

Invested

The Charles Schwab Corporation
Environmental, Social, and
Governance Report

2020–2021

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LETTER FROM

The Board of Directors of The Charles Schwab Corporation

Nearly 50 years ago, The Charles Schwab Corporation was founded with the same purpose that propels us forward today: make the benefits of investing accessible to everyone.

In the years since, our success has always been rooted in our commitment to a simple but important principle: serving our clients, stockholders, and all other stakeholders in the way any of us would want to be served. Schwab's business—at its core—is built on trust and integrity.

The job of every Schwab employee is not only to protect the assets entrusted to our firm, but also to earn the trust of those who work with the company each day. That is why this firm has maintained a commitment to inclusion, opportunity, and respect for all since day one.

This commitment has never been more important than right now, and it's the reason that Schwab remains firmly committed to our long-standing business strategy of seeing the world "Through Clients' Eyes." This strategy drives what we call "The Virtuous Cycle," which reflects the belief that if the firm challenges the status quo on behalf of its clients, they will continue to place their trust in Schwab, driving consistent financial results and outstanding stockholder value over time—and ultimately rewarding our clients, employees, stockholders, and the communities in which we operate. This strategic framework becomes more powerful still as we integrate the people and operations of TD Ameritrade with Schwab.

In our inaugural Environmental, Social, and Governance (ESG) Report, we describe how our purpose, strategy, and values of trust, innovation, teamwork, and stewardship serve as the anchor for our approach to ESG. While many of these ESG programs at Schwab have been in place for years, we are pleased to share them in greater detail in this single report. We hope you will find it informative, easy to read, and a clear indication of the direction in which we are headed. We welcome your feedback.

Schwab is committed to taking a long-term view and making thoughtful and measured decisions that integrate priority ESG issues into our corporate strategy for the benefit of all our constituencies for years to come. We are very proud of the work our teams across Schwab have done so far and yet recognize that there is much more to do in the coming years—for our company, our employees, our clients, and our communities. You have our commitment that our Through Clients' Eyes strategy will remain at the heart of our approach to all ESG matters that impact our business. We believe that is the best way to ensure we remain invested in what matters most.

About Schwab

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.

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 take ownership of 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 take ownership of their financial futures, helping people 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 clients’ **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, 2021. The terms “Schwab,” “the company,” “we,” “us,” and “our” mean 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, including robust digital capabilities, to address our clients' varying investment and financial needs. Examples of these product offerings include the following:

- **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 (first mortgages), home equity lines of credit, pledged asset lines, trust custody services, personal trust services, and administrative trustee services

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 and retirement plan services, stock plan services, as well as 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 further advanced our vision to democratize investing when we completed our acquisition of TD Ameritrade on October 6, 2020. We continue our commitment to a smooth integration of the two organizations which have shared values and conduct themselves by the Golden Rule of treating others as you would like to be treated—as embodied in our Through Clients' Eyes strategy.



Investor Services

- **Retail investors** – Individual investors have access to a broad set of products, tools, educational content, trading, and advisory solutions. Advice and guidance are delivered through various dedicated and non-dedicated relationship models. We offer award-winning, 24/7 service to all our clients, regardless of asset levels. Most clients choose to interact with us via either a digital or phone channel, but our omnichannel approach also provides access to in-person support at one of Schwab’s more than 400 nationwide branches.

We believe in the power of investing and the importance of planning in helping clients achieve their financial goals. 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 specialists 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** – Serving retirement plan sponsors with extensive investment options, trustee and custodial services, and participant-level recordkeeping. Retirement plan design features, which increase plan efficiency and achieve employer goals, are also offered, 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 trust, 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 utilize technology to provide RIAs with a highly developed, scalable platform for administering their clients' assets easily and efficiently. Advisor Services sponsors and hosts a variety of national, regional, local, and virtual events designed to help RIAs of all sizes and complexities identify and implement better ways to expand and efficiently manage their practices. RIAs are not employees of Schwab and maintain an independent relationship. Just as we empower individual investors, we empower RIAs by offering a multitude of tools and access to solutions, like Schwab Advisor Portfolio Connect®. We help equip RIAs so they can help their clients secure their financial futures.

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 peers. We also offer an array of services to help advisors

establish their own independent practices through a robust prospect consulting offer. To support them throughout their transition, we 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 on an ongoing basis and hold a series of events and conferences every year to discuss topics of interest to RIAs, including business strategies and best practices. Schwab sponsors and hosts the annual IMPACT® conference, which provides a national forum for the company, RIAs of all sizes, and other industry participants to gather and share information and insights, as well as a multitude of smaller events across the country each year.

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

1973

Established in San Francisco, California. Today headquartered in Westlake, Texas.

\$8.14T

Total client assets*

33.2M

Brokerage accounts*

2.2M

Corporate retirement plan participants*

1.5M

Banking accounts*

~15,000

Independent advisor firms served*

33,400

Total employees

\$601.4B

All proprietary mutual funds and ETFs

2021

Selected as one of The World's Most Admired Companies® by FORTUNE Magazine[†]

As of December 31, 2021.

*Total client assets and brokerage accounts based on combined data for Schwab and TD Ameritrade as of December 31, 2021, using company reports.

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Our approach to ESG

At Schwab, we believe in the power of investing to transform people's lives and 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: creating long-term value and a shared belief in investing for the future. Likewise, we bring our core values of trust, innovation, teamwork, and stewards to

our interactions with our broader stakeholders and to the communities we serve. Our values embody how we execute our purpose and vision to be the most trusted leader in investment services, and they anchor our approach to ESG.





Stakeholder engagement

Our approach to ESG begins with how we regularly engage with key stakeholders in the conduct of our business to understand and meet their expectations. These stakeholders are increasingly focused on ESG issues, and their perspective and input form the basis for our issues prioritization and the ESG framework we describe below. Key stakeholders with whom we regularly engage include the following:



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 advisors we serve and 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 annual employee engagement survey, we maintain 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. In 2020, we opened a new avenue of communication through our "Ask Walt" link, which employees can use to submit questions directly to the Chief Executive Officer and the Executive Council.



Investors – Through our Investor Relations team, we regularly engage with our stockholders on matters of concern to them, including climate, governance, and diversity. We conduct quarterly business updates to provide the investment community with information on our strategy and performance, and in 2021, we met with stockholders representing more than 50% of our outstanding shares.



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 alternatives to legislation 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 such as ISS™ and Glass, Lewis & Co., LLC®, and specialized reporting on climate through CDP™.



Community – Through Charles Schwab Foundation and corporate giving activities, 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.

Developing our ESG approach

This first ESG Report comes at a time of positive transition as we just passed the one-year anniversary of the TD Ameritrade acquisition. ESG assessments and priorities, as well as reporting on those priorities, are part of a continual process that evolves with time and focus. Until there are consistent and comparable standards and definitions of ESG in the marketplace, each organization must assess the relevant ESG topics to its business and stakeholders that are core to creating a sustainable and resilient business.

As a result, for this first reporting year, we took a more personalized approach to engaging with a broad set of stakeholders to assess ESG issues that are relevant to Schwab's vision and the related priorities of those ESG issues. In our conversations, we focused on the importance of various relevant ESG factors to achieving our vision to be the most trusted leader in investment services. We recognize that some ESG factors may not be as high of a priority to achieve this vision, but they still have significance to certain stakeholders.

As the ESG landscape, including associated standards for measurement and disclosure, becomes more defined and we continue to engage with our internal and external stakeholders, we expect to grow and enhance our ESG process and reporting. This first year of conducting an ESG assessment gave us valuable insights on the interconnectedness of ESG factors between various business functions and strategies. As the Schwab and TD Ameritrade integration continues to move forward, the ESG insights we gained during this process will allow us to refine, develop, and further connect and integrate ESG into our corporate strategy.



Our process

Business-relevant ESG indicators

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 the SASB (Sustainability Accounting Standards Board), we developed a list of indicators across environmental, social, governance, and investment products specific to Schwab. These indicators, reflected in the framework on the next page, were then reviewed with stakeholders for this first ESG Report.

Investing for tomorrow: The Schwab ESG framework

Seeing Through Clients' Eyes (Social and Investment Product Stewardship)	
<p>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 the portfolio creation</p>	<p>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</p>
<p>Sustainability-Themed Investment Products: Investment products that seek to have an environmental and/or social outcome (e.g., renewable energy funds)</p>	<p>Client Service: Honest and transparent communications, managing client risks, improving consumer financial security, and ensuring products and services meet client expectations</p>
Creating a Culture of Respect (Social)	
<p>Employee Diversity & Inclusion: Workforce that reflects our business and clients and the communities in which we operate</p> <p>Talent: Pipeline of top talent and professional growth and development opportunities</p> <p>Employee Well-being: Competitive pay and employee benefits, a healthy and safe work environment, and wellness programs to promote overall employee well-being</p>	<p>Responsible Sourcing: Policies and procedures for responsible environmental and social sourcing practices, including meeting internationally agreed labor standards in working hours and conditions, wages and benefits, humane treatment of workers employed in the supply chain, and supplier diversity</p>
Organizing and Governing to Build and Maintain Trust (Governance & Leadership)	
<p>Ethical Business Practices: Schwab's efforts to foster an environment of transparency and high ethical standards in business conduct, and working against corruption, extortion, and bribery in all markets in which Schwab operates or does business</p> <p>Board Composition & Effectiveness: Promoting director independence, diversity, and other qualifications to secure the long-term success of the company and its sustained competitiveness</p> <p>Board Responsiveness & Stockholder Engagement: Fostering the rights and voice of stockholders with respect to voting, proposals, and accountability and election of directors</p>	<p>Legal & Regulatory Compliance: Schwab's efforts to ensure compliance with legal and regulatory expectations</p> <p>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</p> <p>Public Policy Engagement: Schwab's engagement on public policy initiatives in line with corporate values and standards, as well as ESG issues</p>
Giving Back to Our Communities (Social)	
<p>Financial Literacy: Efforts to increase financial literacy among underrepresented and under-resourced groups</p>	<p>Community Relations: Schwab's monetary contributions, charitable gifts, partnerships with community organizations, and time contributions through paid volunteer hours</p>
Being Good Stewards of Our Environment (Environment)	
<p>Environmental Footprint: Responsible natural resource management in direct operations and supply chain</p>	<p>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</p>

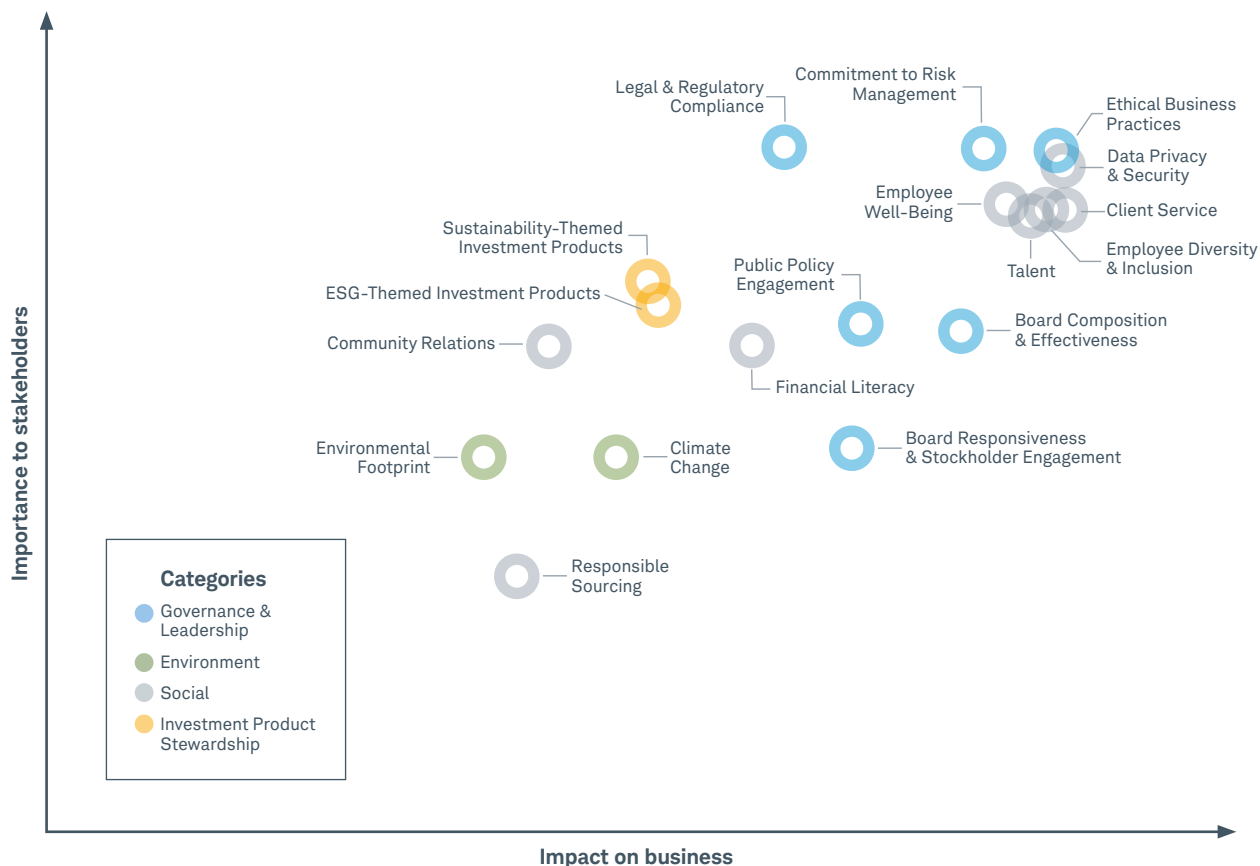
Assessing relative importance

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. We hosted numerous focus groups to conduct the ESG assessment and prioritize relevant ESG indicators identified in the framework on the previous page. 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 real estate and facilities. Internal conversations typically reflected direct feedback from external stakeholders and provided critical insight on ESG priorities among internal and external stakeholders across our business units.

Each focus group was asked to prioritize the importance of these indicators for Schwab to fulfill its vision as the most trusted leader in investment services within the next five years. In addition, we received feedback on the importance stakeholders place on these indicators in terms of Schwab and its ability to fulfill its vision.

As the ESG reporting space matures and indicators relevant to our industry become more standardized, we expect the indicators, their definitions, and parameters to evolve as well.

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.



Our progress on ESG

While we've made progress over the past several years, below are highlights of some of the actions we took in 2020-2021. As we share later in this report, we are making investments in a sustainable future by:

Seeing Through Clients' Eyes

To help our clients develop a sustainable investing approach, we appointed a head of ESG Strategy within Charles Schwab Investment Management, Inc., dba as Schwab Asset Management™ (the asset management subsidiary of the company) to guide our vision and strategy to incorporate ESG resources, guidance, and investment choices. We have added resources and tools to include more educational pieces and access to third-party ESG ratings and scores. Schwab Personalized Indexing, a direct indexing offer, will allow investors to select an ESG index and can be customized, which will be a real value add, particularly for self-directed investors.

In November 2021, Schwab Asset Management expanded the offering with two Wasmer Schroeder™ Strategies positive impact fixed income strategies on our retail platform. We also launched the active Schwab Ariel ESG ETF* that invests in small- and mid-cap stocks that have been screened in part based on ESG factors. Ariel Investments LLC, the first African American-owned investment firm in the U.S., is the sub-advisor for the ETF and will use its proprietary ESG investment process to screen for favorable ESG characteristics. Trading in this ETF began on November 16, 2021, and 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.

*This fund 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.

See page 61 for important disclosures.

Creating a culture of respect

In 2018, we developed a Diversity & Inclusion strategy that focused on four pillars: our workforce, the workplace, the marketplace, and the community. In 2020, we focused this strategy with a view to develop and implement 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.

Demonstrating our commitment to our talent, we expanded our professional development opportunities for our colleagues across all levels to develop and further hone their skills for the future, including introducing and expanding several leadership-centric programs.

Organizing and governing to build and maintain trust

The board appointed the Nominating and Governance Committee to have primary oversight of our ESG programs and priorities, as reflected in the committee's updated charter. To improve our process and reporting of Schwab's ESG efforts, we have created a new ESG Policy and Reporting Office led by a Managing Director to build upon our efforts in 2021 and this inaugural report. The position will be supported by a newly created team with the goal of advancing our ESG efforts on a cross-functional basis together with our Through Clients' Eyes strategy.

Reinvesting in our communities

The Community Development Group of Charles Schwab Banking & Trust Services leverages our resources to reinvest in communities in ways that allow us to outperform our requirements under the Community Reinvestment Act (CRA). With the change in headquarters to Westlake, Texas, we amended our CRA Strategic Plan to specifically include the Dallas-Fort Worth area and Texas more broadly. We engaged in community outreach and other efforts to assess how we could not only fulfill but exceed our CRA requirements, primarily through our CRA activities of supporting affordable housing, small business development, and community facilities, as well as through community service and grants to support financial literacy.

Giving back to our communities

Founded 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, people, and intellectual resources. As part of our 2020 D&I strategy and community pillar, in 2021, we introduced Moneywise America™ with a focus on youth from under-resourced communities and schools.

Being good stewards of our environment

Recognizing that our environmental footprint has an impact on the climate at large, we continue to take appropriate steps for the nature of our business that allow us to conduct our business in ways that reduce and mitigate our environmental impact. These steps include solar projects and designing new facilities with energy efficiency at the forefront, along with smaller ways of reducing our energy use.

Seeing Through Clients' Eyes

We believe investment stewardship begins with establishing and maintaining trust with our clients. Our clients are long-term investors, and we apply that same long-term lens to create and evolve our products and services in a manner that fosters trust and a resilient business.

“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 professionally managed by our portfolio managers
- As an administrator of retirement and equity compensation plans
- As a federally insured depository institution

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 with the different ways clients—at any stage of life—can take control of their financial futures. We also discuss our relentless focus on protecting client assets.

As a fiduciary for our clients, we also outline how we exercise our proxy voting responsibility and shareholder engagement with issuers.

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. Our focus has always been on serving the client through trusted relationships. Staying true to our roots, we offer a variety of products, services, and solutions for clients. These include index-based and actively managed third-party options, Schwab proprietary mutual funds, ETFs, and separately managed accounts. Many of these investment products include options dedicated to ESG considerations.

The variety of ways that different clients can use our scale to personalize their investing is evident in our varied product offerings and the different service models we offer. Our Through Clients' Eyes strategy drives us to embody the diversity of our investor base and how different clients choose to approach investing. Our spectrum of investment products, educational tools, and access to investment professionals lets clients choose how high-tech and/or high-touch of an investment experience they would like to create.

Key ways clients can manage their investment journey include:

- **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, the individual investor who wants to control all aspects of their investments can access the whole suite of investment products and services available on Schwab.com. These include our entire range of [investment offerings](#). 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. (CSIA) based on rigorous, research-based quality standards.
- **Schwab Private Client™ Advisors** – Clients and a Schwab Financial Consultant can work with a [professional investment advisor](#) to customize their portfolios.

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

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.

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.

ESG investment product and service evolution

We recognize that, increasingly, individual and institutional clients are looking for ways to either manage portfolio risk by considering ESG factors or themed products, and/or have an impact on the world through sustainability-themed products that align with their values, or both. To meet these changing investment approaches, Schwab is investing in ways to offer additional products and services that help empower clients with personalized investing.

ESG is often used interchangeably with sustainability investing. Whether it's called ESG or socially responsible or sustainability investing, these are terms that capture a way of investing that is being defined in many different ways and by many different stakeholders, including by Schwab Asset Management. At this time, we use the term 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
- Social impact investing
- Values-based investing, which can include screens to exclude certain sectors or types of companies, such as tobacco, firearms, or fossil fuel companies

Currently, Schwab offers clients access to approximately 401 third-party socially responsible investment or ESG options, including ETFs. The options available include funds identified by Morningstar as “Sustainable Investment – Overall,” which aligns with how Schwab classifies ESG. See [Socially Responsible Investing](#) and [Socially Responsible ETFs](#). As of December 31, 2021, these third-party funds represented approximately \$27.3 billion in assets under management.

As we move forward, Schwab is evaluating its investment stewardship and strategy given our diverse client base while staying true to our Through Clients' Eyes strategy. This strategy is grounded in empowering the client to personalize their investing.

The steps we have taken and are looking forward to further developing are:

- **Head of ESG Strategy** – In 2020, we created this position within Schwab Asset Management to serve as point for our vision and strategy on ways to further incorporate ESG or sustainability-themed product offerings and services.
- **Motif acquisition** – Our acquisition of the technology capabilities of fintech pioneer Motif in 2020 is playing a key role in implementing our Through Clients' Eyes strategy. Since the acquisition, we continue to make strides using Motif's technology and data science to offer a more personalized investing experience, including thematic investing, which will allow impact- and socially-minded clients to select stocks aligned with their personal sustainability- and ESG-related interests and values.

We continue to make strides using Motif's technology and data science to offer a more personalized investing experience, including thematic investing which will allow impact- and socially-minded clients to select stocks aligned with their personal sustainability- and ESG-related interests and values.

- **Wasmer Schroeder™ Strategies** – We also acquired Wasmer Schroeder in 2020, a fixed income investment manager. This signaled a shift for us as we had historically fulfilled almost all our clients' fixed income portfolio management needs through third-party asset managers. Schwab Asset Management offers two positive impact-focused options with the Wasmer Schroeder Strategies Positive Impact Tax Exempt and Positive Impact Bond options. As of December 31, 2021, these strategies represent \$393 million in assets under management.

The Positive Impact Strategy considers the following 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.

- **Active Schwab Ariel ESG ETF** – In November 2021, Schwab launched the Schwab Ariel ESG ETF, an actively managed, semi-transparent (also referred to as a non-transparent) ETF. The ETF is designed to identify attractively valued, high-quality, small- and mid-cap companies with favorable ESG risk ratings based on a proprietary assessment of industry exposure, disclosure, and management of material ESG issues. Please see the ETF's [Summary Prospectus](#) for more information.
- **Connecting with clients and non-clients** – Our educational resources and product offerings for clients are intentionally vast. Socially responsible, ESG, and impact investing presents risks for some and opportunities for others. We also recognize the changing demographics of clients and a desire among younger clients, in particular, to align their investments with their values.



Through surveys in 2020 and 2021, Schwab Asset Management has connected with clients and potential clients across the income and age spectrum to listen to and gain an understanding of their familiarity, interest, needs, and concerns with this investing style. These engagements provided valuable information that we are using to find ways to create, provide, and tailor educational resources in a way that allows clients to build awareness, fill knowledge gaps, address any concerns, and make informed investment choices for themselves as these investing approaches take shape.

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

Shareholder engagement and proxy voting at Schwab Asset Management

Historically, we have taken a mostly quantitative approach to evaluating investment options and strategies, reflecting the largely passive-index orientation to our investment products. In 2020, we created a team and process for company and shareholder engagement with respect to the investment assets managed by Schwab Asset Management. As a fiduciary for our clients, Schwab Asset Management began to engage with certain issuers that met certain criteria and/or requested to engage with us on matters important to them. As we move through our second year of engagement, we are building, learning, and enhancing a process and strategy to consistently and efficiently implement effective communication with select issuers and their shareholders, on both a proactive and a reactive basis.

As ESG matters become a more dominant focus in the investment process, we expect to continue to build and refine our engagement process, which includes engagement both during proxy season and off-season. We intend to use the engagement process to better understand concerns and align with best practices as well as to inform our discretionary voting decisions on proxy contests, environmental and social disclosure-related shareholder proposals, and certain say-on-pay proposals.

As the ESG space evolves, the marketplace is also putting greater emphasis on the consideration of ESG factors in proxy voting. Similarly, the proxy advisors, Glass Lewis and ISS, are evolving their proxy voting recommendations to reflect the emphasis on ESG factors. As part of our diligence in shaping our proxy voting guidelines, we regularly engage with both proxy advisors to understand the thinking behind their respective policy updates, which increasingly include updates regarding a variety of ESG factors.

We maintain a proxy voting policy that guides our proxy votes for all securities held by the Schwab Funds and ETFs and other clients of Schwab Asset Management that have delegated proxy voting to us. In general, the recommendations of both Glass Lewis and ISS inform the Schwab Asset Management team's voting decisions. Our [proxy voting policy](#) is publicly available on the Schwab Asset Management website.

Schwab Asset Management is currently evaluating our ESG investment philosophy and continues to update our proxy voting policy to identify its approach to considering ESG factors. We expect this process to be iterative, and any updates to our proxy voting policy will be made available on the Schwab Asset Management website.

In the meantime, our proxy voting records are publicly available on our [Investment Stewardship page](#).

Protecting clients' assets

The foundation of our values is earning clients' trust. 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 procedural 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, 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 hundreds of cybersecurity professionals across all lines of business as part of this effort. In addition to our operational staff, 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.

Procedural safeguards

With technical and administrative 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 elder populations 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 detailed in our public [Privacy Notice](#), and our use of personal data is rooted in several core principles:

- We design our business processes with privacy in mind.
- We do not use personal data in unexpected ways and do not tolerate the misuse of data by marketing partners or others.
- We provide clients with control over how their data is used for marketing, with opt-outs and unsubscribe mechanisms that are easy to find and use.

We recognize we are custodians of our clients' data in the same way that we are custodians of their financial assets.

See important disclosures on page 61.

Creating a culture of respect

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. Almost 50 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.

At Schwab, our employees are the foundation of our business and at the heart of executing our Through Clients' Eyes strategy. Like all businesses, the global pandemic that began in early 2020 has tested our people in a myriad of ways. While we continue to navigate this challenging time, our team remains focused on integrating the Schwab and TD Ameritrade teams as the result of one of the largest acquisitions in the financial services industry. It's our obligation to support our employees in the best way we can and find ways to support their professional development and their diverse needs, both at and away from work.

Led by our Managing Director, Head of Human Resources, the team supporting talent acquisition and development was reorganized in 2021 to centralize and harmonize the different elements of the employee life cycle—including talent acquisition, management and development, and workforce learning—both from a diversity and inclusion perspective, as well as investing in all employees' professional development. Our Managing Director, Head of Human Resources meets with the board in executive sessions for the Chief Executive Officer evaluation, a talent review, and Chief Executive Officer succession planning annually. The Managing Director, Head of Human Resources and Chief Risk Officer also have been providing the board with regular updates on pandemic planning throughout the pandemic.

In 2018, we created an HR Advisory Council 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. It is intended to provide a forum to 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.

Key HR initiatives

- Reorganized HR team to allow for a more holistic and integrated approach to supporting our talent from acquisition to retirement
- Recommitted to a D&I strategy for the short and long term
- Expanded our professional development opportunities to all employees with more choices to invest in themselves



Fostering a culture of Diversity & Inclusion

We believe diversity helps us appreciate a wider range of perspectives, which supports our business strategy to see Through Clients' Eyes. To that end, we have been 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 for our business and our clients that our talent reflects the diverse communities of clients that they serve.

Our four-pillar D&I strategy

In 2018, we created a four-pillar strategy to advance our Diversity & Inclusion efforts.

The Workforce: Increasing and fostering diverse talent. 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.

The Workplace: Creating and building on our culture of inclusion. Through our Employee

Resource Groups (ERGs)—employee-driven groups developed around specific dimensions of diversity in support of our D&I strategies—we are building and maintaining a community of support, leadership development opportunities, mentorship, and connection to our diverse client base.

The 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 diverse clients. We are meeting our clients' needs for financial education specific to their communities, such as women, people of color, and LGBTQ+ individuals, through customized education sessions, among other program and resource offerings.

The Community: Making an impact on historically underrepresented communities. At Schwab, we focus on financial literacy as a way to empower diverse communities. To that end, we support many organizations serving underrepresented communities with long-term goals of broadening the diversity of our talent and clients. Please see [Giving Back to Our Communities](#) for more information.

In 2020, underpinned by our four pillars, we focused on supporting our colleagues and communities of color by making 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

Schwab's Head of D&I, with a team of six, is accountable for supporting the D&I strategy across the organization and our talent acquisition and retention efforts. Three members of the



team support different parts of our business and work with the respective leadership teams to help meet the unique needs of the business. In 2021, we added a new position that will lead our new Accessibility and Accommodation Program. The D&I team supports our ERGs and D&I programs as well as talent acquisition.

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

This work is hard and long term. Our approach is to evaluate, develop, and implement programs aimed at advancing our workforce D&I efforts both today, offering immediate impact for our employees, and with lasting impact tomorrow, providing long-term change for our industry and communities.

The following describes a number of ways that we are working toward these goals.

Hiring diverse talent

True to our heritage, Schwab takes actions to promote a fair and inclusive hiring process. Some examples include:

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 provides 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 implemented 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 to certain underrepresented groups 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 towards meeting the company's diverse talent attraction goals, our Talent Acquisition team uses a Slate Analytics diversity dashboard to help track diversity statistics 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 Talent Neuron®, to review and understand the distinct makeup of the talent pool for certain requisitions, based on location and position. Our Talent Acquisition team uses this data to collaborate with business partners on what they can do to help increase the diversity representation for a role.

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 25 organizations to help recruit diverse talent to Schwab. Our partnerships range from organizations and websites like The Muse®, a go-to resource for workers to research and identify career opportunities, to partnerships like the Toigo Foundation Conference to actively recruit Black and Latinx talent, and to support and sponsor Financial Women of San Francisco.

Developing diverse talent

Schwab recognizes that cultivating a diverse workforce does not end after employees join the organization. We offer a number of unique programs focused specifically on retaining and developing our diverse workforce.

Diverse Talent Mentorship Program

Mentoring is a critical component in retaining talent and mentors play an instrumental role in career progression. As a complement to our recently launched Employee Resource Group Mentorship program mentioned on page 22 and a key component in our 2020 strategy, Schwab established a new structured mentoring program for colleagues of color. Dedicated mentors from senior leadership are paired with "Schwabbies" who self-identify as employees of color at the director level, and 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, our first cohort included approximately 90 diverse director-level employees participating as mentees and approximately 40 senior leaders participating as mentors. Our second cohort, which launched in October 2021, included approximately 120 diverse director-level employees participating as mentees and approximately 120 senior leaders participating as mentors.

Supporting Diversity & 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. Schwab has also developed a number of employee resources to help promote D&I in the workplace.

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 share characteristics or life experiences and are committed to enhancing D&I at Schwab. In 2021, we integrated Schwab's ERGs with TD Ameritrade's Associate Resource Groups.

More than 30 years ago, we started our first ERG, Black Professionals at Charles Schwab (BPACS). As of 2021, we have 10 ERGs. Since 2018, ERG participation has increased 157%.

Currently, more than 35% of employees are members of an ERG, which host more than 1,000 events a year. All ERGs receive equal access to funding from a centralized budget.

In 2020, we launched a company-wide ERG Mentorship program built to meet the career growth and employee engagement needs of our underrepresented employees. We had 1,000 participants in our first year.

Our 10 ERGs include:



APINS
Asian Professionals
Network at Schwab



BPACS
Black Professionals
at Charles Schwab



CSAN
Charles Schwab
Abilities Network



FAM
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

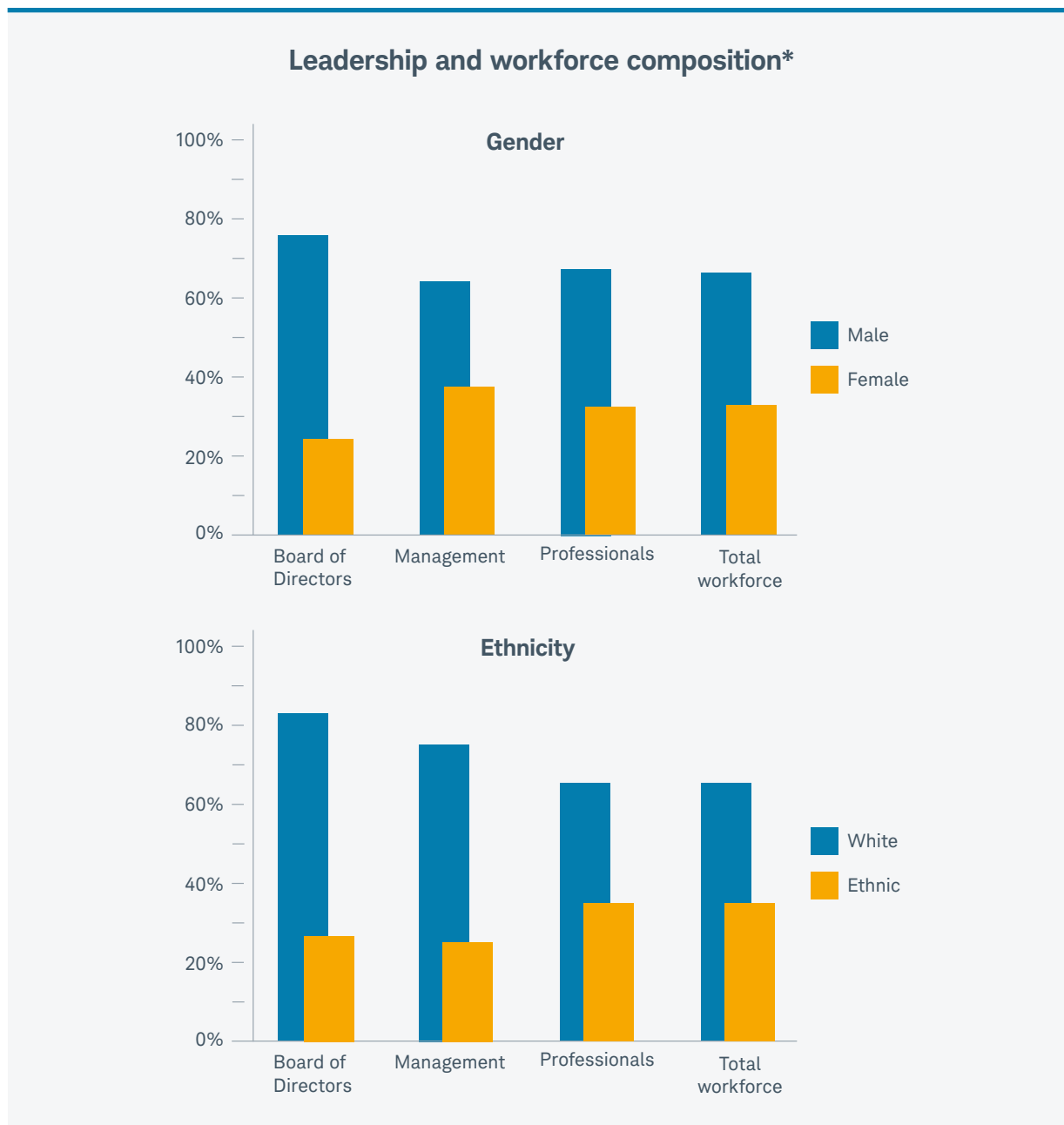
Week of Belonging

Schwab holds an annual Week of Belonging, which is a weeklong intersectional event highlighting inclusion and belonging through employee and leadership engagement and development activities. The 2021 virtual program featured more than 100 events, including a cultural talk show during which colleagues shared aspects of their culture and heritage,

and programs that promoted well-being. Leading up to and during the Week of Belonging, 468 Schwabbies joined ERGs.

Progress on diversity

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



*Ethnicity and gender data is based on the percentage of employees who self-identified for purposes of EEO-1 reporting as of December 31, 2021, and for directors, for purposes of proxy statement disclosure as of December 31, 2021. Ethnic includes Asian, Black, Hispanic, and Other Ethnicity.

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, Schwab has:

- Scored 100% on the 2021 Disability Equality Index
- Been recognized annually since 2012 by *U.S. Veterans Magazine*
- Received a 100% rating on the Human Rights Campaign's Corporate Equality Index for LGBTQ+ inclusion for over 15 years
- Been identified as one of America's Best Employers for Diversity by Forbes, based on a survey of 50,000 workers across the U.S. in 2019

Investing in our colleagues' growth and development

We are dedicated to cultivating and developing our talent by creating capabilities and opportunities for both personal and professional development. Through our cohesive and integrated talent solutions model, Schwab has implemented 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.

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.

Professional development programs

In 2020 and 2021, we expanded our existing programs to offer employees at all levels of the organization access to programs that suit their career stage and aspirations. The programs below are just a sampling of how we invest in our people.

Aspiring Leader Program (ALP)

Leadership is a shared responsibility at Schwab. This program creates that shared understanding of leadership at Schwab 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 three-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 2021 cohort included 306 participants: 56% were male and 44% were female, and 31% of participants self-identified as employees of color.

Manager LEAD

Introduced in 2020, Manager LEAD is a virtual six-month program for selected senior managers, team managers, and other individual contributors 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 increasing and demonstrating managerial courage, identifying and measuring business outcomes, building high-performing teams, increasing visibility and Schwab business knowledge, and building networks across and within peer groups. Programming topics include building high-performing teams and demonstrating managerial courage.

The 2021 cohort included 151 participants: 50% were male and 50% were female, and 36% of participants self-identified as employees of color.

Advanced LEAD

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

Some of the learning objectives and programming topics include exploring and defining the participant's leadership style, addressing identified gaps, and enhancing the ability to lead and be a member of a high-performing team. We also focus on building upon critical thinking and strategic decision-making capabilities with a focus on a participant's development to be ready for their next opportunity. Finally, we help participants learn how to engage more deeply within and across Schwab, increasing internal networks and visibility.

The 2021 cohort included 80 participants—47% were male and 53% were female, and 31% of participants self-identified as employees of color.

Securities Industry Institute at Wharton

The Securities Industry Institute at Wharton program is aimed at accelerating readiness and development of our highest-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, participants receive instructional course work and the opportunity to expand their external network within the industry. Coursework focuses on challenges faced by executives in the financial services industry.

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

Open registration development courses

In addition to our selective enrollment, nomination-based professional development programs, employees can choose to take courses that help develop a variety of skills, including effective communications and presentations, leadership, enhancing productivity, coaching essentials, and project management. On average, over 800 employees a year take advantage of these opportunities to enhance their skills and take ownership of their career paths.

Regulatory and compliance training

Schwab offers over 40 mandatory training courses to help employees understand Schwab's legal and regulatory compliance obligations and how all employees play a part in ensuring Schwab meets them. Regulatory and compliance training topics include Advanced Anti-Bribery and Corruption; Record Coordinator Training; Conflicts of Interest: Identification and Management; Advisor Services Fraud Prevention and Signature Verification; Compliance Essentials; Financial Crimes Essentials; Conduct Risk Essentials Verification Schwab Bank and Trust Curriculum; Enterprise Risk Management Annual Curriculum: Risk Management Essentials; FINRA Requirements and Obligations; Investment Advisory Training; Affirmative Action; and Workplace Environment Training.

Supporting our colleagues' health and well-being

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

Schwab's COVID-19 response

Like all organizations, we faced and continue to face one of the most challenging times in history—the COVID-19 pandemic. We have remained agile, acting and reacting quickly to address the ever-changing landscape of workplace health and safety guidelines to maintain a safe and productive workplace, while prioritizing our employees' health, safety, and work-life needs. Schwab embraced new flexible and remote work arrangements and created a Remote Leader Playbook with resources and tools to help our leaders keep their teams engaged.

To stay connected and share information, we made the quarterly leadership calls hosted by our Chief Executive Officer available to all employees via our intranet and let employees submit questions to the Chief Executive Officer via an Ask Walt link. Members of the Executive Council similarly hosted podcasts to answer questions and provide information needed for Schwabbies to continue to serve our clients and communities.

As vaccines were made available, employees were provided up to four hours of paid time off per vaccine dose, for a total of eight hours, to receive the two vaccine doses.

While our return-to-office plan has evolved and continues to evolve, Schwab offered a gradual voluntary, return-to-office plan, understanding the need to balance serving our clients and protecting our people. Schwab has been, and will remain, dynamic and flexible in our approach to returning to the office, including the phases and timing, which have been predicated on many variables. These include continued and widespread vaccine deployment, no major spikes in hospitalizations near our locations, and schools reopening, among other factors. We continue to prioritize the health and safety of our employees, and recognize people have different comfort levels and needs throughout various phases of the pandemic.

To help us move through the pandemic, we created a Workplace Flexibility Program (WFP) to provide managers and employees with greater flexibility with remote work options, if that's what's best for them. The WFP 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.

As a guideline and with some exceptions, employees can work remotely up to 90 days each year, and managers have wide discretion to consider further flexibility based on the employee's role, business needs, and other job-related factors. Employees have enthusiastically embraced the WFP, and as of December 31, 2021, a substantial portion of the workforce has taken advantage of the opportunity for additional flexibility once the workforce returns to office. More than one-third of employees have elected to work remotely for more than 90 days and more than a quarter have elected to work from home full time. We expect these numbers will fluctuate with time.

At year-end 2021, the Company had employees working successfully on-site in a safe way, and was watching COVID-19 case trends to determine the right time to begin a full return to the office while still providing the flexibility employees need, taking into account local regulations in our different locations.

Supporting Schwabbies with caregiving responsibilities

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. The benefit is available for both full-time and part-time employees who work a minimum of 20 hours per week and have completed at least 12 months of service.

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 through 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 a database of support for longer-term daycare solutions and babysitters, pet care, nannies. It also includes discounts on academic support such as test prep, learning pods, and homework help.
- **Out-of-network care option** (enhanced through December 31, 2021) – This allows employees to use someone in their personal care network (e.g., grandparents, friend, neighbor) to provide back-up care and receive up to \$100 reimbursement.
- **Elder care** – Employees who need guidance throughout the elder caregiving journey are provided with free, personalized support and access to 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** – For employees who are worried about their child’s academic success and need guidance on the college admissions process, this program provides access to live events, personalized assistance, and online resources to assist with important aspects of a child’s education. This offering now includes increased 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®, virtual sitting, pet care providers, and housekeepers. The program also includes discounts for a local, high-touch placement service for full-time childcare, elder caregiving resources, learning pods, discounts on academic support, tutoring, and test prep services, and special privileges for full-time childcare.

Schwabbies' personal and financial health and wellness

Employee sabbatical program

We believe that having time off for personal or professional development contributes to higher levels of future performance and retention. Schwab believes that extended, continuous time off offers long-term employees valuable time to engage in community services, career reflection, and education. For eligible employees, Schwab offers a 28-day paid sabbatical after five years of employment and every five years thereafter.



Health benefits

Schwab offers competitive medical, dental, and vision plans for its employees. In addition, Schwab contributes to employees' Health Savings Accounts (HSAs) and offers employees an opportunity to receive up to \$550 in additional HSA contributions by participating in the wellness program. Through 2021, employees may receive \$300 in HSA contributions by participating in a wellness challenge that requires an online health risk assessment and completing and logging healthy activities at least three times each week throughout a six-week wellness challenge. Employees may also receive the Lifestyle Reward of up to \$250 as reimbursement for expenses associated with healthy activities, including gym memberships and other in-person or virtual fitness classes.

Schwab also supports employees' mental well-being by offering an Employee Assistance Program through United Healthcare. Through this program, at no extra cost, employees have access to six mental health provider visits a year. This program also offers support for 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 (FSA) 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.

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 after an employee's first contribution and every year thereafter, and matches employee contributions thereafter dollar for dollar up to 5% of the employee's eligible compensation. These Schwab matching contributions vest immediately.

As of December 31, 2021, 98% of our employees participate in the 401(k) plan. Almost all participants are contributing at a level that allows them to receive the full match.

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. Recognizing the value of this program, 40%–50% of employees participate.

Bank services

This program gives employees special offers, only available to employees, on bank products, including discounted mortgages and home equity lines of credit.

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. Full-time employees are provided with eight hours and part-time employees are provided with five hours each year to volunteer. And through the Employee Matching Gifts program, Schwab matches up to \$1,000 per year of employees' charitable contributions to eligible nonprofit organizations. See [Giving Back to Our Communities](#) for more information on the different ways we invest in our communities, nationally and locally.

Organizing and governing to build and maintain trust

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.

At Schwab, managing risk is a shared responsibility, starting at the top with our Board of Directors, who oversee our risk management and management's execution of our Through Clients' Eyes strategy. 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 chairman of the Board of Directors. He continues to instill a steady vision of trust and client service that permeates our organization.

Our board maintains four committees: Audit, Risk, Compensation and Nominating, and Corporate Governance. Each committee is chaired by an independent director and has a charter. Directors of each committee are required to maintain their independence according to our standards. Over 82% of our board is independent from management, in accordance with New York Stock Exchange® corporate governance standards. The documents and 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 traditionally have served staggered three-year terms. At the

2021 Annual Meeting, stockholders approved a shareholder proposal recommending the phasing out of our classified board structure. The board expects to address this issue with a proposal of its own at the 2022 Annual Meeting.

ESG oversight: For Schwab, ensuring that our board's expertise evolves with changing norms and requirements and allows for steadfast oversight of management's execution of our Through Clients' Eyes strategy is a key priority. While recognizing that ESG is ultimately the responsibility of the full board, our Nominating and Corporate Governance Committee will have primary oversight of our ESG programs and priorities, with reporting to the full board. The board has amended the committee's charter to reflect this new responsibility.

Board size: With the TD Ameritrade acquisition and three new directors from TD Ameritrade, our board expanded from 14 to 17 directors. At this time in our history, 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.

Board diversity: As noted in our Proxy Statement, we specifically consider diversity of experience and background, including race, ethnicity, and gender among the qualifications of our director candidates. With the appointment of two new

female board members on August 1, 2020, our board is 35% diverse based on gender and ethnicity. Beginning with the 2022 Proxy Statement, the board has begun disclosing each director's self-identified diversity characteristics.

Executive compensation: Our Compensation Committee has oversight and approval of our compensation philosophy consistent with our risk appetite. As described in our [most recent Proxy Statement](#), the Compensation Committee 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 Chairman and Chief Executive Officer, Head of Human Resources, the Chief Financial Officer, and the 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 has oversight of management's execution of our Through Clients' Eyes strategy. This strategy emphasizes placing our clients' perspectives, needs, and desires at the forefront of everything we do. We use our scale and resources, now further enhanced by the integrated TD Ameritrade teams coupled with expense discipline, to reduce costs to ensure our products and solutions are affordable and responsive to client needs.

Our strategy is based on the principle that developing trusted relationships will translate into more assets from new and existing clients, ultimately building earnings growth and long-term stockholder value.



Our client-focused organizational design is structured into two operating segments supported by several centralized support 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 benefitting from the scale created by performing similar functions across distinct client groups. In addition, this design also enables the rationalization of decision-making and resource allocation.

Until October 15, 2021, our Chief Executive Officer also served as President. However, with the increased growth and success of the company, the board and the Chief Executive Officer agreed to separate the Chief Executive Officer and President roles to share some of the increased duties related to growth. As a result, effective October 15, 2021, the board appointed a new President, reporting to the Chief Executive Officer.

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. To create a cohesiveness in how we execute, we also maintain various councils, 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 [2021 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 sub-committees 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 [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 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 the company to 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 conflicts 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. We have a set of core policies and documents that serve as the foundation of our business and culture. These include our Code of Business Conduct and Ethics, Enterprise Risk Management Policy, and Compliance Risk Management Policy.

- 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.

We separately maintain a number of additional policies covering a range of topics, including employment-related policies, anti-bribery, anti-money laundering, and conflicts of interest. Schwab maintains a policy on Workplace Behavior Expectations, which embodies expected standards of behavior that extend beyond an expectation of complying with laws, such as anti-discrimination and anti-harassment laws.

For workplace issues, we encourage open communication to resolve any conflicts by discussing concerns with managers, compliance, and/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 alternatives for employees to assess a pathway to resolution. These alternatives include working with Human Resources Consultants and our Corporate Responsibility Officer or using the Ombudsperson Program. While each reporting matter can be made anonymously and treated confidentially, using an outside ombudsperson allows for added assurance of confidentiality and anonymity. We also offer employees the opportunity to make reports of suspected violations to the Corporate Responsibility Officer or to Conduct Risk Management via a tip line.

We have a series of required trainings, including for our Bank Secrecy Act (BSA)/Anti-Money Laundering Program. For example, client-facing employees and those who handle or move client assets receive education and training upon employment, annually, and whenever it is deemed that employee preparedness and performance for compliance needs to be tested and upgraded.

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 BSA Officer in the Corporate Anti-Money Laundering Department in Financial Crimes Investigations 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, Code of Conduct, or any other policies.

Public policy engagement

Guided by our long-standing vision to democratize investing and our belief that investing has the power to transform lives, active participation in the regulatory and legislative process is one way we seek to fulfill our vision. The Schwab 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 dreams and the company grow and be successful.

We work to educate policymakers at the international, federal, state, and local level about the effect of public policy proposals on individual investor and registered investment advisors. We proactively encourage legislation and regulations that benefit our clients and individual investors generally and 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, which receives regular reports on lobbying activity in accordance with the mandate in its charter to review our public policy and advocacy activities. Our head of Legislative and Regulatory Affairs has standing meetings with the General Counsel and the Legislative and Regulatory Affairs team meets regularly with the Regulatory Strategy Council, a committee of senior executives that provides counsel and oversight of 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, we engage with the appropriate business unit to gain insights that help shape the advocacy strategy needed to reflect our vision. We provide quarterly reports on pending legislative and regulatory policy issues of significance to the company to the Risk Committee of the Board of Directors, in addition to reports on lobbying activity provided to the Nominating and Corporate Governance Committee of the Board of Directors as mentioned above.

The company is subject to extensive federal, state, and local lobbying disclosure requirements, which include the filing of reports with Congress and applicable state agencies. The company's 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 [Statement on Public Policy and Political Participation](#) further outlines the company's oversight with respect to lobbying activities and reporting.

Political contributions

Schwab does not endorse or financially support any political party or individual political candidate.

Any financial support was previously and solely provided through Schwab's Political Action Committee (PAC), funded by voluntary contributions from our employees and directors. As [announced in January 2021](#), we discontinued the PAC and contributed the remaining funds to the Boys & Girls Clubs of America and historically Black colleges and universities. The PAC's previous contributions are part of the public record and available on the Federal Election Commission's [website](#).

Relatedly, 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 and in accordance with our [Statement on Public Policy and Political Participation](#).

Advocacy

Consistent with Schwab's vision and as described on our [Advocacy and Ethics page](#), 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 support the continued growth of the independent Registered Investment Advisor (RIA) industry and our nearly 15,000 client firms. Some examples of our lobbying efforts include:

- 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 that available to individual investors. Those efforts have included multiple comment letters to the SEC, testifying at hearings on Capitol Hill, and an ongoing education effort to help policymakers 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.

Trade associations

Finally, 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 that 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 2021, the aggregate amount of our dues designated by these trade associations as attributable to the company for lobbying was approximately \$792,000. Finally, the company also now discloses that it does not make any donations or payments to 501(c)(4) social welfare nonprofits.

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 the company regularly evaluates its participation in trade associations and industry groups, weighing the costs and benefits of continued membership. From time to time, the company determines not to renew its membership in an organization. For example, the company discontinued its membership in the U.S. Chamber of Commerce in 2021.

We belonged to the following trade associations in 2020 and 2021 through our Office of Legislative and Regulatory Affairs:

- American Bankers Association (ABA)
- American Bankers Association Securities Association (ABASA)
- American Chamber of Commerce to the European Union
- Bank Policy Institute
- California Chamber of Commerce
- Consumer Bankers Association
- Council of Institutional Investors
- Financial Data Exchange
- Investment Company Institute (ICI)
- National Business Coalition on E-Commerce and Privacy
- San Francisco Chamber of Commerce
- Securities Industry and Financial Markets Association (SIFMA)
- Securities Industry and Financial Markets Association Asset Management Group (SIFMA AMG)
- Texas Bankers Association
- U.S. Chamber of Commerce (discontinued membership in 2021)

Reinvesting in our communities

We provide selected banking services through Charles Schwab Banking & Trust Services (Schwab Bank). Our banks are wholly owned subsidiaries of The Charles Schwab Corporation. We opened our doors to banking in April 2003 by offering a narrow range of products for the benefit of our individual clients through Charles Schwab Bank.

These products include interest-bearing checking accounts and savings accounts and loan products such as overdraft lines of credit, home equity lines of credit, residential mortgage loans for home purchase and refinance, and securities-based lines of credit.

Two of our bank subsidiaries are subject to the Community Reinvestment Act (CRA). Through the Community Development Group of Charles 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 programs reflect our Through Clients' Eyes strategy and increase access to investing, support our D&I programs, enhance our efforts to give back to community, and meet our requirements under the CRA.

This section provides an overview of how we approach our CRA program and the impact we make on our communities in which we do business.

Oversight of the Community Reinvestment Act program

Schwab Bank's CRA committees are charged with the responsibility for implementing the CRA program. The CRA Committee is composed of senior officers of Schwab Banking & Trust Services and The Charles Schwab Corporation and is a subcommittee of Schwab Bank's Management Committee. Together, the CRA Committee and the Management Committee

ensure that adequate resources are dedicated to the CRA program in order to implement the Schwab Banks' CRA Strategic Plan.

Schwab Bank's Board of Directors is responsible for approving the CRA Strategic Plan and assessment areas and for appointing the CRA Officer (who also serves as Chairperson of the CRA Committee), and may delegate such authority as it deems appropriate. 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 diverse backgrounds of other CRA Committee members help ensure that each Strategic Plan is effectively administered.

To comply with the CRA, the CRA Committee develops a three-year Strategic Plan that is tailored to the needs of a particular community. Each plan is submitted for public comment and to the Federal Reserve Board for approval three months before the plan's effective date. The plans in effect for the period of this ESG Report expired December 31, 2021, and new Strategic Plans have been approved for the period from January 1, 2022, through December 31, 2024.



Developing our Strategic Plans

We generally evaluate an assessment area 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. In determining what opportunities to pursue, we seek ways to understand the communities' needs as influenced by a number of factors, including population changes, demographics, economic and housing information, unemployment rates, poverty rates, unbanked and underbanked households, 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. Typically, the needs 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.

Most recently, with the change in Schwab Bank's headquarters to Westlake, Texas, we amended our current Strategic Plan to include the Dallas-Fort Worth area and determined that we could best serve the community by committing time and effort into building long-term capacity with strong partnerships to yield lending and investing opportunities.



Creating impact

We typically employ an intermediary strategy for our 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 United States. Our loans and investments in CDFIs represent about 40% of our CRA program funds. We seek to loan and invest in CDFIs that primarily support affordable housing as well as small business development, microfinance, and community

facilities such as charter schools, health care and childcare centers. In 2020, we made 464 small business loans totaling \$221 million and 17 community development loans totaling \$304.8 million.

Affordable housing – Another approximately 40% of our CRA program funds are used to create affordable housing. These mostly consist of investing in real estate partnerships that invest in projects eligible for low-income housing tax credits for multi-family affordable housing.

Community service and grants – Aligned with Schwab's broader community efforts to advance financial literacy, Schwab Bank makes grants to advance the goals set forth above. We provide grants to local organizations that deliver programs that advance these goals. In 2020, we provided 2,930 hours of community development services for the assessment areas in our 2019–2021 Strategic Plan.

Our performance

The Federal Reserve (and previously the Office of the Comptroller of the Currency) 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 goals for performance under the lending, investment, and service tests of our Strategic Plans, exceeding our annual interim goals for each of these tests.



\$221M

in loans to 464 small business in 2020

Giving back to our communities

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 and communities. Separately, we support our communities through our volunteer efforts, corporate and employee giving initiatives, and mentorship.

Serving our communities is also one key pillar in our four-pillar strategy for advancing our D&I goals. 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 D&I 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 empower Americans with financial confidence to help change this trajectory. 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 by bringing our financial resources, expertise, employee volunteers, and advocacy to educate and equip people of all ages with the knowledge, skills, and behaviors it takes to become financially confident and secure.



Moneywise America™

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 teens across the country by providing high-quality financial education, with a focus on reaching youth in under-resourced communities and schools. Moneywise America has two core components: a standards-based financial literacy curriculum and a corps of Schwab-employee volunteers trained and certified to facilitate it for teens across the country. In the three months after the program was introduced in September 2021, nearly 1,000 employees enrolled in volunteer training, and more than 3,200 teens attended a Moneywise America educational session. Schwab aims to make the Moneywise America program available to every high school and neighborhood in America and to mobilize a quarter of our current workforce to facilitate the program.



Key aspects of Moneywise America:

- **Approaches financial education from the teen perspective and focuses on their individual life goals.** Too often teens are told what financial success looks like. Moneywise America gives them the freedom to define it for themselves.
- **Fills the financial education gap that the vast majority of schools struggle to address.** Schools and nonprofits will have free, unlimited access to this standards-based educational content and trained volunteers who can teach it both in person or virtually.
- **Offers employee volunteers a best-in-class training and certification experience.** Employee volunteers are trained and certified to teach financial education materials created for Moneywise America and any of the other financial literacy programs we offer.
- **Provides a free public service.** Moneywise America is a free public service available through Charles Schwab Foundation and makes no mention of Schwab products, services, or marketing information.

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. Money Matters 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 to develop the financial skills that can lead to workplace readiness, lifelong financial stability, and overall success. We believe the training our employee volunteers receive through Moneywise America will only enhance this partnership.

Eleven Money Matters college scholarships are awarded each year to high school students who demonstrate financial literacy capability and leadership in encouraging other students to become financially literate. One recipient is then selected as a Money Matters Ambassador, stepping into a higher leadership role to advocate for financial literacy among their peers on a national basis. In addition to delivering speaking engagements, a Money Matters Ambassador serves on the BGCA teen advisory board and works with the Money Matters management team. From 2003 to 2020, \$610,000 has been awarded to over 185 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. In addition, Schwab supports various additional teacher needs through the platform, most recently contributing to the Keep Kids Learning COVID-19 response fund. From 2017 through 2020, Schwab has supported more than 5,200 teachers in more than 3,700 schools across all 50 states, providing them the educational and financial literacy resources needed to teach more than 1 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 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. The Challenge reaches approximately 57,000 students annually, primarily in under-resourced communities and schools.

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 are committed to investing in communities and to helping people take ownership of their financial futures. In line with those commitments, 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 has a group of more than 200 volunteer Community Ambassadors across our employment centers who provide local leadership to spearhead and organize hundreds of events that support financial literacy and employee volunteerism, including local fundraising events, walk-a-thons, bake sales, and food drives.

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

\$46M+

donated in direct grants by The Charles Schwab Foundation since 2010

\$11.9M

Foundation support to nonprofit organizations in 2020

\$5.98M

in employee donations and matching gifts to 2,955 organizations in 2020

3,193+

nonprofit organizations received financial support in 2020

17,765

hours contributed by employees of their time-to-volunteer hours in 2020, despite pandemic limitations

Corporate philanthropy

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.

Scholarship endowment and other financial contributions

Schwab has established a \$500,000 scholarship endowment at each of seven partner universities, for a total of \$3.5 million, to provide financial assistance and career development opportunities to college students from underrepresented communities, helping to break down barriers to careers in financial services. 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. In addition to the two-year scholarship, recipients will be invited to apply for and participate in an internship at Schwab, which could help inspire a future career in finance.

Our scholarship endowment can have a meaningful impact in people's lives by creating educational opportunities, breaking down barriers, and opening new possibilities. By providing encouragement and support to underrepresented students to consider careers in financial services, we can strengthen both our company and industry.

In addition to the direct benefits to the scholarship recipients, the program will also assist these universities in enhancing their student diversity for the benefit of the entire student body. Participating schools include Arizona State University, Purdue University, Temple University, Texas Tech University, The University of Akron, University of Arizona, and Virginia Tech.

While our endowed scholarship program is new, Schwab has provided financial assistance to college students from underrepresented communities for decades. For example, we have provided \$500,000 contributions to fund scholarships at three historically Black colleges and universities: Bethune-Cookman University, North Carolina Agricultural and Technical State University, and Prairie View A&M University. Schwab also offers a Registered Investment Advisor RIA Talent Advantage® Scholarship through Schwab Advisor Services, which aims to raise awareness of the independent investment advisory profession and provides \$10,000 scholarships to 12 students, reserving half for students from underrepresented groups.

Charles Schwab Foundation also partners with Schwab Advisor Services to support colleges and universities that are cultivating the next generation of independent RIAs. The Schwab Advisor Services University Grant Program has provided more than



\$10 million in grants to financial planning programs at universities across the country, supporting new facilities, technology, and student education programs.

Schwab Volunteer Month

In 2021, Charles Schwab and TD Ameritrade employees honored the company's long-standing culture of investing in our communities through philanthropy and volunteer service by participating in Schwab Volunteer Month. For the first time in our history, the program shifted to an all-virtual format, providing more ways for employees and nonprofit partners to volunteer while staying safe during the pandemic. In 2021, the event expanded from one week to nearly an entire month, providing more opportunities for involvement.

Many Schwab Volunteer Month projects helped nonprofits increase the financial empowerment and well-being of the people they serve, and Schwab and TD Ameritrade employees had the opportunity to give back to their communities in a variety of ways.

Schwab Volunteer Month 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. Despite the ongoing pandemic, this year's Schwab Volunteer Month engaged more than 6,000 employees serving more than 130 nonprofits nationwide.

Pro Bono Challenge

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

Cross-functional teams of employees provide consulting sessions to help participating nonprofits solve business and operational challenges. Employees contribute a range of skills, from IT and operations to marketing and communications. In 2020, 392 employee volunteers across the country participated at 10 events, consulting on 67 projects and providing consulting services valued at \$748,995. In 2021, we held flash consulting events in Austin, Chicago, Dallas, Denver, Indianapolis, Orlando, Phoenix, Richfield, Ohio, and San Francisco. Schwab also organized a new challenge working with organizations serving the military and veterans and paired new USAA colleagues with members of our Military Veterans Network ERG.

Local efforts to support our communities

Schwab also supports our communities through ongoing programs in our service centers and branch network. Employees host bake sales; food, equipment, and blood drives; and other fundraisers at Schwab facilities. And we provide administrative help for various nonprofits and make our facilities available for community groups and events.

Being good stewards of our environment

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

Our primary environmental impact comes from our real estate footprint—both our corporate facilities and data centers. Schwab currently takes a project-based approach to addressing our environmental impact. With the TD Ameritrade acquisition, our footprint increased substantially, giving us a new opportunity to study and improve our environmental impact. As climate change becomes a more prominent issue for a growing subset of investors, we are looking for new ways to address our climate impact in a way that balances our vision, our recent growth, and our role as a corporate citizen.

As we continue to integrate our Schwab and TD Ameritrade operations, the ways in which we manage our environmental footprint and serve our clients will stay true to our ongoing efforts to be environmentally responsible.

Below we share our current environmental initiatives and our accomplishments through December 31, 2021.

Oversight and employee engagement

The Managing Director, Corporate Real Estate assesses and manages environmental-related risks and opportunities and reports to the Chief Financial Officer.

Allied with Corporate Real Estate is the Schwab Employees for the Environment (SEE) group. Our SEE group are volunteer champions dedicated to promoting and celebrating environmental responsibility at Schwab. Our employees share a passion for sustainability and believe in equal access to clean energy, air, and water. These employees work to create a greener work environment in our local communities. SEE members often bring ideas and opportunities to the Managing Director, Corporate Real Estate for discussion and, where appropriate, implementation.

Carbon and energy reduction

We annually measure and report Scope 1 and 2 emissions and other environmental data through CDP. From 2011 through 2020, we experienced a 42.4% reduction or 1.69 tons of carbon dioxide per full-time employee. We also measure our emissions year over year.*

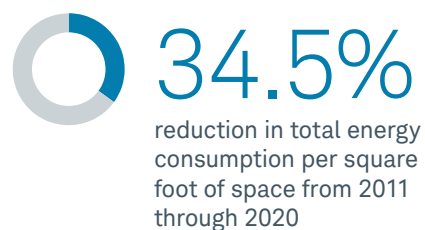
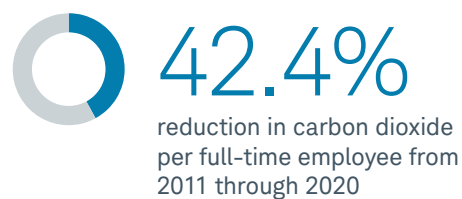
During that same period, we experienced a 28.6% (or 251.4 kilowatt-hour) reduction in energy per employee, and a 34.5% (13.35 kilowatt-hour) reduction in total energy consumption per square foot of space.

*Measurements are not third-party verified and represent internal calculations using the The Greenhouse Gas Protocol: Corporate Accounting & Reporting Standard.

A significant way in which we are reducing our greenhouse gas emissions is through our solar projects. In 2020, we launched a state-of-the-art solar farm in North Texas consisting of 9,000 solar panels producing 3.5 megawatts of DC power. In just one year, we eliminated 4,725 tons of carbon dioxide production we otherwise would have generated. Any unused power produced is sold back to the grid as part of Schwab's goal to offset the corporate building energy costs.

Given the success of this initiative, we are evaluating other solar investments and initiatives 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 are the default computer offering. Each laptop consumes approximately 80% less energy than desktop computers, along with generating less heat. In the first quarter of 2021, we began a company-wide conversion of existing desktops to laptops with a targeted completion date of the second quarter of 2022. Our Corporate Real Estate team is tracking our energy savings within our ENERGY STAR® Portfolio Manager site and observing the impact on our generator and UPS (Uninterrupted Power Supply) systems. Our early observations are already allowing us to prepare ourselves for assessing the appropriate tracking mechanisms to use when designing, replacing, or upgrading building infrastructure as we move into the future.



Sustainable real estate

All Schwab properties are enrolled in the U.S. Environmental Protection Agency's ENERGY STAR program for benchmarking. Many of our properties, both Schwab and former TD Ameritrade locations, are LEED-certified, including Platinum (2), Gold (33), and Silver (16) certification levels.

As part of the due diligence in our acquisition and leasing activities, for the safety of our employees, we assess water quality and its delivery to our sites, including through touchless fixtures. During the design process for our office spaces, we design for low-flow fixtures and efficient landscaping, which can include features like xeriscaping, drought-tolerant native plants and shrubs, smart irrigation with flow shut-off sensors, and rain/freeze sensors.

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 when feasible, including paper products certified by the Forest Stewardship Council and/or that contain post-consumer recycled content, toner cartridges, batteries, lighting, and supplies made with recycled content and reduced packaging.
- Striving to reduce environmental and transportation impacts associated with food production and distribution at our major locations that have dining operations. Our sourcing efforts prioritize food products produced within a 100-mile radius of the applicable site and labeled as Organic, Food Alliance Certified, Rainforest Alliance Certified, Protected Harvest (Sustainable Citrus), Fair Trade, or Blue by the Marine Stewardship Council.

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 is a national partnership that helps us proactively extend the life of our office furniture and equipment. It is one way we combine positive local community impact with reducing carbon emissions. Our partnership has allowed us to divert approximately 1,587 tons of waste from landfills, resulting in a reduction of 4,394 tons of carbon emissions. We also had a community impact of 45 beneficiaries receiving \$281,069 in donated furniture as of October 25, 2021.

If items, including employees' personal electronics, cannot be donated, we find ways to responsibly recycle them.

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

Awards

Industry recognition



2021 FORTUNE Most Admired Companies

Received for the fourth consecutive year

In the annual survey, which ranks some of the world's largest companies based on a number of attributes related to corporate reputation, financial performance, and social responsibility, Schwab also earned the top spot in the innovation, use of corporate assets, and quality of management categories in the Securities and Asset Management section of the list, where it finished second overall. See more details on Schwab's current FORTUNE ranking [here](#).

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Community service recognition



2021 America's 50 Most Community-Minded Company

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

The Civic 50 provides a national standard for corporate citizenship and showcases how companies can use their time, skills, and resources to drive social impact in their communities. The 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.

Diversity and inclusion recognition



2021 Best Places to Work for LGBTQ Equality

Received a 100% rating on the Human Rights Campaign's Corporate Equality Index every year since 2004



2021 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.



2021 Best Places to Work for Disability Inclusion

Awarded by Disability Equality Index

Schwab scored 100% on the 2021 Disability Equality Index, being recognized as one of the Best Places to Work for Disability Inclusion.

National workplace awards



2021 Forbes Best Employers for New Graduates

Ranked 15th among a field of 250 companies and #1 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.



2021 Forbes America's Best Large Employers

Ranked 150th out of 500 large employers. 50,000 Americans working for businesses with at least 1,000 employees were surveyed. Respondents were asked to rate, on a scale of zero to 10, how likely they'd be to recommend their employer to others. Statista then asked respondents to nominate organizations other than their own, as well as identify organizations they would not recommend to others. The final list ranks the 500 large and 500 midsize employers that received the most recommendations.

Regional workplace awards



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

- Austin, Texas (2013–2021)
- Charlotte, North Carolina (2016–2021)
- Chicago, Illinois (2013–2021)
- Cleveland, Ohio (2013–2018, 2021)
- Dallas–Fort Worth, Texas (2017–2021)
- Denver, Colorado (2013–2021)
- Indianapolis, Indiana (2013–2021)
- Orlando, Florida (2019–2021)
- San Francisco, California (2013–2021)



LinkedIn Top Companies: Austin

Ranked #8 of 25 companies in the greater Austin area, measured against seven pillars that have been shown to lead to career progression: ability to advance, skills growth, company stability, external opportunity, company affinity, gender diversity, and educational background



2021 Top Companies to Work for in Arizona
Awarded since 2013 by azcentral.com



2021 Arizona’s Most Admired Companies
Recognized since 2014



2021 Best Companies to Work for in Texas
Recognized since 2017

Military employer recognition



2021 Best of the Best
Recognized since 2012 by U.S. Veterans Magazine



2020 Best for Vets Employer Recognition
Recognized (2010–2016, 2019–2020) by Military Times EDGE



2020 Military Friendly Employer
Recognized since 2012

GRI & SASB Index

GRI Content Index

The 2020–2021 Report references material with selected disclosures using the Global Reporting Initiative (GRI) Standards Core Option as a guide. The following table outlines the location of the information from selected standards. Other sources of information include our 2021 Annual Report on [SEC Form 10-K](#), our [2022 Proxy](#), our 2021 CDP Climate Change Response, and our corporate website.

GRI Code	Description	Location or Reference
General Standard Disclosures 2016		
102-1	Name of the organization	The Charles Schwab Corporation
102-2	Activities, brands, products, and services	ESG Report, About Schwab, pages 4–8; SEC Form 10-K , Item 1
102-3	Location of headquarters	3000 Schwab Way Westlake, Texas 76262
102-4	Location of operations	SEC Form 10-K , Item 2
102-5	Ownership and legal form	SEC Form 10-K , Item 1
102-6	Markets served	ESG Report, About Schwab, page 6–7; SEC Form 10-K , Item 1
102-7	Scale of the organization	ESG Report, About Schwab, page 8; SEC Form 10-K , Item 1
102-10	Significant changes to the organization and its supply chain	ESG Report, About Schwab, page 5; SEC Form 10-K , Item 1
102-13	Membership of associations	ESG Report, Trade Associations, page 41
102-14	Statement from senior decision-maker	ESG Report, Board Letter, page 3
102-15	Key impacts, risks, and opportunities	ESG Report, Our Approach to ESG, pages 9–13; SEC Form 10-K , Item 1A
102-16	Values, principles, standards, and norms of behavior	ESG Report, About Schwab, page 4; Business Conduct and Ethics, page 38
102-17	Mechanisms for advice and concerns about ethics	ESG Report, Business Conduct and Ethics, page 38
102-18	Governance structure	ESG Report, Our Governance Framework, page 34; 2022 Proxy , page 2
102-19	Delegating authority*	ESG Report, Our Progress on ESG, page 15; Creating a Culture of Respect, page 22; Being Good Stewards of Our Environment; page 50

*This item reports the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.

GRI Code	Description	Location or Reference
102-20	Executive-level responsibility for economic, environmental, and social topics	ESG Report, Our Progress on ESG, page 15
102-21	Consulting stakeholders on economic, environmental, and social topics	ESG Report, Stakeholder Engagement, page 10; Developing Our ESG Approach, page 13
102-22	Composition of the highest governance body and its committees	ESG Report, Our Governance Framework, page 34; 2022 Proxy , page 2
102-23	Chair of the highest governance body	ESG Report, Our Governance Framework, page 34; 2022 Proxy , page 2
102-24	Nominating and selecting the highest governance body	2022 Proxy , page 28
102-25	Conflicts of interest	2022 Proxy , pages 3, 80
102-35	Remuneration policies	2022 Proxy , pages 29, 38
102-36	Process for determining remuneration	2022 Proxy , pages 29, 38
102-38	Annual total compensation ratio	2022 Proxy , page 55
102-40	List of stakeholder groups	ESG Report, Stakeholder Engagement, page 10; Developing Our ESG Approach, page 13
102-42	Identifying and selecting stakeholders	ESG Report, Developing Our ESG Approach, pages 11-13
102-43	Approach to stakeholder engagement	ESG Report, Stakeholder Engagement, page 10; Developing Our ESG Approach, page 11
102-44	Key topics and concerns raised	ESG Report, Developing Our ESG Approach, pages 11-13
102-45	Entities included in the consolidated financial statements	SEC Form 10-K , Item 2
102-46	Defining report content and topic boundaries	ESG Report, Developing Our ESG Approach, pages 11-12
102-47	List of material topics	ESG Report, Our Process, page 12
102-50	Reporting period	2020-2021
102-52	Reporting cycle	Annual for future years
102-53	Contact point for questions regarding the report	publicrelations.sch@schwab.com
102-55	GRI content index	ESG Report, GRI Content Index, page 56
ECONOMIC		
103-1, 103-2, 103-3	Management approach: explanation of the material topic and its boundary; the management approach and its components; evaluation of the management approach	SEC Form 10-K , Item 1, 7

GRI Code	Description	Location or Reference
201	Economic Presence 2016	
201-1	Direct economic value generated and distributed	SEC Form 10-K , Item 7
201-3	Defined benefit plan obligations and other retirement plans	ESG Report, 401(k), page 33; SEC Form 10-K , Note 21
203	Indirect Economic Impacts 2016	
203-2	Significant indirect economic impacts	ESG Report, Reinvesting in Our Communities, pages 42-44; Financial Literacy, pages 45-47
205	Anti-Corruption 2016	
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Risk Management Framework, pages 36-37; SEC Form 10-K , Item 7, Risk Management, pages 46-49
205-1	Operations assessed for risks related to corruption	ESG Report, Risk Management Framework, pages 36-37; SEC Form 10-K , Item 7, Risk Management, pages 46-49
205-2	Communication and training about anti-corruption policies and procedures	ESG Report, Business Conduct and Ethics, page 38
206	Anti-Competitive Behavior 2016	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None
ENVIRONMENTAL		
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Being Good Stewards of Our Environment, page 50
302	Energy 2016	
302-1	Energy consumption within the organization	2021 CDP Climate Change Questionnaire (C8)
302-4	Reduction of energy consumption	ESG Report, Carbon and Energy Reduction, pages 50-51
303	Water and Effluents 2018	
303-2	Management of water discharge-related impacts	ESG Report, Sustainable Real Estate, page 52; 2021 CDP Climate Change Questionnaire (C-FS2.2d)
305	Emissions 2016	
305-1	Direct (Scope 1) GHG emissions	CDP Climate Change Questionnaire (C6)
305-2	Energy indirect (Scope 2) GHG emissions	CDP Climate Change Questionnaire (C6)
305-3	Other indirect (Scope 3) GHG emissions	CDP Climate Change Questionnaire (C6.5)
305-5	Reduction of GHG emissions	ESG Report, Carbon and Energy Reduction, page 50; CDP Climate Change Questionnaire (C4, C7)

GRI Code	Description	Location or Reference
WORKFORCE & SOCIAL		
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Creating a Culture of Respect, page 22; Fostering a Culture of Diversity & Inclusion, page 24
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' Health and Well-Being, page 31
401-3	Parental leave	ESG Report, Supporting Schwabbies with Caregiving Responsibilities, page 31
404	Training and Education 2016	
404-2	Programs for upgrading employee skills and transition assistance programs	ESG Report, Investing in Our Colleagues' Growth and Development, pages 28-29
413	Local Communities 2016	
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Reinvesting in Our Communities, page 42; Giving Back to Our Communities, page 45
413-1	Operations with local community engagement, impact assessments, and development programs	ESG Report, Giving Back to Our Communities, pages 45-49
415	Public Policy 2016	
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Public Policy Engagement, page 39
415-1	Political contributions	ESG Report, Political Contributions, page 40
418	Customer Privacy 2016	
103-1, 103-2, 103-3	Management approach disclosures	ESG Report, Protecting Clients' Assets, page 21

SASB Index

For our first report, we provide disclosures informed by two SASB 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).^{*} 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 2021 Annual Report on [SEC Form 10-K](#), our [2022 Proxy](#), our 2021 CDP Climate Change Response, and our corporate website.

SASB Topic	Accounting Metric or Topic	Code	Location, Response or Comment
Transparent Information & Fair Advice for Customers	Description of approach to informing customers about products and services	FN-AC-270a.3	ESG Report, Personalized Investing for the Main Street Investor, page 17
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	FN-AC-330a.1	ESG Report, Progress on Diversity, page 27; EEO-1 Report
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	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	FN-AC-410a.1	ESG Report, ESG Investment Product and Service Evolution, page 18
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	FN-AC-410a.2	ESG Report, ESG Investment Product and Service Evolution, pages 18-19
	Description of proxy voting and investee engagement policies and procedures	FN-AC-410a.3	ESG Report, Shareholder Engagement and Proxy Voting at Schwab Asset Management, page 20
Business Ethics	Description of whistleblower policies and procedures	FN-AC-510a.2 FN-CB-510a.2	ESG Report, Business Conduct and Ethics, page 38
Data Security	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	ESG Report, Protecting Clients' Assets, page 21

^{*}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

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. 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. (CSIM), the investment adviser for Schwab Funds, Laudus Funds, Schwab ETFs, and separately managed account strategies. Schwab Asset Management is a part of the broader Schwab Asset Management Solutions organization (SAMS), a collection of business units of The Charles Schwab Corporation aligned by a common function—asset management-related services—under common leadership. Schwab Funds and Laudus Funds are distributed by Charles Schwab & Co., Inc. (Schwab) Member SIPC. Schwab ETFs are distributed by SEI Investments Distribution Co. (SIDCO). CSIM 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. Because securities may be included or excluded based on ESG factors rather than other investment methodologies, the product's performance may differ (either higher or lower) from the overall market or comparable products that do not have ESG strategies. 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.

The Schwab Ariel ESG ETF is an active semi-transparent (also known as a non-transparent ETF) and has additional risks associated with it. These risks are discussed in the next four paragraphs.

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](#).

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.

Small cap funds are subject to greater volatility than those in other asset categories.

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.

Please refer to the Charles Schwab Investment Management, Inc. (“CSIM”) Wasmer Schroeder Strategies Disclosure Brochure for additional information.

As of July 1, 2020, the portfolio management teams for the Wasmer Schroeder Strategies transitioned to CSIM with CSIM assuming portfolio management services for the Strategies. CSIM is a registered investment adviser and an affiliate of Charles Schwab & Co., Inc. (“Schwab”). Both CSIM and Schwab are separate entities and subsidiaries of The Charles Schwab Corporation.

The material provided is for informational purposes only and contains no investment advice or recommendations to buy or sell any specific securities. The statements contained herein are based upon the opinions of Charles Schwab Investment Management, Inc., dba Schwab Asset Management, the data available at the time of the presentation which may be subject to change depending on current market conditions.

Please refer to the Schwab Asset Management Wasmer Schroeder Strategies Disclosure Brochure for additional information.

As of July 1, 2020 the portfolio management teams for the Wasmer Schroeder Strategies transitioned to Schwab Asset Management with Schwab Asset Management assuming portfolio management services for the Strategies. Schwab Asset Management is a registered investment adviser and an affiliate of Charles Schwab & Co., Inc. (“Schwab”). Both Schwab Asset Management and Schwab are separate entities and subsidiaries of The Charles Schwab Corporation. Wasmer Schroeder Strategies are available through Schwab’s Managed Account Connection® program (“Connection”). Please read Schwab’s disclosure brochure for important information and disclosures relating to Connection and Schwab’s Managed Account Services®.

Because environmental, social and governmental (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.

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