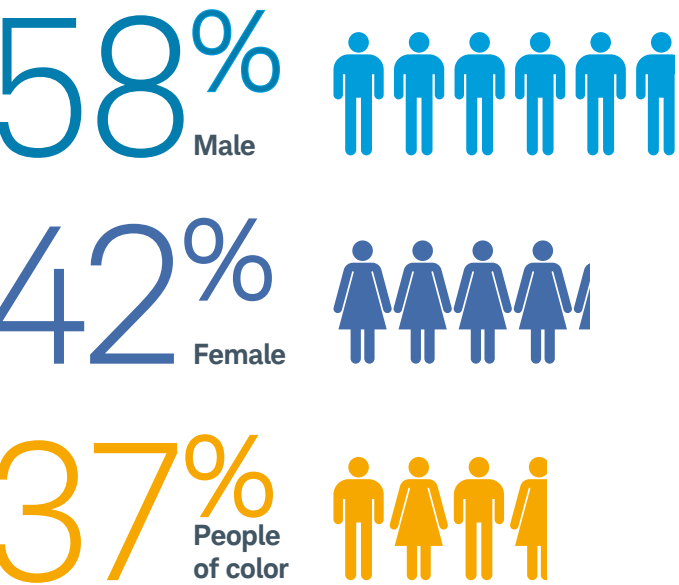
Aspiring Leader Program (ALP)

Leadership is a shared responsibility at Schwab. Our Aspiring Leaders Program creates that shared understanding of leadership while providing opportunities for participants to make meaningful connections across the organization and unlock the value of on-the-job learning.

ALP is a multifaceted four-month program for individual contributors with a strong desire to learn more about leading self, leading others, and leading with purpose. ALP is designed for our next generation of leaders who have specifically expressed interest in people leadership.

Programming topics include introduction to emotional intelligence, self-leadership, building your personal brand, managing up, and exploring personal obstacles to people leadership.

The 2022 cohort included 294 participants:



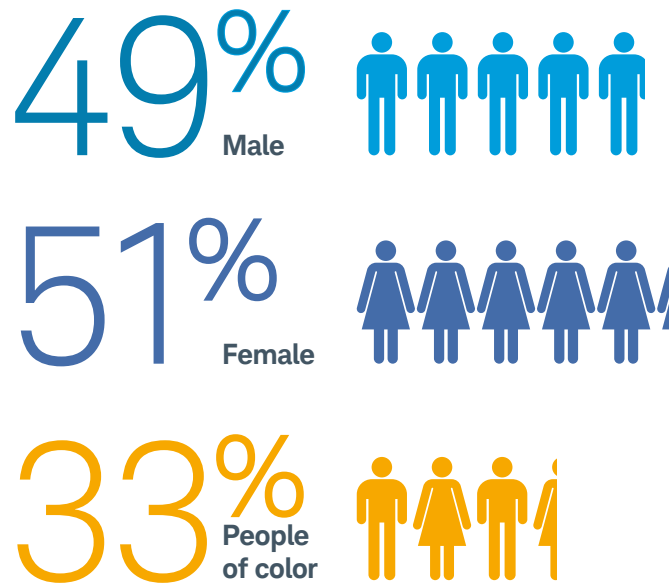
Manager LEAD

Manager LEAD is a virtual five-month program for select senior managers and team managers to gain visibility in the organization and additional development opportunities to build their leadership skills.

Similar to ALP but for employees who already hold leadership positions, this program is designed to build leadership capabilities around managerial courage, identifying and measuring business outcomes, and building high-performing teams. The program also focuses on increasing visibility, increasing Schwab business knowledge, and building networks across and within peer groups.

The 2022 cohort included 152 participants: 49% were male, 51% were female, and 33% self-identified as people of color.

The 2022 cohort included 152 participants:

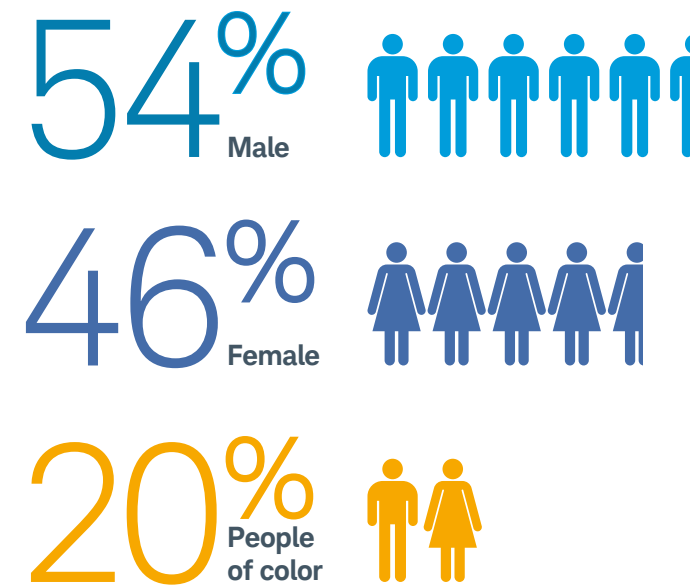


Advanced LEAD

A flagship program, Advanced LEAD is a high-intensity action-learning experience for our high-potential leaders at the Director and Managing Director levels. The program is designed to accelerate leader readiness; invest in retention, development, and engagement of our high-potential leaders; and drive leadership capability, innovation, and growth mindset.

The program emphasizes strategy and human-centric leadership in a fast-changing and hybrid workplace. This four-month intensive program includes coursework, an experiential project, and cross-business small group learning experiences. Participants have the opportunity to engage more deeply within and across Schwab, increasing their internal networks and visibility.

The 2022 cohort included 92 participants:

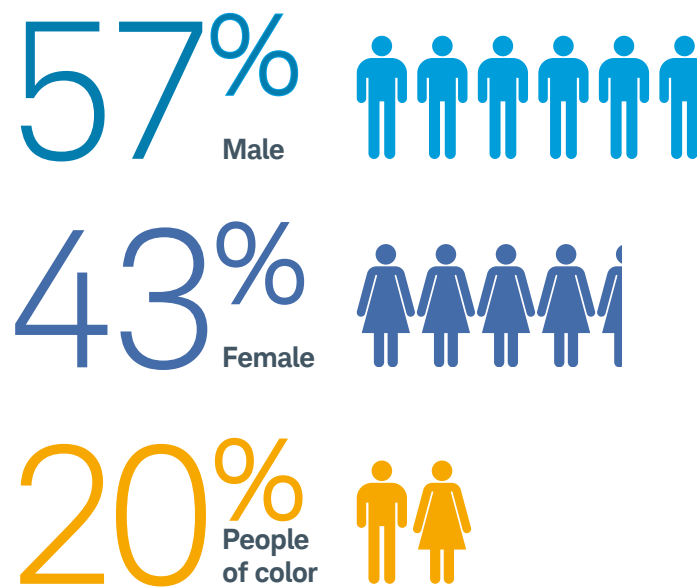


Securities Industry Institute

The Securities Industry Institute is a program aimed at accelerating readiness and development of our high-potential leaders at the Director and Managing Director levels in service of our company’s vision and purpose. Hosted by Wharton Executive Education and the Securities Industry and Financial Markets Association (SIFMA), participants receive instructional coursework and the opportunity to expand their external network within the industry. The three-year program (delivered one week per year) focuses on challenges faced by executives in the financial services industry.

Learning objectives and programming topics include enhancing working knowledge in key functions of the financial services industry, providing leadership viewpoints and experiences for future career development, and equipping participants with practical information and resources useful in their present and future responsibilities.

The 2022 year-one cohort included 49 participants:





## LEARNING OPPORTUNITIES FOR ALL SCHWABBIES

We believe that a better employee experience leads to a better client experience, and we are committed to offering our people at all levels the tools and resources to help them build their careers.

### Career Development@Schwab

Separate from our selective enrollment, nomination-based professional development programs, all employees have access to open registration courses that help develop a variety of skills, including effective communications and presentations, leadership, enhanced productivity, coaching essentials, and project management.

Through a continuous cycle of development, our self-directed online resources help employees achieve a stronger sense of where they are in their careers, explore opportunities to gain skills and experiences, and act on their career aspirations.

Since its launch in August 2021, more than 5,000 employees have visited our Career Development@Schwab channel, and more than 4,200 of them visited for the first time in 2022. Nearly 1,800 individual employees took advantage of one or more of our open registration courses in 2022 to enhance their skills and take ownership of their careers. These employees consumed more than 15,000 hours of training across 74 different courses.

## SUPPORTING OUR COLLEAGUES' PERSONAL HEALTH AND FINANCIAL WELL-BEING

Recognizing that our employees span many different life stages and have a variety of work-life needs, Schwab offers a wide range of resources and benefits to support all employees.

### Workplace Flexibility Program

As we completed our return-to-office plan in the first half of 2022, we began to settle into a hybrid work environment through our Workplace Flexibility Program. The program is designed to balance the importance our employees place on workplace flexibility with the benefit of in-person interactions to train and learn from one another, build human connections, and maintain Schwab's culture as we serve our clients. It reflects the trust we have in our employees to work in support of our clients and at the same time create a better work-life balance for themselves.

Initially created to support our dual mandate of serving our clients and safeguarding the health and safety of our employees during the pandemic, our Workplace Flexibility Program has evolved over time in response to changing circumstances and will continue to evolve to reflect shifting demands and market conditions.

In conjunction with our return-to-office plan, we took additional steps to create engaging office environments. We reorganized our workspaces so that those coming into the office more frequently can sit near one another, creating greater opportunity for colleagues to connect, engage, and collaborate.



### **Paid parental leave**

To support all parents in the workforce, Schwab offers six weeks of fully paid parental leave following the birth, adoption, or fostering of a child—regardless of the employee’s gender, sexual orientation, marital status, or caregiver status. Beginning in 2023, we eliminated a 12-month service requirement for eligibility, and this benefit is now available for both full-time and part-time employees on their hire date.

### **Vacation**

Beginning January 1, 2023, we increased vacation accrual for approximately 35% of our employees, largely affecting those with less than three years of service. Following this change, all full-time employees will accrue vacation time at a minimum rate of 15 days per year, an increase of 3 days per year. Vacation time is in addition to sick time, floating holidays, volunteer time off, and sabbatical leave.

### **Employee sabbatical program**

We believe that having time off for personal or professional development contributes to higher levels of future performance and retention. Schwab’s sabbatical program offer long-term employees valuable time to engage in community service, career reflection, and education. Eligible employees may take a 28-day paid sabbatical after five years of employment and every five years thereafter.



## **MANAGING LIFE’S CHALLENGES**

We recognize that life can be a juggling act between work, raising kids, caring for aging parents, looking after pets, maintaining a house, applying for college, and somehow finding time to care for yourself. To help employees better manage life’s challenges, Schwab offers various support and resources through Bright Horizons®, including:

### **Back-up care**

This includes back-up child, adult, and elder care; support for children with special needs; and access to support when an employee’s regular care provider is unavailable.

### **Elder care**

Employees who need guidance throughout the elder caregiving journey have access to free, personalized support and online care planning, communication tools, on-site care assessments, and an experienced care coach who can connect them to resources and specialized providers at every caregiving stage.

### **College coaching**

This program provides access to live events, personalized assistance, and online resources to assist with important aspects of a child’s education. This offering includes one-on-one personalized support ranging from mastering middle school to planning for college.

### **Support for children with special needs**

For employees who have children with learning difficulties, developmental disabilities, or struggles with social skills, this program offers free guidance on their child’s unique situation and includes access to one-on-one personalized assistance to help employees advocate for their child in school.

### **Enhanced family support**

Employees receive free access to a database of family support services, including free premium access to Sittercity® for finding babysitters, virtual sitting, pet care providers, and housekeepers. The program also includes discounts for a local nanny placement service for full-time childcare, elder caregiving resources, learning pods, discounts on academic support, tutoring, test prep services, and preferred enrollment at certain childcare centers.



### GO! Wellbeing@Schwab

In May 2022, we introduced a new well-being program designed with the whole person in mind. GO! Wellbeing@Schwab is a holistic, inclusive well-being program that offers a modern, interactive experience through a customized website and mobile app. Approximately 62% of our employees enrolled in the program, surpassing our participation goal.

Through the GO! Program, Schwab employees can develop their individual well-being across four main pillars: physical, emotional, financial, and social. Activities across all four pillars—not just physical well-being—make the program accessible to everyone. GO! Wellbeing@Schwab provides resources to help our employees thrive—whether they are tracking physical activity, planning personal finances, managing a health condition, joining an ERG, or developing personalized well-being goals with a wellness coach.

To encourage participation, employees can earn up to \$550 in well-being rewards. Employees who are enrolled in a medical plan with a health savings account (HSA) have their reward deposited to their HSA. Those not participating in an HSA receive a taxable cash payment.

### Health benefits

Schwab offers competitive medical, dental, and vision plans for its employees. For 2023, we absorbed all increases in health insurance premiums for our employees, holding premium rates at 2022 levels.

### Support for emotional and mental well-being

Schwab supports employees' emotional and mental well-being by offering an Employee Assistance Program (EAP). Through this program, employees have access to six

confidential counseling sessions with a mental health professional at no cost to the employee.

In 2022, we expanded the program to provide on-site EAP counselors at four of our major employee centers, and we plan to add two additional on-site EAP locations in 2023. The program covers a wide variety of topics, such as managing stress, improving relationships at home or work, and supporting employees with autism spectrum disorder or behavioral needs for themselves or dependent family members.

### Dependent Care FSA

As an additional benefit, Schwab contributes to our employees' Dependent Care Flexible Savings Accounts every month for employees with base salaries up to \$100,000 a year. Eligible employees scheduled to work 30 or more hours per week receive \$100 per dependent, up to \$200 per month, while employees scheduled to work 20–29 hours per week receive \$50 per dependent, up to \$100 per month.

### 401(k)

All employees at Schwab are eligible to contribute to the 401(k) plan as of their date of hire through either pre-tax or after-tax Roth contributions. Schwab contributes \$250 each year after an employee's first contribution and matches employee contributions dollar for dollar up to 5% of the employee's eligible compensation. These Schwab matching contributions vest immediately.

As of December 31, 2022, 97% of our employees participated in the 401(k) plan. Almost all participants contribute at a level that allows them to receive the full match.

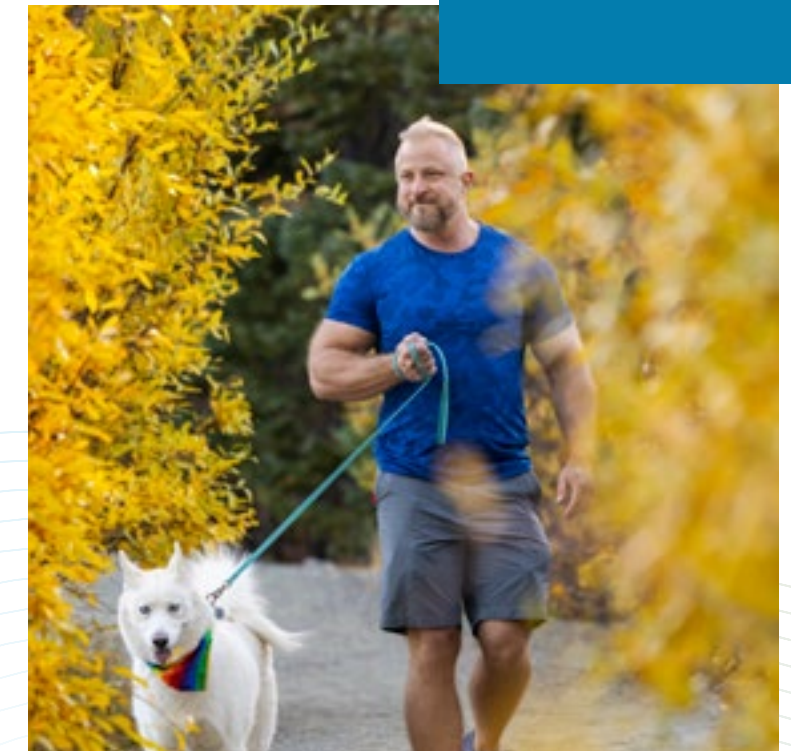
Approximately

62%

of our employees enrolled in the well-being program

97%

of employees participate in the 401(k) plan



Employee stock purchase plan

Schwab offers all eligible employees the opportunity to participate in a tax-qualified employee stock purchase plan. Through this program, employees may purchase Schwab stock at a 15% discount with payroll deductions. More than 50% of employees participate.

Bank services

Employees receive exclusive offers on bank products, including discounts on closing costs and reduced interest rates for mortgage products offered through Schwab Bank.

Employee branch and advice service

Wealth management isn't just for our retail clients. All employees have access to no-cost financial planning sessions specific to their needs, unless they are in a managed account. Consultations can include retirement planning, investment advice, debt management, education planning, estate planning, and budgeting. This service is paid for by Schwab and provided through a branch that is specifically dedicated to serving employees. Employees pay no account maintenance fees and can open many types of accounts without required minimum balances.

Tuition reimbursement

Schwab supports employees in their educational aspirations by offering up to \$3,500 in annual reimbursement for work-related undergraduate courses taken for credit at accredited colleges and universities and up to \$5,250 in annual reimbursement for work-related external training, certification, and graduate and postgraduate degree programs.

Charitable matching and volunteer time off

Schwab strives to be part of our communities, and we want our employees to be involved too. We encourage our employees to get involved in their communities and support their charitable endeavors by offering paid volunteer time. Each year, full-time employees are provided with eight hours and part-time employees are provided with five hours to volunteer.

Through the Employee Matching Gifts program, Schwab matches up to \$1,000 per year of an employee's charitable contributions to eligible nonprofit organizations. See [Supporting Our Communities](#) for more information on the different ways we invest in our communities nationally and locally.

\$5.25k

in annual reimbursement for work-related external training, certification, and graduate and postgraduate degree programs

\$1,000 per year of an employee's charitable contributions to eligible nonprofit organizations is matched by Schwab through the Employee Matching Gifts program

\$3.5k

in annual reimbursement for work-related undergraduate courses taken for credit at accredited colleges and universities



## GOVERNANCE AND LEADERSHIP

Earning and keeping our clients' trust is at the heart of everything we do and guides how we operate. Risk management is not just the responsibility of our compliance department, nor is it viewed as a check-the-box exercise.





## Organizing and governing to build and maintain trust

At Schwab, managing risk is a shared responsibility, starting at the top with our Board of Directors. We earn clients' trust by exercising a careful balance of stability, thoughtful entrepreneurship, and measured risk calculation.

### OUR GOVERNANCE FRAMEWORK

We are fortunate to have the guidance and leadership of our founder, Chuck Schwab, who serves as Co-Chairman of the Board of Directors. He instills a steady vision of trust and client service that permeates our organization. In 2022, the board appointed our Chief Executive Officer, Walt Bettinger, to serve as Co-Chairman along with Mr. Schwab. This change reflects our intention to ensure strategic and leadership continuity for the firm through a long-term succession plan. Mr. Schwab continues to be actively involved in the firm's strategic direction and corporate governance.

Our board maintains four committees: Audit, Compensation, Nominating and Corporate Governance, and Risk. Each committee is chaired by an independent director. Over 78% of our board is independent from management, in accordance with New York Stock Exchange® corporate governance standards. Our director independence standards and backgrounds on each of our directors are available [on our website](#).



We recognize the importance of continuity and experience among our directors as an effective governance practice for fulfilling Schwab’s purpose and risk appetite. Directors serve staggered three-year terms.

**ESG oversight**

A key priority for Schwab is ensuring that our board’s expertise evolves with changing norms and allows for steadfast oversight of management’s execution of our Through Clients’ Eyes strategy. While recognizing that ESG oversight is ultimately the responsibility of the full board, our Nominating and Corporate Governance Committee has primary oversight of our ESG programs and priorities, with reporting to the full board. The committee’s charter reflects this responsibility.

**Board size**

With the TD Ameritrade acquisition and 3 new directors from TD Ameritrade, our board expanded from 14 to 17 directors. While we maintain one of the larger boards among our peers in the financial services industry, we are integrating two of the largest organizations to improve our scale and efficiency for clients. The board expansion provides continuity in the transition and supports the board’s oversight of this integration.

In October 2022, the board appointed Carolyn (Carrie) Schwab-Pomerantz as a director, increasing the size of the board to 18. Ms. Schwab-Pomerantz leads the firm’s efforts across financial literacy, community service, and philanthropy, and she serves as Board Chair of Charles Schwab Foundation and Schwab Charitable.

**Board diversity**

The Nominating and Corporate Governance Committee of our board considers diversity of experience and background—including race, ethnicity, and gender—when determining whether director candidates are qualified for the position. Our board is 39% diverse based on race, ethnicity, and gender. We disclose each director’s self-identified diversity characteristics in our Proxy Statement.

**Executive compensation**

Our Compensation Committee oversees and approves our compensation philosophy consistent with our risk appetite and approves the executive compensation design. In making its decisions, the Compensation Committee takes into account advice and recommendations from an independent compensation consultant hired by the board as well as input from the Co-Chairmen, President, Head of Human Resources, Chief Financial Officer, and Chief Risk Officer.

With respect to our executive team, to encourage collaboration and shared responsibility, we take a “rise together, fall together” approach to compensation, as the performance metrics are based on organizational metrics with adjustments for individual performance. See our [most recent Proxy Statement](#) for more information.

## EXECUTING THROUGH CLIENTS' EYES STRATEGY

Our board oversees management's execution of our Through Clients' Eyes strategy. We use our scale and resources, coupled with expense discipline, to reduce costs and ensure our products and solutions are affordable and responsive to client needs.

Our client-focused organizational design consists of two operating segments supported by several centralized organizations offering products and services delivered by a number of specialized legal entities or subsidiaries. This design allows us to maximize our focus on providing personalized client service while benefiting from the scale created by performing similar functions across distinct client groups.

Organizationally, our Executive Council, led by our Chief Executive Officer, consists of all Managing Directors running corporate functions or business lines, with our Chief Risk Officer and General Auditor having reporting responsibilities to the board. The Executive Council leads the execution of our strategy.

We also maintain various councils that inform execution of our strategy, including a Communications Council, HR Advisory Council, and Regulatory Strategy Council. The councils do not have any formal reporting lines or decision-making authority. Rather, each council is a discussion forum made up of cross-functional leaders, which allows for strategic discussions and a diversity of perspectives.





## RISK MANAGEMENT FRAMEWORK

A fundamental commitment to strong and effective risk management is integral to achieving our vision and executing on our strategy to be the most trusted leader in investment services. Our risk management is a competitive advantage for deepening trust among clients and other stakeholders and preserving our foundation of stability. We continuously evolve risk management consistent with changes in our business and the regulatory environment.

Our board is responsible for holding senior management accountable for implementing the board’s approved risk tolerance; maintaining an effective risk management structure that appropriately identifies, monitors, measures, and controls major types of risk; and managing the company’s actions in a safe and sound manner. Our [2022 Form 10-K](#) explains in more detail the various types of risk we manage.

At the senior management level, our executives manage the process of shaping policies and procedures for the business and control units to identify, measure, and control risks. The Chief Risk Officer leads a Global Risk Committee, comprised of senior executives from each major business and control function, which is responsible for the oversight of risk management. This includes identifying risks; assessing risk management practices and the control environment; reinforcing business accountability for risk management, supervisory controls and regulatory compliance; supporting resource prioritization across the organization; and escalating significant issues to the board. Several functional risk subcommittees across the enterprise report to the Global Risk Committee.

The Chief Risk Officer advises the board and its committees on risk management activities consistent with the company’s risk appetite statements and strategic plan. Our board’s Risk Committee assists the full board in fulfilling these responsibilities by setting the types and levels of risk the company is willing to take and supporting the independence and stature of independent risk management. More information on our board’s Risk Committee is provided [here](#).

The board’s Audit Committee reviews reports from management and the board’s Risk Committee concerning the company’s risk assessment and major risk exposures and the steps management has taken to monitor and control such exposures. The board’s Compensation Committee oversees incentive compensation risk and reviews the compensation program with respect to the potential impact of risk-taking by employees. The Compensation Committee is supported, in part, by a management-level Incentive Compensation Risk Oversight Committee that conducts the annual risk assessment of incentive plans.

Our board has approved an Enterprise Risk Management framework that enables a comprehensive approach to managing risks encountered in the course of Schwab’s business activities. Our risk appetite under this framework—defined as the amount of risk the company is willing to accept in pursuit of its business activities—is developed by senior management and approved by the board. See our [2022 Annual Report](#) for more information.

Our team-based, company-wide approach to risk management is formally structured with three lines of defense. Our first line of defense is embedded in the business and control functions, supported by the First Line Risk Management Office. This independent organization supports our business units and support organizations by creating efficient and consistent risk management practices; expanding risk identification, management, and reporting; and ensuring effective integration of risk information within our business units.

Our second line of defense is our Corporate Risk Management team, which is responsible for developing and maintaining enterprise risk management. It is also responsible for, among other duties, developing and maintaining the company’s risk appetite framework and risk appetite monitoring metrics and for reporting risk matters to the board’s Risk Committee.

Our third line of defense is our Internal Audit Department. Using a systematic, disciplined approach, this team evaluates and improves the effectiveness of risk management, control, and governance processes for the benefit of the first and second lines and for reporting to the Audit Committee of the board. This helps us enhance and protect our enterprise’s value by providing risk-based and objective assurance, advice, and insight.



BUSINESS CONDUCT AND ETHICS

The Compliance Risk Committee, a functional risk subcommittee reporting to the Global Risk Committee, oversees compliance risk management programs and policies. This subcommittee includes additional subcommittees covering fiduciary and conflict-of-interest risk. The Human Resources Policy Governance Committee is responsible for workforce-related policies.

We maintain a number of workplace and corporate compliance policies and standards, as well as avenues for reporting and oversight. Our policies and standards serve as the foundation of our business and culture.

- Our [Code of Business Conduct and Ethics](#) captures our policies on general corporate and personal standards of conduct, conflicts of interest, confidentiality of information, employment practices, business practices, and compliance procedures. More importantly, it underscores how we earn our clients’ trust by treating clients in an ethical, empathetic, and proactive way.
- Our Enterprise Risk Management Policy supports the minimum requirements for risk management activities across Schwab and our framework described above.
- Our Compliance Risk Management Policy outlines our compliance risk management program, consistent with our board-approved compliance risk appetite.
- Our policy on Workplace Behavior Expectations describes expected standards of behavior that extend beyond compliance with laws, such as anti-discrimination and anti-harassment laws.

We maintain a number of additional policies covering a range of topics, including employment-related policies, anti-bribery, anti-money laundering, and conflicts of interest.

For workplace issues, we encourage open communication to resolve any conflicts by discussing concerns with managers, Compliance, or Human Resources, all of whom will treat matters confidentially and are obligated not to engage in any retaliatory behavior.

Understanding that these matters can be uncomfortable, we offer a number of pathways for employees to report conduct and ethics concerns. Employees can report suspected violations of our Code of Business Conduct and Ethics to the Corporate Responsibility Officer directly or to Conduct Risk Management via a tip line.

The Ombudsperson program offers a confidential alternative that employees can use to report anonymously. Using an outside ombudsperson allows for added assurance of confidentiality and anonymity.

Internal reporting channels and procedures are communicated through trainings and policies. We maintain hotlines for anti-money laundering/Office of Foreign Assets Control (OFAC) issues through the compliance department and corporate legal services. Concerns about potential financial crimes may be

confidentially reported to the Bank Secrecy Act (BSA) Officer in the Corporate Anti-Money Laundering Department and escalated to the Corporate Responsibility Officer.

Schwab maintains a non-retaliation policy for any employee who reports or is the subject of any allegations of unlawful or unethical behavior in violation of laws, our Code of Conduct, or any other policies.

REGULATORY AND COMPLIANCE TRAINING

To help ensure adherence to our policies, we offer more than 50 training courses related to compliance and conduct. These courses help employees understand Schwab’s legal and regulatory compliance obligations and how all employees play a part in ensuring that Schwab meets them.

All Schwab employees complete our Enterprise Risk Management Annual Training, which promotes risk awareness and supports a culture of compliance and ethical behavior that is embedded in decision-making and risk management processes. Topics covered in the training include conflicts of interest, conduct risk, financial crimes, information security, and risk management.



PUBLIC POLICY ENGAGEMENT

Participation in the regulatory and legislative process is guided by our long-standing vision to democratize investing and our belief that investing has the power to transform lives. Schwab’s Office of Legislative and Regulatory Affairs’ mission is to encourage and support the creation of responsible government policies that help our clients achieve their financial goals and the company grow and succeed.

We work to educate policymakers at the international, federal, state, and local levels about the effect of public policy proposals on individual investors and RIAs. We proactively encourage legislation and regulations that benefit our clients and individual investors generally, and we participate in the legislative and regulatory processes by communicating the company’s views on policy proposals that affect investors. We also keep our employees informed of key legislative issues to allow them to better serve our clients and enhance our clients’ abilities to achieve their investment goals.

Oversight

Our Office of Legislative and Regulatory Affairs, located in Washington, D.C., executes our lobbying activities with oversight by the Corporate General Counsel and the Nominating and Corporate Governance Committee of the Board of Directors. Our Head of Legislative and Regulatory Affairs has standing meetings with the General Counsel.

The Legislative and Regulatory Affairs team meets regularly with the Regulatory Strategy Council, a committee of senior executives. The Regulatory Strategy Council provides advice and oversight for Schwab’s advocacy strategies on policy issues of importance to clients and the company, as well as our relationships with trade associations. Depending on the issue, the council engages with the appropriate business unit to gain insights that help shape the advocacy strategy needed to reflect our vision.

The Nominating and Corporate Governance Committee of the Board of Directors reviews our public policy and advocacy activities. The committee receives regular reports on our lobbying activity, annually reviews our membership in trade associations that engage in lobbying activity, and reviews our corporate spending on lobbying and advocacy activities. In addition, quarterly reports on pending legislative and regulatory policy issues of significance to the company are provided to the Risk Committee of the Board of Directors.

Schwab is subject to extensive federal, state, and local lobbying disclosure requirements, which include the filing of reports with Congress and applicable state agencies. Our reports on federal lobbying activities are publicly available on the websites of the [U.S. House of Representatives](#) and the [U.S. Senate](#). These reports provide information on activities to influence legislation through communication with any member or employee of Congress or with any covered executive branch official. The reports also provide disclosure on expenditures for the applicable quarter, describe the specific pieces of legislation that were the topic of communications, and identify the individuals who lobbied on behalf of the company or any of its subsidiaries.

In addition, as required under state law, we disclose our lobbying activity in the states in which we are actively engaged in lobbying. In most cases, these disclosures are publicly available at the government disclosure sites by following the instructions on each website and searching for “Charles Schwab Corporation” where appropriate.

Our publicly available [policy overview](#) further outlines the company’s oversight with respect to lobbying activities and reporting.

### Political contributions

Schwab does not use corporate funds for direct political spending. We do not endorse or financially support any political party or individual political candidate. Similarly, we do not make any donations or payments to 501(c)(4) social welfare nonprofits.

Any financial support was previously and solely provided through Schwab's Political Action Committee (PAC), funded by voluntary contributions from our employees and directors. We discontinued the PAC in 2021 and contributed the remaining funds to the Boys & Girls Clubs of America and historically Black colleges and universities.

We respect the right of our employees to individually participate in the political process. Employees may participate in the political process or make political contributions from personal funds subject to applicable law.

### Advocacy

We focus our advocacy efforts on policy positions that support our clients' investment goals. We also use our position as the leading custodian to drive awareness and to support the continued growth of the RIA industry and our nearly 15,000 client firms. The following are some examples of our lobbying efforts:

- For more than two decades, Schwab has advocated for improvements to the system by which market data is distributed to investors with the goal of leveling the playing field between the depth and quality of market information available to institutional investors and individual investors. Those efforts have included multiple comment letters to the SEC, testifying at hearings on Capitol Hill, and educating policymakers to help them understand the differences between the cost and quality of information available to institutional and individual investors.
- Schwab has been a leader in the ongoing effort to ensure money market mutual funds remain a resilient investment option while also seeking to improve the transparency and stability of these funds. As U.S. and global regulators have made a series of changes to the rules governing money market funds, Schwab has been a consistent participant, submitting comment letters, meeting with regulators and other policymakers, and suggesting reforms that balance the needs of individual investors with the importance of ensuring the systemic stability of money market funds.
- The trading volatility of the pandemic era intensified the dialogue around the rules governing U.S. equity market structure, including routing of order flow and how market participants are compensated for the services they offer and the risks they take. As regulators and legislators consider potential actions to take with respect to U.S. equity market structure, we have advocated on behalf of retail investors, including through meetings with officials at the SEC and members of Congress.





**Trade associations**

We are members of a number of trade associations that are core to our business and vision. Trade associations provide valuable professional education, training, and networking opportunities. Many trade associations also engage in lobbying activities on issues of importance to the businesses they represent.

Schwab’s membership in a trade association is not an endorsement of the group’s activities or positions on public policy issues. Indeed, Schwab’s views on an issue can and do differ from those of a trade association of which we are a member.

In keeping with federal requirements, the percentage of dues paid to trade associations that are attributable to lobbying activities must be included in the calculation of the total amount the firm spends on lobbying on a quarterly basis. Based on the information reported to us by these trade associations for 2022, the aggregate amount of our dues designated by these trade associations as attributable to the company for lobbying was approximately \$583,000.

Membership in trade associations that engage in lobbying activity is reviewed annually by the Nominating and Corporate Governance Committee of the Board of Directors, and we regularly evaluate our participation in trade associations and industry groups, weighing the costs and benefits of continued membership.

**In 2022, we belonged to the following trade associations through our Office of Legislative and Regulatory Affairs:**

- American Bankers Association
- American Bankers Association Securities Association
- American Chamber of Commerce to the European Union
- Bank Policy Institute
- California Chamber of Commerce
- Consumer Bankers Association
- Financial Data Exchange
- Investment Company Institute
- National Business Coalition on E-Commerce and Privacy
- San Francisco Chamber of Commerce
- Securities Industry and Financial Markets Association
- Securities Industry and Financial Markets Association Asset Management Group
- Texas Bankers Association

## COMMUNITY

We opened our doors to banking in April 2003 by offering a narrow range of products for the benefit of individual clients through Charles Schwab Bank, SSB (Schwab Bank). Today, we provide selected banking services through Charles Schwab Banking & Trust Services, which includes three banking entities and two trust companies that are wholly owned subsidiaries of The Charles Schwab Corporation.







## Investing in our communities

Our banking services include interest-bearing checking accounts, savings accounts, and loan products such as overdraft lines of credit, home equity lines of credit, residential mortgage loans for home purchases and refinancing, and securities-based lines of credit.

Two of our bank subsidiaries, Schwab Bank and Charles Schwab Premier Bank, SSB are subject to the Community Reinvestment Act (CRA). Through the Community Development Group of Schwab Bank, we take a strategic and tailored approach to meeting the needs of the communities in which we do business, including the needs of low- and moderate-income neighborhoods. Our CRA programs reflect our Through Clients' Eyes strategy by increasing access to investing, supporting our D&I programs, enhancing our efforts to support our community, and meeting our requirements under the CRA.

## OVERSIGHT

Each of our banks that is subject to the CRA has a CRA Committee that oversees the CRA program. The CRA Committees are composed of senior officers of Schwab Banking & Trust Services and The Charles Schwab Corporation and are subcommittees of Schwab Bank's Management Committee.

Together, the CRA Committees and the Management Committee ensure that adequate resources are dedicated to the CRA program in order to implement the CRA Strategic Plans. The Nominating and Corporate Governance Committee of Schwab's Board of Directors is responsible for reviewing our CRA activities and performance.

To comply with the CRA, each bank develops a three-year Strategic Plan that is tailored to the needs of the communities served by the bank. Each Strategic Plan is submitted for public comment and to the Federal Reserve Board for approval.

Each bank's Board of Directors is responsible for approving the bank's CRA Strategic Plan and assessment areas and for appointing the CRA Officer, who also serves as Chairperson of the CRA Committee. The CRA Officer oversees a team responsible for:

- Developing, managing, and coordinating CRA Strategic Plan implementation across business and support units
- Providing community development loans, investments, and services, as defined in the Strategic Plans

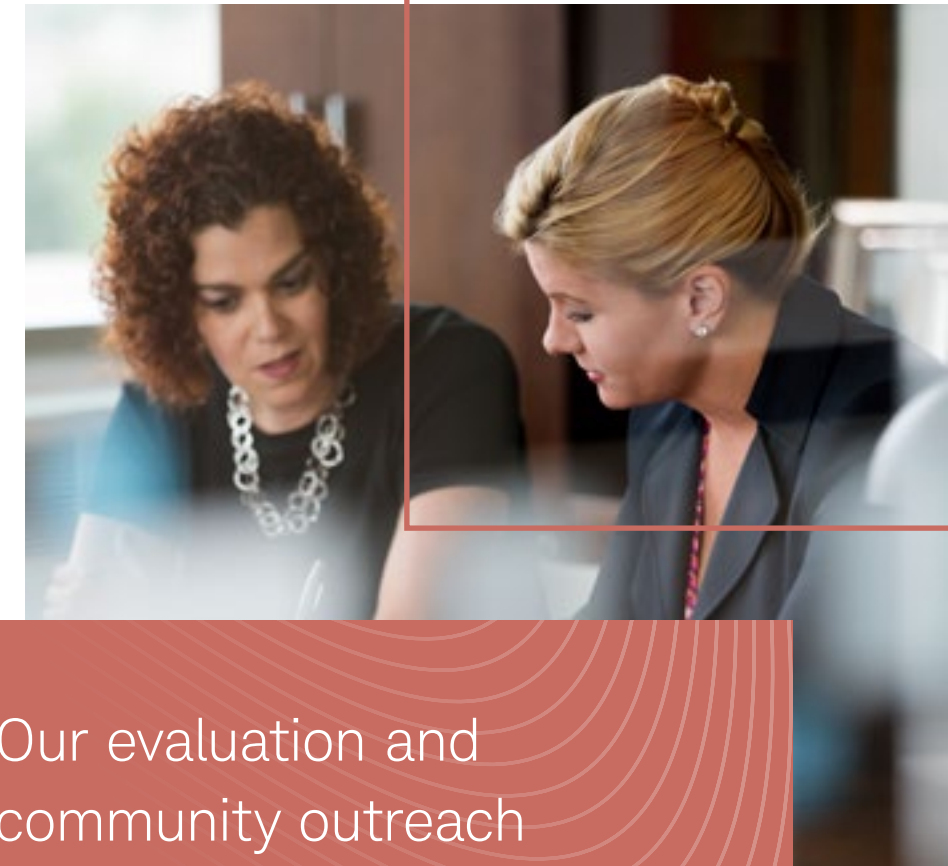
The current Strategic Plans are in effect from January 1, 2022, through December 31, 2024.

## DEVELOPING OUR STRATEGIC PLANS

In developing our Strategic Plans, we generally evaluate specific geographies (called "assessment areas") for four types of opportunities: loans and investments (primarily through Community Development Financial Institutions [CDFIs] and Low-Income Housing Tax Credit), grants, and community service. We pursue our Strategic Plan goals through a community partnership strategy that aims to leverage the expertise of local, regional, and national partners to undertake community-focused initiatives within targeted sectors.

In determining what opportunities to pursue, we consider a number of factors that help us understand the communities' needs, including population changes, demographics, economic and housing information, unemployment rates, poverty rates, homeownership rates, and market competition. We also engage in community outreach, which can include meetings with nonprofits, state and local governments, chambers of commerce, and universities as well as hosting roundtables.

Our evaluation and community outreach efforts help us assess and prioritize the needs of the communities and, in turn, our opportunities to leverage our resources to create impact. Community needs generally include affordable housing, small business development for job growth, and financial capability. We set annual goals based on how much we expect to lend and invest, as well as annual goals for community service.



Our evaluation and community outreach efforts help us assess and prioritize the needs of the communities and, in turn, our opportunities to leverage our resources to create impact.



CREATING IMPACT

We typically employ an intermediary strategy for our CRA investment and lending activities. This allows us to partner with institutions and organizations that know the communities. While our efforts are tailored to a community, our focus and activities can include the following:

Fueling local and regional economies

We partner with and invest in CDFIs, primarily throughout the Western and Southwestern United States. Our loans and investments in CDFIs represented about 50% of our annual commitment volume in 2022. We seek to loan to and invest in CDFIs that primarily support affordable housing, small business development, microfinance, and community facilities such as charter schools, health care facilities, and childcare centers.

In 2022, we loaned \$5 million to Grameen America, the nation’s fastest-growing microfinance organization. Grameen America provides small business loans, financial education, and peer support to low-income women of color to increase their wealth and create jobs in their communities.

In 2022, we made 384 small business loans totaling \$166 million and 17 community development loans totaling \$385 million.

Affordable housing

Approximately 50% of our annual commitments are invested in affordable housing. These consist of investments in real estate partnerships that invest in projects eligible for low-income housing tax credits for multi-family affordable housing.

We also invest in innovative funds and with emerging fund managers. In 2022, we funded a portion of our \$10 million investment in the SDS Supportive Housing Fund, which uses equity instead of debt to build permanent supportive housing. The fund is partnering with nonprofit landowners and municipalities in California to create 3,000 units of permanent housing for its homeless population.

Community service and grants

Aligned with Schwab’s broader community efforts to advance financial literacy, Schwab Bank makes grants to local organizations to deliver programs that support these goals. In 2022, we funded the Equitable Development Initiative, which is aimed at supporting emerging real estate developers of color to create affordable housing in Dallas.

In 2022, we provided more than 2,800 hours of community development services for the assessment areas identified in our 2022-2024 Strategic Plans.

OUR PERFORMANCE

The Federal Reserve evaluates our performance, and we have received an Outstanding CRA rating in our last three performance evaluations. In support of this rating, we met or exceeded our performance goals under the lending, investment, and service tests of our Strategic Plans.

50%

of our annual commitment volume was loans and investments in CDFIs



~50%

of our annual commitments are invested in affordable housing

\$166M

in loans to 384 small businesses were made in 2022



## GIVING BACK

We are invested in our communities. Aligned with our vision of being the most trusted leader in investment services, we support our communities in a multitude of ways. Our community initiatives advance financial literacy at all stages of life, with a focus on underrepresented groups. We also support our communities through volunteer efforts, corporate and employee giving initiatives, and mentorship.







## Supporting our communities

Serving our communities is also one key pillar in our four-pillar strategy for advancing diversity and inclusion. We believe that making an impact on historically underrepresented communities, as well as supporting the communities where we work and live, will lead to greater diversity and inclusion both within our own walls and throughout the marketplace.

### FINANCIAL LITERACY

A lack of financial literacy has real consequences in people's lives and can limit access to college, housing, and good jobs. Schwab's focus on financial literacy is grounded in our commitment to help change this trajectory by empowering individuals with the financial confidence they need to take ownership of their financial futures. Financial literacy can also help address some of the biggest social issues we're facing in our country. Schwab has partnered with leading nonprofits and community organizations for decades to educate and equip people of all ages with the knowledge, skills, and behaviors it takes to become financially confident and secure.



## Moneywise America™

Launched in 2021, Moneywise America builds on our long-standing commitment to making financial literacy more accessible for everyone. This financial literacy program is designed to help level the economic playing field for people across the country by increasing access to high-quality financial education, with a focus on reaching youth in under-resourced communities and schools.

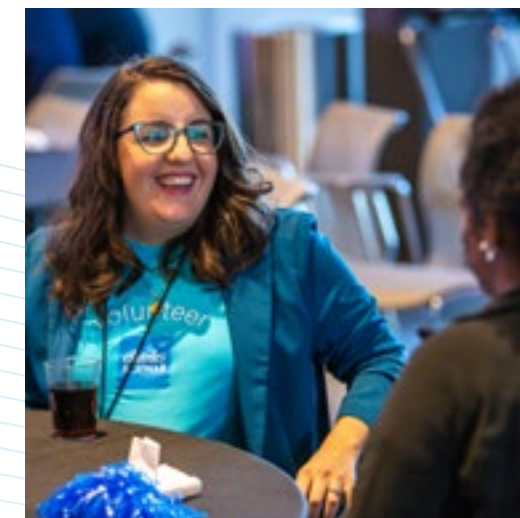
Moneywise America has two core components: a corps of Schwab employee volunteers trained and certified to facilitate financial education for people across the country and a standards-based financial literacy curriculum for schools and nonprofits that may not have their own financial literacy content.

To celebrate Moneywise America's one-year anniversary, Schwab welcomed 220 students from underserved communities to our Westlake headquarters in October 2022 for an all-day financial literacy field trip. Each student received a \$1,000 scholarship to support post-secondary educational opportunities and enjoyed a full day of financial education and career sessions supported by more than 200 Schwab employee volunteers.

By the close of 2022:

- Nearly 2,000 employees have participated in Moneywise America volunteer training.
- More than 1,300 employees have participated in a Moneywise America financial literacy volunteer event.
- More than 5,650 individuals have been reached through Moneywise America educational sessions.
- Moneywise America volunteers have served approximately 75 schools and nonprofits across the U.S.

## MONEYWISE AMERICA'S ONE-YEAR ANNIVERSARY





### Girl Scouts of the USA

In 2022, Schwab partnered with Girl Scouts of the USA on a unique project to redesign the organization’s curriculum for earning financial literacy badges, with a focus on financial wellness and financial empowerment.

In modernizing the new curriculum and badge system, Schwab and Girl Scouts focused on removing gender bias, which perpetuates the tendency for girls to be taught financial topics that are different from those taught to boys. Badges now cover topics like investing and retirement.

Girl Scouts is one of the largest youth-serving organizations in the country, offering many opportunities for Schwab employees to volunteer and engage with local troops on financial literacy topics. In 2022, Schwab and Girl Scouts piloted volunteer models for financial literacy training in six key employment locations, aiming to create an effective and replicable employee engagement program to launch nationally in 2023.

### Personal Finance Reporting

In April 2022, Schwab announced a unique partnership with the Associated Press to break down barriers to financial literacy. This partnership advances explanatory journalism by spreading personal finance knowledge to historically underrepresented audiences.

The partnership, funded by Charles Schwab Foundation, supports a team of two beat reporters to cover personal finance topics and make that information accessible to younger, less affluent, and racially and ethnically diverse people—including people of color, Spanish speakers, and middle- and lower-income households.

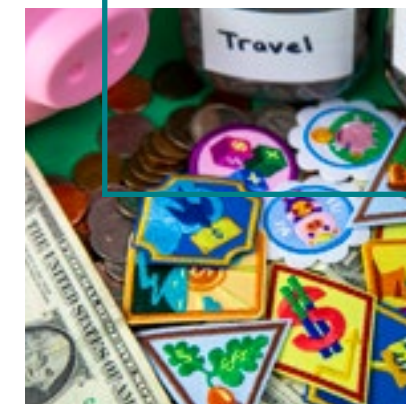
Most of the team’s articles are published in both English and Spanish, and they are amplifying their work on social media by hosting Twitter Spaces conversations, establishing a TikTok presence, and creating a number of explainer videos to drive visitors to their articles on AP’s website.

### Boys & Girls Clubs of America

Since 2003, Schwab has partnered with Boys & Girls Clubs of America (BGCA) to help more than 1.1 million youth gain critical money management skills through Money Matters: Make It Count, a youth financial education program designed for the Club environment. This program, developed by Schwab in partnership with BGCA, is designed to provide teens with a solid foundation in financial literacy so they can make empowered financial choices as adults.

Through staff-led financial literacy sessions, teens develop skills such as goal setting, budgeting, saving, and investing. In addition, teens practice their financial decision-making skills through fun, engaging digital tools and games. BGCA also pairs youth with supportive BGCA mentors and volunteers, including Schwab employees, to develop the financial skills that can lead to workplace readiness, lifelong financial stability, and overall success. Our employee volunteers can leverage the training they receive through the Moneywise America™ program to add greater value to this partnership.

Schwab partnered with Girl Scouts of the USA to modernize and relaunch the financial literacy badge program.



In 2022, Schwab funded 11 Money Matters college scholarships for high school students who demonstrated financial literacy capability and leadership in encouraging other students to improve their financial literacy. Since 2003, Schwab has awarded more than \$670,000 to over 325 Money Matters scholarship winners.

#### DonorsChoose

Schwab partners with DonorsChoose® to support teachers by providing tools and resources to help them be more proficient in teaching financial literacy in their classrooms. Schwab provides support for qualifying financial literacy projects by matching donations during two yearly campaigns. Since 2017, Schwab has supported more than 9,300 teachers in more than 7,100 schools across all 50 states, providing them the educational and financial literacy resources needed to deliver financial education to more than 1.5 million students.

#### SIFMA Foundation's Capitol Hill Challenge™

Schwab partners with the SIFMA Foundation to support the Capitol Hill Challenge, a 14-week financial education competition that matches members of Congress with students, teachers, and schools in their respective district or state to teach middle and high school students from high-needs schools about saving, investing, and civics.

Student teams manage a hypothetical \$100,000 online portfolio and invest in real stocks, bonds, and mutual funds. Through the competition, teams learn about the capital markets and civics as they work together to maximize the returns on their portfolios.

In 2022, 7,000 students representing public schools in every U.S. congressional district participated in the program, with the year's top 10 schools beating the S&P 500 index during the 14 weeks of the challenge with portfolio asset appreciation in the 10%–17% range.

### CORPORATE PHILANTHROPY AND EMPLOYEE GIVING

Schwab is invested in making a difference in the places where we live and work through our time, talent, and financial resources. We support a wide range of charitable giving and community service programs, and we help our people devote their energies to giving back to causes that matter to them and their communities.

Schwab is passionate about supporting local causes and charitable activities, especially those that support financial literacy development. We channel that passion by providing grants, corporate sponsorships, and disaster relief funding to a variety of nonprofits.

Schwab has a group of more than 200 volunteer Community Ambassadors across our employment centers who provide local leadership. Community Ambassadors spearhead and organize hundreds of events that support employee volunteerism, including local fundraising events, walk-a-thons, bake sales, and food drives. Schwab provides similar community support through ongoing programs in our service centers and branch network. And we provide administrative help for various nonprofits and make our facilities available for community groups and events.

We are proud to be an honoree of The Civic 50 from Points of Light, which has recognized us as one of the 50 most community-minded companies in the country every year since 2017.





56%

of employees participated in some type of giving or service program in 2022, including matching gifts, volunteering, and Moneywise America™ training

\$13.1M

in financial support to nonprofit organizations in 2022



7K

students participated in the Capitol Hill Challenge

\$126M+

donated in direct grants by Charles Schwab Foundation since 1995



144,500+

employee volunteer hours in support of our communities in 2022



\$6.6M

in employee donations and matching gifts to over 6,300 organizations in 2022

6,850+

nonprofit organizations received financial support in 2022

Schwab Volunteer Weeks

Schwab Volunteer Weeks began as a single day of service on May 13, 2004, with just over 1,000 employee volunteers serving 37 nonprofits in seven cities across the country. Since then, the annual event has grown to include thousands of employee volunteers.

After two years of virtual service during the COVID-19 pandemic, Schwab Volunteer Weeks returned to in-person service in 2022 and saw record participation. Schwab employees filled more than 9,200 volunteer spots in support of 850 service projects and 360 nonprofit partners across the country.

While many of the 2022 projects addressed local needs, we also supported a number of our national nonprofit partners in their ongoing efforts to tackle major issues such as housing affordability, food insecurity, and financial literacy. Employees from San Francisco to Jersey City and Omaha to Westlake donated their time to national programs such as:

- Facilitating financial literacy workshops for youth at Boys & Girls Clubs of America, which seeks to enable young people to reach their full potential
- Building homes with Habitat for Humanity, which provides access to adequate, affordable shelter for low-income and historically underserved families
- Calling and talking with seniors through Meals on Wheels, which addresses hunger and isolation to improve the health and quality of life of senior citizens

In recognition of employee efforts during Schwab Volunteer Weeks, Charles Schwab Foundation made \$500,000 in grants to the participating nonprofits.

PRO BONO CHALLENGE

Our Pro Bono Challenge is a skills-based flash consulting event that enables Schwab employees to use their time, talents, and expertise to help local nonprofit organizations expand their impact in our communities.

The annual event brings together hundreds of Schwab employee volunteers and dozens of nonprofits from across the country for skills-based projects that leverage team members’ expertise to build social sector capacity and help vital community organizations grow and thrive.

More than 250 Schwab employee volunteers participated in the 2022 Pro Bono Challenge, providing consulting services valued at more than \$443,000 for 42 nonprofits across the U.S. Their capacity-building projects spanned marketing, client relations, HR, finance, IT, and more.

9,200

Schwabbies filled more than 9,200 volunteer spots in support of 850 service projects and 360 nonprofit partners across the country





## ENVIRONMENT

We recognize that our operations have an impact on the environment, and we aim to conduct our business in ways that reduce our environmental impact. As a corporate citizen, we understand that creating a positive impact on the environment is important to many of our clients, employees, stockholders, and the communities we serve.







## Being good stewards of our environment

Our direct environmental impact comes primarily from our real estate footprint, which includes our corporate facilities, branch locations, and data centers. Schwab takes a project-based approach to reducing our environmental impact, studying the conditions at each location and pursuing opportunities for improvement as they arise.

As climate change becomes a more prominent issue for a growing subset of our clients and vendors, we are looking to address our climate impact in new ways that balance our vision, our recent growth, and our role as a corporate citizen.

Below we share our current environmental initiatives and our accomplishments through December 31, 2022.

### OVERSIGHT AND EMPLOYEE ENGAGEMENT

The Managing Director, Head of Corporate Real Estate and Security assesses and manages environmental risks and opportunities and reports to the Chief Financial Officer. In 2022, we added a Senior Manager, Energy and Sustainability to our Corporate Real Estate team to lead environmental initiatives for our corporate and branch locations.

Schwab employees who are interested in reducing our environmental footprint can engage on these issues through Schwab Employees for the Environment (SEE). SEE members are volunteer champions dedicated to promoting and celebrating environmental responsibility at Schwab. They share a passion for sustainability and work to create a greener work environment. They also support sustainability efforts in our local communities. SEE members bring ideas and opportunities to the Corporate Real Estate team for discussion and, where appropriate, implementation.

While SEE's ability to assemble and volunteer at pre-pandemic levels continued to be challenged in 2022, the organization was able to conduct its annual computer donation program in partnership with Schwab Technology Services. In 2022, SEE volunteers collected, refurbished, and donated more than 380 Schwab computers valued at nearly \$200,000 to 10 local nonprofits across our geographic footprint.



CARBON AND ENERGY REDUCTION

We strive to reduce our carbon footprint through energy conservation and the use of renewable energy sources. We annually measure and report Scope 1 and Scope 2 greenhouse gas emissions for our corporate facilities, branch locations, and data centers through CDP.\*

Our annual measurement for 2021, which we reported to CDP in 2022, included for the first time emissions from facilities added to our portfolio with our acquisition of TD Ameritrade, which significantly increased our real estate footprint, our employee headcount, and our total greenhouse gas emissions in 2021.

Over the 10-year period from 2011 through 2021, our total employee headcount increased by 137%, our portfolio square footage grew by 169%, and our total carbon emissions increased by only 40%. During the same period, we reduced carbon emissions per full-time employee by over 40%, and we reduced emissions per square foot by 50%. With the TD Ameritrade properties now included in Schwab’s corporate real estate portfolio, we will continue to explore ways to reduce our carbon footprint.

A significant way in which we are reducing our greenhouse gas emissions is through solar projects. Our state-of-the-art solar farm in North Texas has the capacity to produce approximately 4,600 megawatt-hours annually, reducing our carbon dioxide emissions by approximately 1,913 metric tons per year. Electricity generated by the solar farm fully

powers our North Texas data center. Any unused power we produce is sold back to the grid to offset our energy costs.

In 2022, we began construction on a new rooftop solar project at our Phoenix campus, which we expect to complete in the first half of 2023. We estimate that this project will generate 993 megawatt-hours annually, which we will use to offset our consumption of energy from non-renewable sources. We continue to evaluate other solar investments at our major campuses, such as applying solar to new locations and to car canopies and building roofs at existing locations.

We are also reducing our energy usage through how we work day to day. In January 2021, we announced that laptops would be the default computer offering. Each laptop consumes approximately 80% less energy than desktop computers, along with generating less heat. We completed this conversion in 2022, reclaiming 4,377 desktop computers and deploying over 7,500 laptops. More than 37,000 laptops are in use today, compared to approximately 2,600 desktop computers.

Our Corporate Real Estate team tracks our energy savings within our ENERGY STAR® Portfolio Manager site and observes the impact on our generator and UPS (Uninterrupted Power Supply) systems. In 2021, we completed a UPS modernization project for our Phoenix data center. This project resulted in energy savings of more than 11% for the building, or approximately 306 megawatt-hours per year, allowing us to reduce our carbon dioxide emissions by 217 metric tons annually.



\*Measurements are not third-party verified and represent internal calculations using the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard. Emissions data for 2021 include estimated emissions for TD Ameritrade facilities based on 2021 partial-year actual data. Data for 2021 also excludes certain retail branch locations and two TD Ameritrade co-location data centers for which data was not available.



## SUSTAINABLE REAL ESTATE

All Schwab properties are enrolled in the U.S. Environmental Protection Agency’s ENERGY STAR® program for benchmarking. In addition, many of our properties, both Schwab and former TD Ameritrade locations, are LEED-certified, including Platinum (2), Gold (18), and Silver (16) certification levels.

Our Corporate Real Estate team actively identifies opportunities to implement water conservation measures for our properties. During the design process for our office spaces, we specify low-flow fixtures and sustainable landscaping, which can include xeriscaping, drought-tolerant native plants and shrubs, smart irrigation with flow shut-off sensors, and rain/freeze sensors. Landscaping at our Westlake campus, for example, incorporates native and adaptable plants that can thrive with minimal water, allowing us to reduce our water usage.

## RESPONSIBLE SOURCING

We don’t forget about the small ways to minimize our environmental footprint that add up to make a big difference. Some examples are:

- Working with vendors that use recycled content and sustainable products
- Sourcing environmentally responsible products, including paper products certified by the Forest Stewardship Council and/or that contain post-consumer recycled content, high-yield ink and toner cartridges, and rechargeable batteries
- Reducing the use of paper in our day-to-day operations through a variety of initiatives, such as redesigning lengthy client reporting documents to make them shorter and simpler, which is expected to decrease paper usage for those reports by approximately 40%

## WASTE REDUCTION

Since January 2017, we have partnered with Green Standards to sustainably manage the resale, recycling, and donation of office furniture and equipment in certain locations. This initiative has both an environmental and a social impact, combining waste reduction with meaningful benefits to organizations within our communities.

Our partnership with Green Standards has allowed us to divert a total of approximately 1,487 tons of waste from landfills, resulting in a reduction of 4,081 metric tons of carbon emissions since 2017. The waste diverted through this program consists of workplace furniture and equipment, of which approximately 42% was resold, 38% was recycled, and 14.6% was donated. This initiative also has had a positive impact on our communities, with 45 beneficiaries receiving more than \$287,000 of in-kind donations as of December 2022.

In 2022, we centralized much of our waste management function through a third-party provider that is responsible for contracting and bill payment for solid waste services across all of our locations. Our third-party provider will also collect data on costs and volume of waste removed. We expect this data collection effort to give us increased visibility into how much of our routine solid waste is recycled, composted, or sent to landfills.

Additional information about our ongoing environmental efforts is available on our [Environmental Stewardship](#) page.



## APPENDICES



# Awards

## Industry recognition



**Investor's Business Daily and MarketWatch  
25 Most Trusted Financial Companies**

*Recognized by consumers for second  
consecutive year*

Thousands of survey respondents rated their financial service providers on seven key attributes: quality of products and services, ethical business practices and values, commitment to protecting the privacy and security of personal data, service/treatment of others, fair prices/fees for products and services, sensitivity to customer needs in the current economic and financial climate, and innovation of processes and offerings. Charles Schwab took 3 of the top 25 spots for our online brokerage, wealth management, and ETF/fund businesses. Additionally, Schwab ranked second among wealth managers and third among online brokers.

## Community service recognition



**The Civic 50**

*Recognized since 2017 by Points of Light, the  
world's largest organization dedicated to  
volunteer service*

The Civic 50 recognizes the 50 most community-minded companies in the nation each year and showcases how companies can use their time, skills, and resources to drive social impact in their communities. Honorees are companies with annual U.S. revenues of at least \$1 billion and are selected based on four dimensions of their corporate citizenship and social impact programs: investment of resources, integration across business functions, institutionalization through policies and systems, and impact measurement.

For industry awards and recognition, in many cases, Schwab has paid a licensing fee to the awarding company for use of the logo and award.



# Awards

## Diversity and inclusion recognition



**2022 Best Places to Work for LGBTQ+ Equality**  
*Awarded by the Human Rights Campaign*

Schwab has received a 100% rating on the Human Rights Campaign's Corporate Equality Index every year since 2004, being recognized as one of the Best Places to Work for LGBTQ+ Equality.



**2022 Top 50 Employers**  
*Awarded by readers of CAREERS & the disABLED magazine*

The readers of *CAREERS & the disABLED* magazine selected the top companies in the country for which they would most prefer to work or that they believe provide a positive working environment for people with disabilities. This list is the result of an annual survey mailed and emailed to randomly selected readers.



**2022 Best Places to Work for Disability Inclusion**  
*Awarded by Disability Equality Index*

Schwab scored 100% on the 2022 Disability Equality Index, being recognized as one of the Best Places to Work for Disability Inclusion.



**2022 Forbes Best Employers for Women**  
Schwab ranked 309 out of 400 employers based on a survey of 50,000 Americans—30,000 women and 20,000 men—working for businesses with at least 1,000 employees. All respondents were asked to rate their organizations on criteria such as working conditions, diversity, and how likely they'd be to recommend their employer to others. Female respondents also rated their employers on factors such as parental leave, discrimination, and pay equity.

## Military employer recognition



**2022 Best of the Best**  
*Recognized since 2012 by U.S. Veterans Magazine*

# Awards

## National workplace awards



### 2022 Forbes America's Best Large Employers

Schwab ranked 150th out of 500 large employers, based on a survey of 60,000 Americans working for businesses with at least 1,000 employees. Respondents were asked to rate, on a scale of 0 to 10, how likely they'd be to recommend their employer to others. They were also asked to rate their companies on factors such as working conditions, development opportunities, and compensation. The final list ranks the 500 large and 500 midsize employers that received the most recommendations.



### 2022 Forbes Best Employers for New Graduates

Schwab ranked fifth among a field of 300 companies and first among financial services companies. Over 20,000 young professionals in the U.S. who work for companies that employ at least 1,000 people participated in the independent survey focused on work-related issues and their experiences in the workplace.

## Regional workplace awards



Schwab ranks as a top place to work in many of the places we call home:

- Austin, Texas (2013–2022)
- Charlotte, North Carolina (2016–2022)
- Chicago, Illinois (2013–2022)
- Cleveland, Ohio (2013–2018, 2020–2022)
- Dallas–Fort Worth, Texas (2017–2022)
- Denver, Colorado (2013–2022)
- Indianapolis, Indiana (2013–2022)
- Orlando, Florida (2019–2022)
- San Diego, California (2022)
- San Francisco, California (2013–2022)
- St. Louis, Missouri (2022)



2022 Top Companies to Work for in Arizona  
Awarded since 2013 by [azcentral.com](https://www.azcentral.com)



2022 Arizona's Most Admired Companies  
Recognized since 2014



2022 100 Best Arizona Companies



2022 Best Companies to Work for in Texas  
Recognized since 2017



# GRI Index

## GRI CONTENT INDEX

The 2022 ESG Report references material with selected disclosures using the Global Reporting Initiative (GRI) Standards as a guide. The following table outlines the location of the information from selected standards. Other sources of information include our 2022 Annual Report on [SEC Form 10-K](#), our [2023 Proxy Statement](#), our 2022 CDP Climate Change Response, and our corporate website.

GRI Code	Description	Location or Reference
GENERAL DISCLOSURES		
General Standard Disclosures 2022		
2-1	Organizational details (legal name, headquarters, ownership and legal form, and countries of operation)	The Charles Schwab Corporation 3000 Schwab Way Westlake, Texas 76262 <a href="#">See also SEC Form 10-K</a> , Items 1 and 2
2-2	Entities included in sustainability reporting	All organizations included for financial reporting purposes; <a href="#">SEC Form 10-K, Note 1 to the Consolidated Financial Statements</a>
2-3	Reporting period, frequency, and contact point	Reporting period: 2022 Frequency: Annual for future years Contact point: <a href="mailto:PublicRelations@schwab.com">PublicRelations@schwab.com</a>
2-6-a; 2-6-b-i; 2-6-d	Activities, value chain, and other business relationships	ESG Report, About Schwab, pages 5-9; <a href="#">SEC Form 10-K</a> , Item 1
2-7-a and 2-7-e	Total number of employees, by gender and region	ESG Report, About Schwab, page 9; ESG Report, The Power of One, page 26; SEC Form 10-K, Item 1.
2-9	Governance structure and composition	ESG Report, Our Governance Framework, page 46; <a href="#">2023 Proxy Statement</a> , pages 1-10
2-10	Nomination and selection of the highest governance body	2023 Proxy Statement, page 28
2-11	Chair of the highest governance body	ESG Report, Our Governance Framework, page 46; 2023 Proxy Statement, page 25
2-12-a	Role of highest governance body in overseeing the management of impacts	ESG Report, Stakeholder Engagement, page 11; 2023 Proxy Statement, page 3; Nominating and Corporate Governance Committee Charter available at <a href="http://www.aboutschwab.com/governance">www.aboutschwab.com/governance</a>
2-13	Delegation of responsibility for managing impacts	ESG Report, Key ESG Developments, page 15; Creating a Culture of Respect, page 25; Being Good Stewards of Our Environment; page 66
2-14	Role of the highest governing body in sustainability reporting	Nominating and Corporate Governance Committee Charter available at <a href="http://www.aboutschwab.com/governance">www.aboutschwab.com/governance</a>
2-15-a	Conflicts of interest	2023 Proxy Statement, pages 2, 78
2-19-a	Remuneration policies	2023 Proxy Statement, pages 29, 36
2-20-a-i and iii; 2-20-b	Process to determine remuneration	2023 Proxy Statement, pages 29, 36
2-21-a; 2-21-c	Annual total compensation ratio	2023 Proxy Statement, page 54, 68
2-22	Statement of sustainable development strategy	ESG Report, page 3
2-23-a-i; 2-23-c through e	Statement of sustainable development strategy	ESG Report, page 3

GRI CONTENT INDEX (CONTINUED)

GRI Code	Description	Location or Reference
2-23-a-i; 2-23-c through e	Policy commitments	ESG Report, About Schwab, page 5; Business Conduct and Ethics, page 38; <a href="#">Code of Business Conduct and Ethics</a>
2-24-a-i, ii, and iv	Embedding Policy Commitments	<a href="#">Risk Committee Charter</a> ; <a href="#">Code of Business Conduct and Ethics</a> ; ESG Report, Risk Management Framework, page 49
2-26	Mechanisms for seeking advice and raising concerns	ESG Report, Business Conduct and Ethics, page 50; <a href="#">Code of Business Conduct and Ethics</a>
2-29	Approach to stakeholder engagement	ESG Report, Our Approach to ESG, page 10; Employee Engagement, page [26], Personalized Investing for the Main Street investor, page [19]; Issuer engagement and proxy voting at Schwab Asset Management, page [22]
MATERIAL TOPICS 2021		
3-1-a-ii and 3-1-b	Process to determine material topics	ESG Report, Our ESG Priorities, pages 12-13
3-2	List of material topics	ESG Report, Our ESG Priorities, pages 12-13
201 Economic Presence 2016		
201-1	Direct economic value generated and distributed	ESG Report, Supporting Our Communities, pages 59-64, and Investing in Our Communities, pages 55-57; SEC Form 10-K, Items 7 and 8
201-3	Defined benefit plan obligations and other retirement plans	ESG Report, 401(k), page 43; <a href="#">SEC Form 10-K</a> , Note 21 to Consolidated Financial Statements
203 Indirect Economic Impacts 2016		
203-2	Significant indirect economic impacts	ESG Report, Investing in Our Communities, pages 55-57; Financial Literacy, pages 59-62
205 Anti-Corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	ESG Report, Business Conduct and Ethics, page 50, and Regulatory and Compliance Training, page 50
206 Anti-Competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None



GRI CONTENT INDEX (CONTINUED)

GRI Code	Description	Location or Reference
ENVIRONMENTAL		
302 Energy 2016		
302-1	Energy consumption within the organization	2022 CDP Climate Change Questionnaire (C8)
302-4	Reduction of energy consumption	ESG Report, Carbon and Energy Reduction, page 67
305 Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	2022 CDP Climate Change Questionnaire (C5, C6)
305-2	Energy indirect (Scope 2) GHG emissions	2022 CDP Climate Change Questionnaire (C5, C6)
305-4	GHG emissions intensity	ESG Report, Carbon and Energy Reduction, page 67; 2022 CDP Climate Change Questionnaire (C6.10)
305-3	Other indirect (Scope 3) GHG emissions	2022 CDP Climate Change Questionnaire (C5, C6.5)
305-5	Reduction of GHG emissions	ESG Report, Carbon and Energy Reduction, page 67; CDP Climate Change Questionnaire (C4, C7)
306 Waste 2020		
306-4	Waste diverted from disposal	ESG Report, Waste Reduction, page 68

GRI CONTENT INDEX (CONTINUED)

GRI Code	Description	Location or Reference
WORKFORCE & SOCIAL		
401 Employment 2016		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	ESG Report, Supporting our colleagues' personal health and financial well-being, page 41
401-3	Parental leave	ESG Report, Supporting our colleagues' personal health and financial well-being, page 41
404 Training and Education 2016		
404-2	Programs for upgrading employee skills and transition assistance programs	ESG Report, Supporting our colleagues' professional growth and development, page 38
405 Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	ESG Report, Progress on Workforce Diversity, page 33; 2023 Proxy Statement, page 9
413 Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	ESG Report, Investing in Our Communities, page 55
415 Public Policy 2016		
415-1	Political contributions	ESG Report, Political Contributions, page 52



# SASB Index

## SASB INDEX

We provide disclosures informed by two SASB (Sustainability Accounting Standards Board) industry categories within the Financial Sector that represent the dominant mix of our business: Asset Management & Custody Activities (FN-AC) and Commercial Banks (FN-CB).<sup>\*</sup> Similar to our approach for GRI, while we have provided selected information, we did not disclose all information and metrics. We will continue to evaluate disclosure in the future.

Our disclosures are intended to allow investors and other stakeholders to have consolidated and holistic access to information that Schwab considers relevant to our business. Other sources of information include our 2022 Annual Report on [SEC Form 10-K](#), our [2023 Proxy Statement](#), and our corporate website.

Code	Accounting Metric or Topic	Location, Response, or Comment
Transparent Information & Fair Advice for Customers		
FN-AC-270a.3	Description of approach to informing customers about products and services	ESG Report, Personalized Investing for the Main Street Investor, page 19
Employee Diversity & Inclusion		
FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	ESG Report, Progress on Workforce Diversity, page 33; <a href="#">EEO-1 Report</a>
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory		
FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	ESG Report, ESG Investment Product and Service Evolution, pages 20-21
FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	ESG Report, ESG Investment Product and Service Evolution, pages 20-21
FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	ESG Report, Issuer Engagement and Proxy Voting at Schwab Asset Management, page 22
Business Ethics		
FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	<a href="#">SEC Form 10-K</a> , Note 15 to Consolidated Financial Statements
FN-AC-510a.2; FN-CB-510a.2	Description of whistleblower policies and procedures	ESG Report, Business Conduct and Ethics, page 50; <a href="#">Code of Business Conduct and Ethics</a>
Data Security		
FN-CB-230a.2	Description of approach to identifying and addressing data security risks	ESG Report, Protecting Client Assets, page 23

<sup>\*</sup>Because Schwab's banking activities include minimal commercial and industrial lending, the standards under these frameworks related to ESG factors in extending commercial credit are not applicable to our business.

IMPORTANT DISCLOSURES

Charles Schwab Banking & Trust Services are provided through its “Affiliated Banks” (collectively referring to Charles Schwab Bank, SSB; Charles Schwab Premier Bank, SSB; and Charles Schwab Trust Bank) and “Affiliated Trust Companies” (collectively referring to Charles Schwab Trust Company and Charles Schwab Trust Company of Delaware). Deposit products and services are provided by the Affiliated Banks, Members of FDIC. Lending products and services are provided by Charles Schwab Bank, SSB (“Schwab Bank”), an Equal Housing Lender, and Charles Schwab Premier Bank, SSB (“Schwab Premier Bank”). Home lending is offered and provided by Schwab Bank’s home loans provider, Rocket Mortgage, LLC (NMLS #3030). Trust and custody products and services are provided to retirement and other benefit plans by Charles Schwab Trust Bank (“Schwab Trust Bank”). Personal Trust Services are provided by Charles Schwab Trust Company. Administrative Trustee Services are provided by Charles Schwab Trust Company of Delaware. The Affiliated Banks and Affiliated Trust Companies are separate but affiliated companies and wholly-owned-subsidiaries of The Charles Schwab Corporation and are not affiliated with Rocket Mortgage, LLC.

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**Mutual fund and ETF investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can obtain a prospectus by visiting [schwabassetmanagement.com/prospectus](https://www.schwabassetmanagement.com/prospectus). Please read it carefully before investing.**

Investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV).

Schwab Asset Management™ is the dba name for Charles Schwab Investment Management, Inc., the investment adviser for Schwab Funds, Schwab ETFs, and separately managed account strategies. Schwab Funds are distributed by Charles Schwab & Co., Inc. (Schwab) Member [SIPC](https://www.sipc.org). Schwab ETFs are distributed by SEI Investments Distribution Co. (SIDCO). Schwab Asset Management and Schwab are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation and are not affiliated with SIDCO.

Environmental, social, and governance (ESG) strategies implemented by mutual funds, exchange-traded funds (ETFs), and separately managed accounts are currently subject to inconsistent industry definitions and standards for the measurement and evaluation of ESG factors; therefore, such factors may differ significantly across strategies. As a result, it may be difficult to compare ESG investment products. Further, some issuers may present their investment products as employing an ESG strategy but may overstate or inconsistently apply ESG factors. An investment product’s ESG strategy may significantly influence its performance. Environmental (“E”) factors can include climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social (“S”) factors can include how an issuer manages its relationships with

individuals, such as its employees, shareholders, and customers as well as its community. Governance (“G”) factors can include how an issuer operates, such as its leadership composition, pay and incentive structures, internal controls, and the rights of equity and debt holders. Carefully review an investment product’s prospectus or disclosure brochure to learn more about how it incorporates ESG factors into its investment strategy.

Because environmental, social, and governance (ESG) strategies exclude some securities, ESG-focused products may not be able to take advantage of the same opportunities or market trends as products that do not use such strategies. Additionally, the criteria used to select companies for investment may result in investing in securities, industries or sectors that underperform the market as a whole.

The Schwab Ariel ESG ETF is an active semi-transparent (also known as a non-transparent ETF). Investing in the fund may involve certain risks, as discussed in the fund’s prospectus, including, but not limited to, those described below. Any of these risks could cause an investor to lose money.

Active semi-transparent ETFs operate differently from other exchange-traded funds (ETFs). Unlike other ETFs, an active semi-transparent ETF does not publicly disclose its entire portfolio composition each business day, which may affect the price at which shares of the ETF trade in the secondary market. Active semi-transparent ETFs have limited public trading history. There can be no assurance that an active trading market will develop, be maintained, or operate as intended. There is a risk that the market price of an active semi-transparent ETF may vary significantly from the ETF’s net asset value and that its shares may trade at a wider bid/ask spread and, therefore, cost investors more to trade than shares of other ETFs. These risks are heightened during periods of market disruption or volatility.

**Proxy Portfolio Risk:** Unlike traditional ETFs, this fund does not disclose its portfolio holdings (Actual Portfolio) daily. The fund instead posts a Proxy Portfolio on its website each day. The Proxy Portfolio is designed to reflect the economic exposures and risk characteristics of the fund’s actual holdings on each trading day, but it is not the same as the fund’s Actual Portfolio. Although the Proxy Portfolio is intended to provide investors with enough information to allow for an effective arbitrage mechanism that will keep the market price of the Fund at or close to the underlying NAV per Share of the Fund, there is a risk (which may increase during periods of market disruption or volatility) that market prices will vary significantly from the underlying NAV of the fund. ETF trading on the basis of a published Proxy Portfolio may trade at a wider bid/ask spread than ETFs that publish their portfolios on a daily basis, especially during periods of market disruption or volatility, and therefore may cost investors more to trade. Also, while the Fund seeks to benefit from keeping its portfolio information secret, market participants may attempt to use the Proxy Portfolio to identify a Fund’s trading strategy, which if successful, could result in such market participants engaging in certain predatory trading practices that may have the potential to harm the Fund and its shareholders.

**Proxy Portfolio Construction:** The Proxy Portfolio is designed to recreate the daily performance of the Actual Portfolio. This is achieved by performing a “Factor Model” analysis of the Actual Portfolio. The Factor Model is comprised of three sets of factors or analytical metrics: market-based factors, fundamental factors, and industry/sector factors. The fund uses a “Model Universe” to generate its Proxy Portfolio. The Model Universe is comprised of securities that the

fund can purchase and will be a financial index or stated portfolio of securities from which fund investments will be selected. The results of the Factor Model analysis are then applied to the Model Universe. The Proxy Portfolio is then generated as a result of this Model Universe analysis with the Proxy Portfolio being a small subset of the Model Universe. The Factor Model is applied to both the Actual Portfolio and the Model Universe to construct the fund’s Proxy Portfolio that performs in a manner substantially identical to the performance of its Actual Portfolio. The Proxy Portfolio will only include investments the fund is permitted to hold. The fund’s SAI contains more information on the Proxy Portfolio and its construction. Proxy Portfolio and Proxy Overlap Information regarding the contents of the Proxy Portfolio, and the percentage weight overlap between the holdings of the Proxy Portfolio and a Fund’s Actual Portfolio holdings that formed the basis for its calculation of NAV at the end of the prior Business Day (the Portfolio Overlap), is available by visiting the fund’s [website](https://www.schwab.com).

Value investing attempts to identify undervalued companies with characteristics for improved valuations. Securities that exhibit value characteristics tend to perform differently and shift in and out of favor with investors depending on changes in market and economic conditions. As a result, the fund’s performance may at times fall behind the performance of other funds that invest more broadly or in securities that exhibit different characteristics.

Mid-cap companies may be more vulnerable to adverse business or economic events than larger, more established companies and the value of securities issued by these companies may move sharply.

Securities issued by small-cap companies may be riskier than those issued by larger companies, and their prices may move sharply, especially during market upturns and downturns.

Holdings may include collateral held by the fund for securities on loan. In addition, certain securities may be designated as collateral for transactions such as open futures contracts or delayed-delivery securities.

Any fund holdings shown should not be considered a recommendation of any security by the investment adviser and is subject to change.

**NAV (Net Asset Value)** is a per share valuation of the securities in an ETF officially calculated once per day. NAV price performance is primarily used to evaluate the fund and its managers and may not reflect the actual return for the investor.

**Market Price** is the price at which investors buy and sell ETF shares in the stock market. Investing in emerging markets may accentuate these risks. ETF Market Price determines investor returns. An ETF’s Market Price may be higher or lower than the NAV at any given point in time. Market returns are based upon the Official Closing Price of the primary listing exchange (generally, 4:00 p.m. Eastern time) and may not represent the returns you would receive if shares were traded at other times.

Investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares of ETFs are bought and sold at market price, which may be higher or lower than the net asset value (NAV).



Please refer to the fund's prospectus for a more complete description of the principal risks of investing in the fund. Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can obtain a prospectus, or if available, a summary prospectus by visiting [schwabassetmanagement.com/prospectus](http://schwabassetmanagement.com/prospectus).

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Before executing any tax strategies mentioned, ensure you understand the technicalities and certain risks including unintended tax implications. Investors should consult with their tax advisors and refer to Internal Revenue Service ("IRS") website at <http://www.irs.gov> about the potential tax consequences. Tax laws are subject to change, either prospectively or retroactively. Individuals should contact their own professional tax and investment advisors or other professionals to help answer questions about specific situations or needs prior to taking any action based upon this information. Charles Schwab Investment Management, Inc. does not represent that any particular tax consequences will be obtained. This information does not constitute and is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner, or investment manager.

Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market.

There are risks associated with any investment approach, and each Schwab Personalized Indexing strategy and equity market segment has its own set of risks based on client strategy selection and further customization.

Strategies that use screening to exclude certain investments may not be able to take advantage of the same opportunities or market trends as strategies that do not use screens. There can be no assurance that the strategies will achieve their desired outcomes. Each investing strategy brings with it its own set of unique risks and benefits.

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Because Positive Impact strategies exclude some securities, Positive Impact-focused products may not be able to take advantage of the same opportunities or market trends as products that do not use such strategies. Additionally, the criteria used to select companies for investment may result in investing in securities, industries or sectors that underperform the market as a whole.

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