



Strategic report

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Key performance indicators (KPIs)*

 This year, we have embedded KPI disclosures throughout the strategic report, providing explanations in context with the relevant content. We have also added a new KPI, portfolio temperature score, given the strategic importance of our climate strategy to our business.

KPIs are identified throughout the strategic report using the symbol above.

Client investment performance

73%

2021: 79%

For more information, see page 7

Basic operating earnings per share*

37.4p

2021: 43.0p

For more information, see page 35

Net new business*

-£7.6bn

2021: £37.3bn

For more information, see page 8

Net operating income*

£2,476m

2021: £2,520m

For more information, see page 34

Assets under management*

£737.5bn

2021: £766.7bn

For more information, see page 10

Retention of highly-rated employees

94%

2021: 94%

For more information, see page 30

Dividend per share*

21.5p

2021: 21.4p

For more information, see page 5

Portfolio temperature score

2.6°C

2021: 2.8°C

For more information, see page 27

See our glossary on page 202 for definitions of our KPIs.

* Our KPIs have been updated following the change to the presentation of our income statement, see page 35, and following the simplification of the dual share class, see page 63. Prior year numbers have been restated here and throughout the report.

Our Annual General Meeting (AGM) will be held as a hybrid meeting at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 27 April 2023 at 11:30am.

Our purpose is to provide excellent investment performance to clients through active management

By serving clients, we serve wider society. Channelling capital into sustainable and durable businesses accelerates positive change in the world.

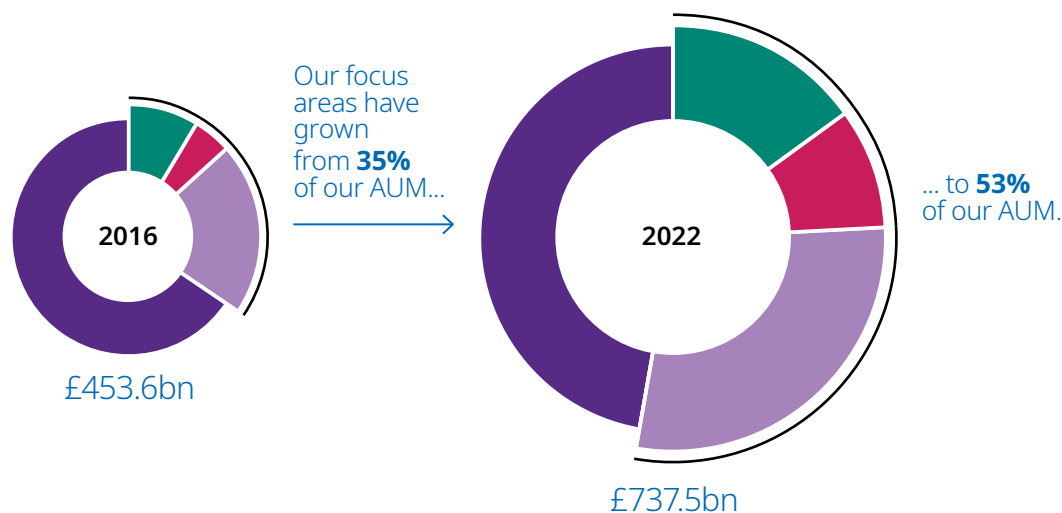
Funding the future is a privilege; we use it wisely and responsibly.

A number of years ago, we recognised the external forces that were causing significant disruption to traditional asset management. In response, we sought to expand our business into areas with greater client longevity, higher margins and where we believe we can deliver the best returns for clients.

Today, we have succeeded in reshaping our business. We are one of only a few investment managers with a truly global reach, distinctive set of advice and investment capabilities, and recognised leadership in sustainability.

We have built a complete private asset business, continued to grow our public asset offering, placed greater focus on delivering solutions for our clients, expanded our wealth management offering across the wealth spectrum and developed our network of global partnerships.

Assets under management



Schroders Wealth Management

i For more information, see page 18

Schroders Capital

i For more information, see page 20

Schroders Solutions

i For more information, see page 22

Schroders Investment Management

i For more information, see page 24

We are a global investment manager offering a distinctive set of advice and investment capabilities.

Our clients seek advice to help them with a range of complex challenges. By building trusted partnerships with them, we are able to nurture deeper, long-lasting relationships. Our business is organised across two segments – asset and wealth management – with four distinct business offerings.

In Asset Management our Schroders Investment Management business offers active management across a full range of asset

classes through mutual funds and institutional mandates. This is now supplemented by a complete private assets business, Schroders Capital, whilst Schroders Solutions brings our public and private asset management capabilities together to offer complete investment solutions to institutional clients.

Schroders Wealth Management offers advice across the wealth spectrum through our various brands.

Schroders Wealth Management

£111.4bn AUM

We offer investment, advisory and platform services to individuals, family offices and charities where relationships are deeper and longer lasting.

We generate revenue from: financial planning and advice, platform fees, and management fees where clients invest into our funds.

Joint Venture*, £13.3bn

Our joint venture with Lloyds Banking Group, Schroders Personal Wealth, offers financial advice to mass-affluent clients.

Our clients cover:

- Ultra-high-net-worth
- High-net-worth
- Affluent
- Mass Affluent

 For more information, see page 18

Schroders Capital

£68.3bn AUM

We offer clients access to alternative sources of return. Compared with publicly listed assets, revenues are typically more stable and client relationships longer.

Our clients primarily include institutions, although increasingly we are extending this capability to individuals and pension funds with some key new mandates.

Our strategies cover:

- Private debt
- Private equity
- Infrastructure
- Real estate
- Alternatives

 For more information, see page 20

* Included within the business AUM presented above.



Schroders Solutions

£210.2bn AUM

We offer advice and solutions, working in partnership with pension funds, financial services and other large institutions.

Through deepened relationships we build bespoke investment solutions and strategies, designed to meet complex needs through Fiduciary and Liability Management, and other investment management services.

Our strategies cover:

- Fixed income
- Equities
- Multi-asset
- Risk mitigation

 For more information, see page 22

Schroders Investment Management

£347.6bn AUM

We offer deep investment expertise across all asset classes to a range of clients. We make our products available to retail investors through our mutual funds business.

Our global presence allows us to connect with clients around the world.

Joint ventures and associates*, £107.7bn

We partner with local champions, including Bank of Communications in China and Axis in India, to access high growth markets.

Our clients include:

- Insurance companies
- Pension schemes
- Charities
- Sovereign wealth funds
- Fund platforms

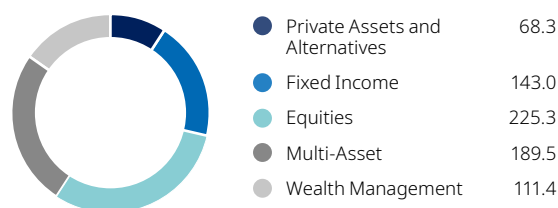
 For more information, see page 24

* Included within the business AUM presented above.

Enabled by our deep investment expertise across all asset classes

We have highly specialised teams across public and private markets, and we increasingly bring this expertise together to provide complete solutions for our clients.

By asset class (£ billion)



Strengthened by sustainable leadership

We see sustainability as a key differentiator for our business and a key source of client demand. We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

See page 203 for more information on the integration of ESG factors.

Portfolios with SustainEx™ score above their benchmark

86%
(for portfolios to which these scores can be applied)

MSCI ESG Rating

AAA

putting us in the top **13% of our sector**
(2021: AAA, 3%)

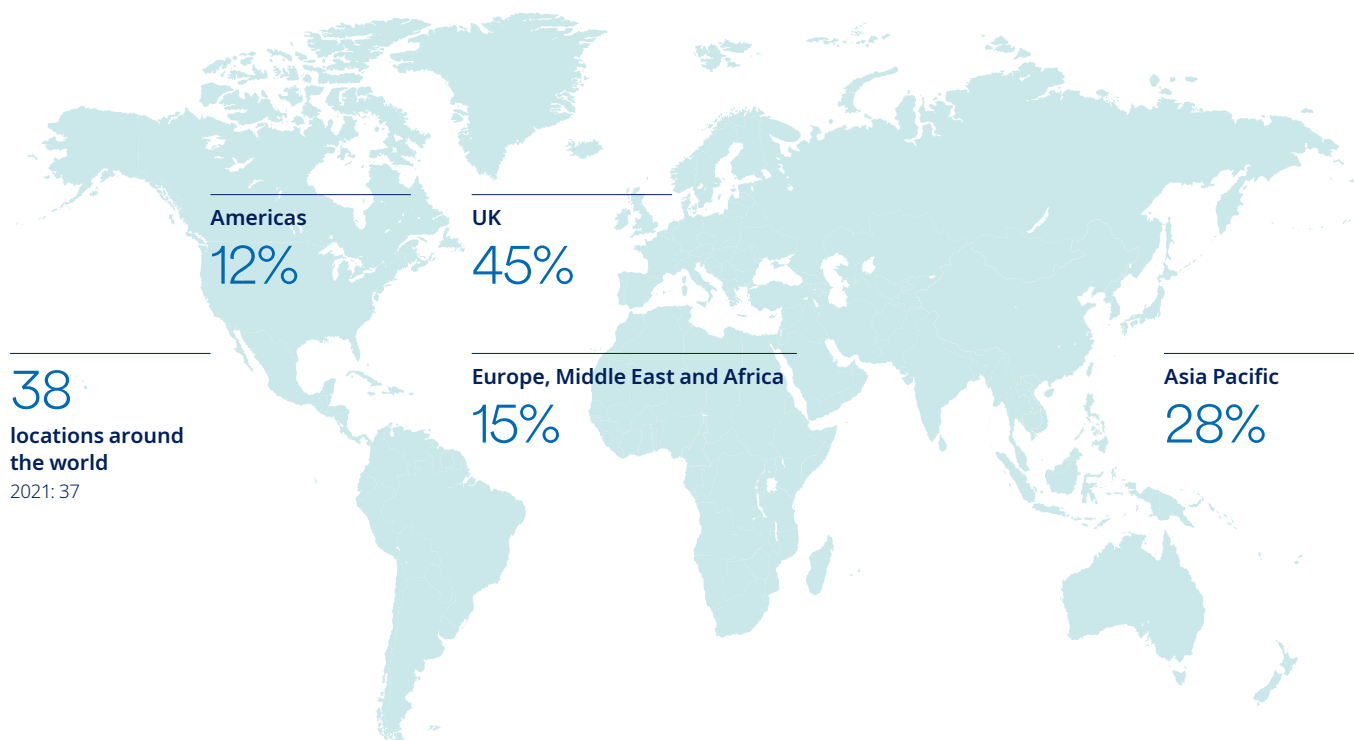
For more information, see page 26

Serving clients across the world and supported by our strategic partnerships

Our global presence enables us to reach clients and meet their distinctive needs regardless of their geographic location. We also access high-growth markets through our strategic partnerships with champion brands.

Long-standing presence in all key global markets

Assets under management, by client domicile



Our strategic partnerships



Schrodgers
personalwealth

施罗德交银理财
Schrodgers BOCOM Wealth

AXIS MUTUAL FUND

HARTFORDFUNDS
Our benchmark is the investor.™



A company that always thinks long term



We have the right strategy and the talent to deliver it

It is my pleasure to present this first annual report since I became Chair in April last year. Schroders, as one of the world's leading active managers, performs a crucial trusted role for our clients, the intensity of which only gets magnified during periods of economic turmoil and geopolitical uncertainty. 2022 was a challenging year for everybody with markets and returns dramatically impacted.

I was pleased and heartened by Schroders response, as our strategy and resilience were tested and proven.

I have been impressed with the dedication and determination of the remarkable people here at Schroders and the way in which the company has responded, on our clients' behalf, in a volatile year. Under the high quality leadership of our executive Directors, Peter Harrison and Richard Keers, the company has held true to serving clients and delivering our strategy.

Asset prices experienced significant fluctuations during the year, and with all metrics impacted by lower bond and equity markets, our financial performance was affected. Operating profit was £723.0 million, down from £841.0 million in 2021. Profit before tax was £586.9 million (2021: £764.1 million). Assets under management ended the year at £737.5 billion (2021: £766.7 billion), principally due to lower bond and equity markets. These are resilient results in the circumstances and testament to our strategy of diversification and staying close to our clients. Our capital position also remains strong.

The Board is therefore recommending a final dividend of 15.0 pence per share (2021: 14.9 pence), bringing the full year dividend to 21.5 pence (2021: 21.4 pence). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 4 May 2023 to shareholders on the register on 24 March 2023.

Global Markets have started 2023 on a more optimistic note in anticipation of an economic recovery later this year. We of course welcome the improvement in sentiment but recognise that markets are likely to remain volatile given continuing levels of uncertainty in the outlook. Our strategy of diversification positions us well.

Strategy, talent, culture and clients

A demanding environment inevitably puts greater strain on a company and it is at precisely these times that strategy is tested. I am pleased to report that our strategy helped place us in a resilient position to continue to deliver for all our stakeholders. We are putting even more emphasis on building closer relations with our end clients, continuing to focus on developing distinctive capabilities in our asset management business, and have expanded further our private assets business.

Throughout this annual report you will read more about our strategy: what it is, why it makes us different and how we are delivering on it both now and will in the future. Strategy has been a key focus of our Board discussions over the past year, culminating in our offsite meeting in November.

During this the Board fully endorsed continuing with the strategic direction that has been pursued since 2016 and the three pillars on which it is based, while increasingly taking advantage of technological innovation to enhance our offering to clients and maintain cost discipline. The acquisitions of recent years, including those completed in 2022, all support this drive. Sustainability is something we see as integral to each of our strategic pillars and our goal is to become a leader in this field.

I have now been on the Board for almost 18 months and I am grateful for the warmth of the welcome I have received. Through my induction I spent many hours not just with the executive team but also with many other employees. I have been impressed by the rich and diverse talent we have across our businesses. Understanding the views of our people is essential in helping the Board understand the culture of the organisation and make the right long-term decisions. With the relaxation of travel restrictions, the Board was able to go overseas for the first time since 2019 and we experienced at first hand the enthusiasm and professionalism of our colleagues in New York.

Schroders has long held a reputation for putting our clients at the heart of everything we do and I have now been able to experience this at first hand. It is core to who we are and what we do and the Board fully recognises that we must protect this reputation.

In all our Board discussions, the needs of our clients and wider stakeholders are seen as paramount. Delivering consistently for our clients in a volatile and uncertain market will deliver long-term shareholder value. We have the right strategy and the talent to deliver it.

Simplifying our share structure

In September we completed the simplification of our share structure by enfranchising our non-voting shares. Now all shareholders have the same rights. This was a major step for the Company and was undertaken after significant consultation with shareholders. Holders of both classes of shares overwhelmingly supported our proposals. We could not have achieved enfranchisement without the support of our Principal Shareholder Group. Despite their voting rights being diluted by enfranchisement, their support for the proposals as being in the Company's best interests demonstrated their long-term commitment. This is a major strength as we move forward.

The Board

As the Company evolves, so does the Board and there is more on how we are doing this in our Nominations Committee report. We said farewell to our previous chair Mike Dobson at our Annual General Meeting in April after 21 years and I would like to thank Mike for his support and guidance as I prepared to succeed him in the Company. In July we welcomed Paul Edgecliffe-Johnson to the Board. Paul brings significant strategic and financial expertise along with global business experience. Damon Buffini will leave the Board at the Annual General Meeting in April after five years. We have benefitted enormously from Damon's experience, particularly in private markets. We are very sorry to see him go but fully appreciate the need for him to focus on his new role as Deputy Chair of the BBC. The search for Damon's successor is well advanced.

Looking forward

High levels of macro uncertainty are likely to continue. That said, delivering our strategy and excellence in performance is what Schroders has always done and will continue to do. What I have found since joining the Board has reinforced what I always believed about Schroders; it is a Company that thinks and acts for the longer-term benefit of its clients, shareholders and other key stakeholders.

Taking over as Chair of your Company has been an enormous privilege and also hugely enjoyable. This is principally due to the quality of the people within Schroders and their infectious drive to take the Company forward. I am grateful to them for all they do and also for the support of my colleagues on the Board as collectively we look to the future.

Dame Elizabeth Corley
Chair

1 March 2023



Dividend per share (pence)

Our objective

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%.

How we performed

21.5p

The Board recommends a final dividend of 15.0 pence per share, bringing the total dividend for the year to 21.5 pence per share. This represents a payout ratio of 57%.

2022	21.5
2021	21.4
2020	20.0
2019	20.0
2018	20.0

Robust results, resilient performance



I am heartened that we lead in opening up new investment frontiers

Schroders Capital gross fundraising

£17.5bn

(2021: £12.4bn)

Schroders Wealth Management NNB

£5.6bn

(2021: £6.1bn)

2022 will be remembered for the slew of challenges that confronted society. It was the year that war returned to Europe and inflation reached a 40-year high, sparking a once-in-a-generation crisis in the cost of nearly everything. Amid such acute pressures, geopolitical tensions worsened and political divisions inevitably widened.

For companies, it was a test of financial strength, of strategy, and of how they responded in supporting their people.

I'm proud of our response. Schroders performed and acted as it should when clouds darken. The strength of our employee value proposition is perhaps why the 'great resignation' never came to Schroders.

It is in times like these that I'm glad Schroders is a committed active manager. More than ever, our fund managers have engaged with companies and challenged their strategies, sharing our own data on everything from climate change to employee wages. Our considerable investment in sustainability – in active ownership teams, in proprietary tools – gives us a deep understanding and therefore an investment edge. Fast forward to the present day and we have a sizeable, scaled sustainability capability which is a real competitive advantage.

In an exceptionally tough year for markets, our revenues and profits were inevitably affected but I am pleased with the relative performance of our core business.

I'm equally pleased with the speed at which we continue to move to areas of the industry where relationships with clients are deeper and longer lasting. Importantly, our strategy kept moving.

Most notably in 2022, we completed two major acquisitions: we bought a majority stake in Greencoat Capital, now an important component of Schroders Capital, so that we could offer our clients ownership of renewable energy assets, and we combined River and Mercantile's solutions business with Schroders Solutions to bolster our advice capabilities and better solve the complex challenges faced by clients.

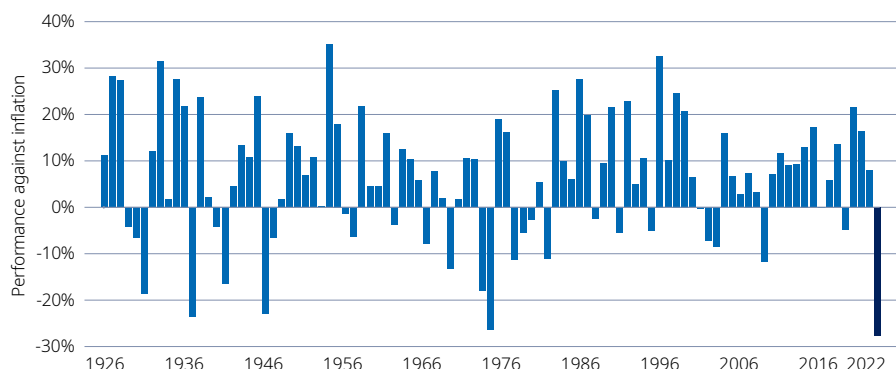
Markets in 2022 served up a reminder of the need for true diversification. It was the year that equities and bonds crumbled simultaneously, defying the convention that when one falls, the other rises. The classic portfolio combination of 60% equity and 40% bonds had its worst year in nearly a century, as research from our Strategic Research Unit makes abundantly clear in the chart on the next page.

Clients responded by investing in assets they may previously have not considered. In equities, our energy transition strategies saw the greatest demand. Investors want choice and they want to back the trends they believe in. There is a growing desire, and need, to fund the world's transition to carbon net zero.

The company is a leader in opening up these new investment frontiers to clients, not just through our thematic funds and the wind turbine projects of Schroders Greencoat, but also with natural capital products that will reward investors for helping to protect rainforests in Asia.

The measure of a corporate strategy is how it navigates a company through the hardest of environments while maintaining a promised long-term trajectory. This report sets out in detail how and why Schroders' strategy met that test in 2022.

A portfolio of 60% equities and 40% bonds underperformed inflation by the most in almost 100 years



Equities are US large cap equities, bonds are long-term US government bonds. Data to 31 December 2022. Source: CFA Institute, Schroders, Refinitiv.



Client investment performance (%)

Our objective

We target at least 60% of our AUM outperforming their stated comparator over rolling three-year periods.

How we performed

73%

We again delivered strongly for our clients with 73% of assets outperforming their relevant comparator over three years and 76% outperforming over five years. We have been above our target for the previous five years.



Our financial performance

Our revenues and profits inevitably felt the effect of lower bond and equity prices but benefitted from our diversification and our pivot towards quality growth areas. Our core business performance is reflected in our net operating revenue excluding performance fees and net carried interest figure. This increased 1% to £2,301.9 million, despite the challenging market backdrop in 2022. Our operating profit was lower than last year's record high, ending the year at £723.0 million.

Considering the difficult environment, we started the year well compared to our peers. At the half year we generated net new business (NNB) of £8.4 billion and saw NNB of a further £1.0 billion in the third quarter. The fourth quarter saw a reversal, driven by a global risk-off sentiment, while in the UK we navigated a crisis in the gilt market. In the end, 2022 saw net outflows of £7.6 billion, or £1.6 billion excluding joint ventures and associates.

We strive to provide excellent investment performance to our clients through active management. That's our bread and butter and also what drives our financial performance. I'm pleased that we again delivered strongly for our clients with 73% and 76% of assets outperforming their relevant comparator over three and five years respectively. Furthermore, 86% of our public market AUM had a better SustainEx™ score than their benchmark. This measure shows the impact our investments have as we act as the stewards of clients' assets.

Our strategic plan, now in its seventh year, continues to drive us forward.

Our long-term strategy

We have three strategic areas of focus: building closer relationships with end clients; growing our asset management business through providing solutions, leadership in sustainability and geographic expansion; and expanding our private assets business.

This strategy is effective because it pivots our business towards quality: higher margin, higher growth areas, and increasingly into areas where relationships with clients are stronger and longer lasting. Our competitors have seen the merits of this approach and have embarked on a similar path. Our advantage is that we are well progressed, having set course in 2016.

These strategic areas of focus apply across our firm and are executed via the businesses we have built: Schroders Wealth Management, Schroders Capital, Schroders Solutions and Schroders Investment Management. Each has significant market presence in its own right. The true value is unlocked by housing these businesses under one roof; the whole is greater than the sum of the parts. All Schroders Solutions clients have access to the private assets capabilities of Schroders Capital, for example. By deepening relationships with clients, we improve the Schroders experience and we strengthen our business.

Group Chief Executive's statement

continued



Net new business (£ billion)

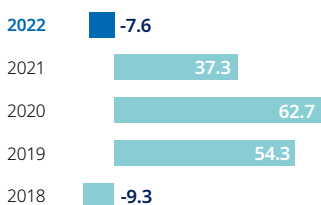
Our objective

We seek to generate positive net new business across the Group.

How we performed

-£7.6bn

Overall, total net flows were -£7.6 billion for the year. Excluding our joint ventures and associates total net flows were -£1.6 billion. In 2022, the two strategic growth areas of Schroders Wealth Management and Schroders Capital contributed strongly, with £5.6 billion and £6.4 billion of net flows respectively.



The chart, below, shows our net new business split by business and how our combined strategic growth areas have positively contributed. Schroders Wealth Management had a good year, together with a number of our private assets businesses. Had we not embarked on our strategic shift several years ago, our results would have looked very different.

Schroders Wealth Management

Over the years we have built a broad wealth management platform, advising clients across the spectrum of ultra-high-net-worth, high-net-worth and affluent clients, and provide a technology-driven platform for financial advisers in the business-to-business space. Schroders Wealth Management generated an impressive £5.6 billion of net new business in 2022.

This success is a result of a combination of factors. Firstly, we have a strong portfolio of wealth brands including Cazenove Capital and Benchmark, together with our Lloyds Banking Group joint venture, Schroders Personal Wealth, that are delivering very competitive investment performance versus peers. This is leading to higher inflows and lower attrition levels. Secondly, there has been strong growth in UK charities where our sustainability expertise has been very well received, particularly in the university sector. Sustainability has been an important theme in private wealth where families are becoming more focused on the impact of their investments. We've also seen strong growth from our expansion of regional hubs in Birmingham, Leeds, Bristol and Manchester.

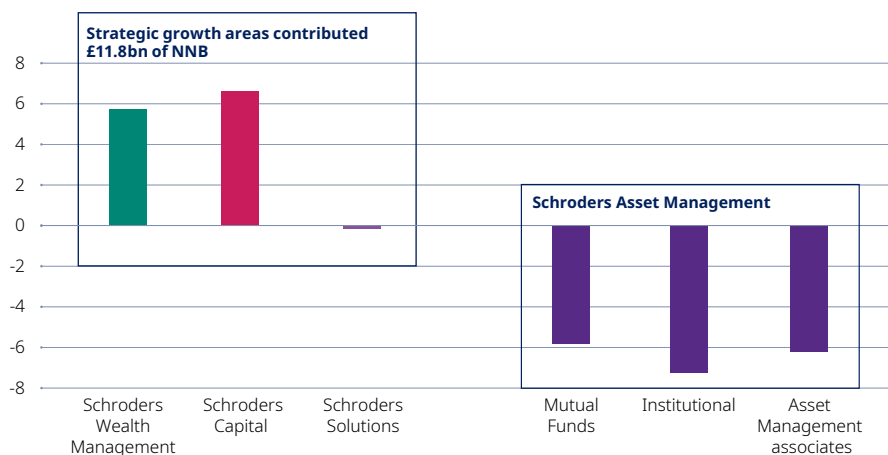
Schroders Capital

Our private assets business has undergone considerable change in both size and composition. In 2016, we managed around £20 billion, predominantly consisting of real estate, securitised credit and private equity. Through a targeted programme of bolt-on acquisitions and complementary organic investment, we now have a complete business offering private debt, private equity, infrastructure, real estate and alternatives. Schroders Capital ended the year with £68.3 billion of fee earning assets under management and generated £17.5 billion of gross fundraising, with NNB of £6.4 billion in 2022, despite the challenging environment.

The chart on page 9 shows the success of our acquisition strategy; we have nearly doubled the £24.6 billion of assets under management that we have bought since 2016. To take our private equity franchise as an example, we bought Adveq (now Schroders Capital private equity) in 2017 when it managed £6.0 billion. It was a solid business led by great people but to accelerate growth it needed access to a strong brand, an efficient and effective product development machine and global client reach. Providing this meant that we could grow the assets by 90% to £11.4 billion and win some sizeable mandates across Europe last year. Most notably, we were awarded a mandate by Nest, a workplace pension scheme set up by the UK Government. Its 10 million-plus members now have access to private equity for the first time.

Last year, we bought a majority interest in Greencoat Capital, a green infrastructure manager adding £7.7 billion of assets and contributing £0.5 billion of NNB. This is an attractive proposition for many of our clients amid the drive toward net zero.

Net new business (£ billion)





Becoming a true trusted adviser is the next phase of our strategy

We foresee a multitude of opportunities to grow the business in both Europe and the US. We also acquired Cairn Real Estate in the Netherlands, completing the jigsaw of a pan-European real estate capability.

We have also expanded the geographies we operate in. We now have more Schroders Capital AUM in Europe than in any other region. The democratisation of private assets is a very live conversation for many European distributors, with the rollout of European Long-Term Investment Funds, or ELTIFs, and we are well-placed to partner with them given the breadth of our Schroders Capital offering.

Public markets remain out of favour. McKinsey research has shown that the number of US company listings dropped by over 25% between 2000 and 2020. That trend is inhibiting the opportunities for active managers and forcing talent into private markets. In a world where disruption is accelerating, capital needs to be agile and be deployed more quickly. Private markets will likely have a better chance of succeeding in that environment. The ability to see across public and private will prove incredibly valuable for us.

Schroders Solutions

We successfully navigated the gilt crisis despite only having acquired River and Mercantile's solutions business at the beginning of the year. I personally witnessed the Herculean efforts of our teams when markets were most febrile and I know how well we communicated with clients and their consultants during times of need. We experienced short term redemptions as our clients derisked their portfolios, but our actions during the crisis give me great confidence that we have the opportunity to grow our market share amongst UK pension funds considerably.

It is widely known that our plumbing, the speed at which we could respond, worked and that there were clear benefits from being both a fiduciary and an asset manager for some clients. More clients will want such a full partnership in the years ahead.

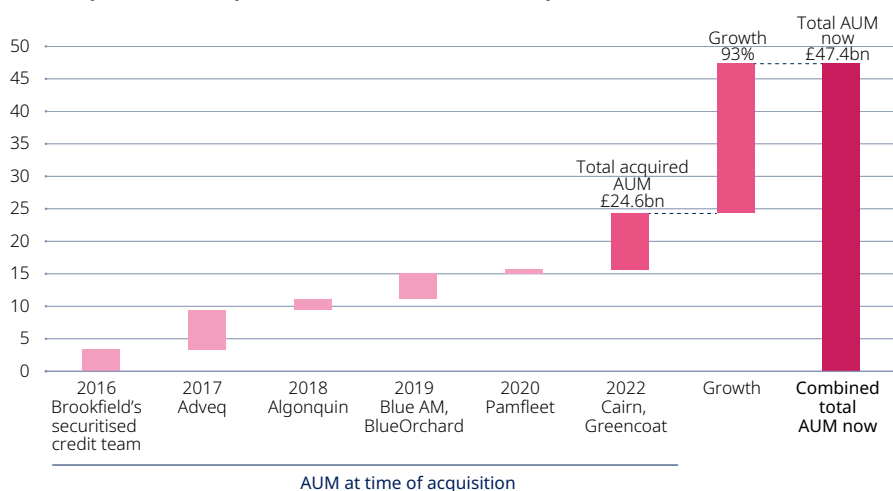
The new clients that have partnered with Schroders Solutions in 2022 is a roll call of industry leaders – from Lloyd's of London to UK energy giant Centrica. I am confident that the list of future clients will be equally impressive.

Schroders Investment Management

Our public markets business areas, Institutional, Mutual Funds and our activities in India and China via our associates, are exposed to greater cyclicality than our other businesses. The risk-off environment inevitably affected new business growth for our core, albeit we outperformed peers, primarily due to strong demand for thematic funds. Mutual fund net outflows were £5.9 billion which was mostly due to outflows from fixed income products. Our Institutional business saw some larger mandate losses in the first half of the year due to several clients restructuring their asset allocations, but benefitted from the flows gathered by our Wealth Management Company in China. The new partnership ended the year as the number one Wealth Management Company in terms of flows last year. In total, Institutional net outflows were £7.3 billion.

Our position in China is very well regarded and our growth prospects remain compelling. It is the world's second-biggest economy and an important market; we can bring our experience to the benefit of millions of families seeking to provide for their futures. It should also be noted that China is a leader in low-carbon technologies; companies at the forefront of innovation need capital.

Development of acquired AUM in Schroders Capital (£ billion)





Assets under management (£bn)

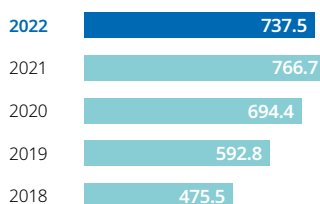
Our objective

We aim to grow our AUM over time in excess of market growth through positive investment outperformance and net new business. As a sterling-denominated reporter, currency movements also impact asset levels.

How we performed

£737.5bn

At the end of 2022, AUM stood at £737.5 billion. Our strategic acquisitions contributed £52.0 billion, while investment performance and currency movements decreased AUM by £73.6 billion. Net new business decreased total AUM by £7.6 billion.



Across our whole business, it becomes more evident each year that investment decisions must be based on three dimensions rather than two: risk, return and the impact these investments have on people and planet. More clients want to understand what is under the bonnet of our products; they want better reporting on sustainability and transparency on impact.

We measure impact through SustainEx™, our proprietary investment tool designed to quantify the positive contributions and negative impacts companies have on society. The tool helps analysts, fund managers and clients measure and manage those social and environmental impacts and risks more effectively. The chart, overleaf, shows how the percentage of our AUM with a better SustainEx™ score than their benchmark has increased over the past two years. The tool also allows wealth clients to receive a SustainEx™ score on their portfolios.

We remain focused on developing products of utmost relevance to clients. We have, in fact, launched more than 130 products over the last three years. As a result, we have avoided large outflows; we have evolved to meet our clients' ever-changing needs. On energy transition, for example, we effectively repurposed our existing team to create a market-leading capability which now manages £2.3 billion of assets.

Similarly, part of our real estate team has branched out so that now we have a smart global cities equities capability with £2.2 billion of assets. Energy transition, smart cities, food and water – these are what many of our clients care about and our product set is evolving to meet that demand.

The future of client relationships

Becoming a true, trusted adviser is the next phase of our strategy. We have built the platform, now we need to take its full capabilities to every client. This is not an adjustment to the model but a reinvention of the way we work. In mindset, we are moving from a 'distribution model' to a 'client-centric model'. At its most literal, we have recently reshaped our Distribution division and renamed it the Client Group.

Asset managers who retain a mindset of pushing products to clients will fall behind. Those that move rapidly to become a trusted adviser and solutions provider, as we are doing, will resonate with clients.

Because of what we have already built, we have an advantage: the multi-dimensional nature of our business makes it easier for us to help with an array of client problems. It also opens up new opportunities. Because we had a wealth business, we were easily able to enter into a banking distribution model, for example, something that most of our peers would have found impossible. We often find ourselves pitching for business where only two or three firms have the capabilities to solve a difficult client problem. We are pitching and we are winning.

This dovetails with our strategy of building longer-lasting relationships. The rise of the investment platform has significantly smoothed the process of switching assets between funds. In the UK for instance, the uncomfortable reality is that the average retail client now moves to a new manager after less than four years, leaving firms locked in a constant, and intensifying, battle to onboard new clients.

Moving that average up by just one year will significantly improve a company's long-term growth rate, and pivoting our business mix to higher longevity areas has allowed us to do just that. The more we have offered services clients want and need, the stickier our asset base has become. The length of time a client stays with us is increasing.

Sustainability: being bold

I also have no doubt that our clear and bold position on sustainability will increasingly be viewed as having been the right one. For us, it is a question of returns. We challenge companies to do the right thing by all stakeholders, to mitigate risk and to protect their future profitability.

It is on climate change that we have been boldest. In February, we were the largest asset manager in the world to have our greenhouse gas emission reduction goals formally validated by the Science Based Targets initiative (SBTi).

This is not just our own emissions but also ‘financed emissions’ – those arising from the companies in which we invest. It is a polarising topic, and it was perhaps inevitable that in the US, perhaps the most polarised of countries, we would attract some mire. The states of Texas and Kentucky added Schroders to the shortlist of asset managers that they will boycott.

I have no regrets. It is our fiduciary duty to understand how the world is changing and use this knowledge to protect the wealth of clients. We have made commitments to net zero as a corporate and we will work tirelessly to meet them. As stewards of capital, we will continue to analyse the risks posed by climate change and help companies to navigate them.

Business implications arise from this position. Sometimes there will be new client opportunities we can’t win, but for the remainder we will have an edge – our forward thinking on climate change.

Some of the market headwinds we have experienced will not dissipate quickly in an era of quantitative tightening, yet so much remains in our favour: our clear strategy, our strong market positions, our diversification across geographies and clients and our trusted brand. Innovation is also crucial to our success. We are determined to develop tokenised products as we aim to make more of the world’s assets accessible and investible.

Finally, it is our people who give me most reason for optimism. We retain, nurture and attract the industry’s best talent and most diverse thinkers. In fact, 96% of our people are proud to work at Schroders.

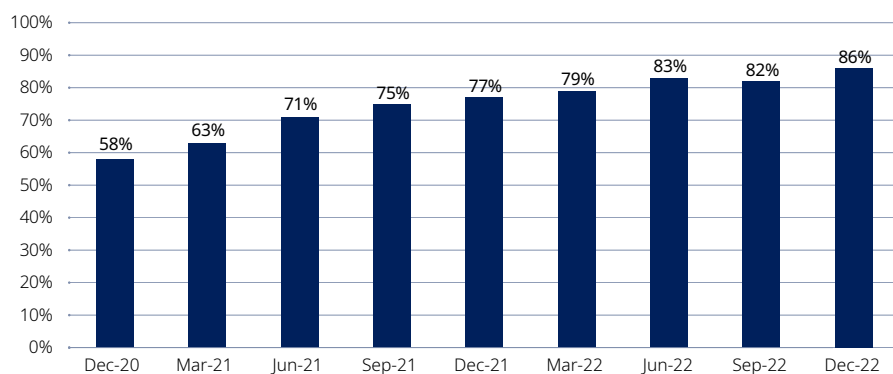
We have made the right investments in our people and in our platform and I am confident that we will continue to deliver for all our stakeholders in 2023 and in the exciting years ahead.

Peter Harrison

Group Chief Executive

1 March 2023

AUM with better SustainEx™ score than benchmark



Weighted average across in-scope AUM managed by Schroders; excludes Schroders Capital and certain other portfolios and businesses, for example where measurement is not practicable due to insufficient data coverage. May include double counting of AUM for certain portfolios.

Strategic context

Our industry is evolving rapidly and we remain alert to a range of external forces which are disrupting our business model. Anticipating changes before they materialise allows us to respond to protect our business model and seek opportunities for revenue growth. The need for capital markets to provide returns has never been greater, with growing global wealth, more people living into old age and the need for savings to support them beyond their working lives. Furthermore, businesses need capital for innovation, growth and to fund the transition to a carbon-free global economy.



Evolving developed market composition

- Decline of public listings globally
- Investors seeking alternative sources of return

The number of **publicly listed firms** is declining. In the US for instance, McKinsey analysis found that the number of public-company listings dropped from about 5,500 in 2000 to about 4,000 in 2020. Moreover, businesses are typically floating on public markets later in their life cycle, which reduces opportunities to access investment returns from public markets alone.

Historically, **private assets** have been harder to access for most private investors because of the long-term investment return horizon and fund structures compared to traditional listed asset classes. Private markets today represent around 9% of the global market and demand remains strong. Regulation about who can hold private assets is loosening, and innovation in new fund structures, products and the potential of technology are opening up access for more investors.

How we've responded:

- Prioritised the organic build out of our private asset capabilities
- Completed targeted private asset acquisitions

Link to strategy

Expanding our private assets business



Pricing pressures

- Passively managed products taking market share
- Pricing pressure

The demand for investment products which **passively track a market-weighted index** has continued to grow, outstripping active management strategies. While this trend was previously largely confined to equities, it is now being seen in fixed income too. This has led to a smaller pool of capital being allocated to active strategies, causing increased competition on price and driving down fee margins.

At the same time, the **cost of doing business is increasing**. Additional cost is introduced as we ensure we meet evolving standards of transparency and disclosure in line with changing regulation. Our focus on the safety of both our clients' investments and our brand remains paramount, and is reflected in our continual investment into cyber security. Market data and software costs are sensitive to rising inflation. These additional costs threaten to erode the profit our business makes.

How we've responded:

- Focus on 'value-add' services, such as advice, solutions and thematic
- Invested in a scalable operating platform and embarked on our transformational Cloud migration programme
- For more information see page 35

Link to strategy

Growing asset management



Changing investor needs

- Increasing importance placed by investors on the environmental and social aspects of capital allocation
- Shift towards 'core-satellite' portfolio construction

Environmental, social and governance (ESG) considerations are playing an increasing role in investment decisions across Schroders. We continue to develop our global product range in response so that it meets the needs of investors as well as rapidly evolving regulatory demands.

The **energy transition** is also set to be an important source of growth. The Ukraine conflict has accelerated the investment in renewables. The US announced \$369 billion of spending on energy security and climate change in the Inflation Reduction Act.

Investors are increasingly favouring a **core-satellite portfolio approach**, allocating a 'core' portion to low risk, low fee investments, for instance index funds. Additional allocations are made to actively managed strategies to gain targeted exposure to specific markets where alpha is more readily available, for example emerging markets or thematic.

How we've responded:

- Integrated ESG factors across our portfolios of managed assets
- More than doubled our Sustainable Investment team over the past two years
- Developed a comprehensive Thematic product range

Link to strategy

Growing asset management

The trends outlined on this page are aligned to the strategic risks outlined in our risk disclosure. For more information, see pages 40-45.



Global differences in market trends

- Growth in Asia
- Demographic changes

Since 2010, **growth of AUM in Asia** has outpaced developed markets. The latest IMF projections show the Emerging and Developing Asia region is expected to continue to outperform with real growth of 5.1% in 2027 versus 1.7% for the Advanced Economies. India and China play a significant role in this performance. Recent changes in foreign ownership rules increase opportunities for investment managers from outside China.

A number of **emerging markets** are experiencing material **demographic changes**. For instance, in Latin America savers are forced to work their money harder, given the aging population and the move away from state-funded retirement.

These factors present opportunities to establish market share. Market participants must ensure their approach factors in potential risks, including geopolitical tensions.

How we've responded:

- Leveraging our long-standing partnership with Bank of Communications in China
- Geographic expansion Latin America
- Standing up local investment teams to ensure deep understanding of markets

Link to strategy

Growing asset management
Building closer relationships with clients



Demand for advice and solutions

- Wealth creation across the UK
- UK advice gap
- Changes in demand from products to outcome-oriented solutions

The **UK high-net-worth segment** has benefitted from thriving entrepreneurial activity over the last decade across the country. A number of entrepreneurs have exited their businesses as a result of private equity transactions. This led to a new wave of high-net-worth individuals outside London and the South East.

UK regulation banned commissions in 2012, leading to a drop in the number of financial advisers in UK of nearly 200,000. This left affluent consumers without access to financial advice, commonly referred to as **'the advice gap'**.

Many institutional investors are looking for **specialist investment solutions** or even to outsource their day-to-day investment activities to streamline governance processes or satisfy stakeholder demand to meet sustainability goals.

How we've responded:

- Expanded our presence in the regional UK wealth market
- Launched our joint venture with Lloyds, Schroders Personal Wealth
- Acquired River and Mercantile's solutions business

Link to strategy

Growing asset management
Building closer relationships with clients

Opportunities

12%

Asia's AUM compound annual growth rate (CAGR) since 2010, compared with 7% CAGR in developed markets¹

Advice gap

Financial advisers in the UK dropped by nearly 200,000 between 1991 and 2021²

\$17 trillion

The expected AUM in private markets by 2026, of which \$3 trillion will be contributed by currently under-allocated retail investors³

1. BCG, BNP Paribas Exane.
2. Polarisation and Financial Services Regulation, FSA 2000; Financial advice firms in 2020 - Platform, 2020.
3. Oliver Wyman, Morgan Stanley Research.

Our strategy

In response to industry disruption, we are focused on growing our revenues by expanding into areas that bring us closer to clients and their needs.

We recognised early that we needed to change – to increase the length of client relationships and generate higher lifetime earnings from those relationships. We also identified the need to diversify into areas of our industry that are seeing higher growth and to expand our global footprint.

We have pursued these goals by focusing on three priorities across our business:



Build closer relationships with clients:

Developing trusted-adviser relationships that promote longer client relationships and more sustainable margins, particularly through Schroders Solutions and Schroders Wealth Management.



Expand our private assets business:

Meeting the increasing client demand and help us generate more stable, long-term revenues that are less exposed to fee pressure, through our Schroders Capital offering.



Grow asset management:

Focusing on differentiated investment capabilities in areas of demand, such as sustainability and thematic, and in higher growth markets, such as China and India. We offer these capabilities across the Group.

Where we stand today

By focusing on our three strategic priorities, we have built four strong businesses – **Schroders Wealth Management, Schroders Solutions, Schroders Investment Management and Schroders Capital**. Each business has significant market presence in its own right. But combined they offer a valuable opportunity to take more of our capabilities to more of our clients.

We are now able to offer a broad set of investment management and advisory services for individuals, families and institutions across public and private assets. The challenges our clients face to meet their long-term investment goals are considerable. Being able to answer those challenges under one roof is a powerful and distinctive proposition.

Our strategy is enabled by sustainable leadership

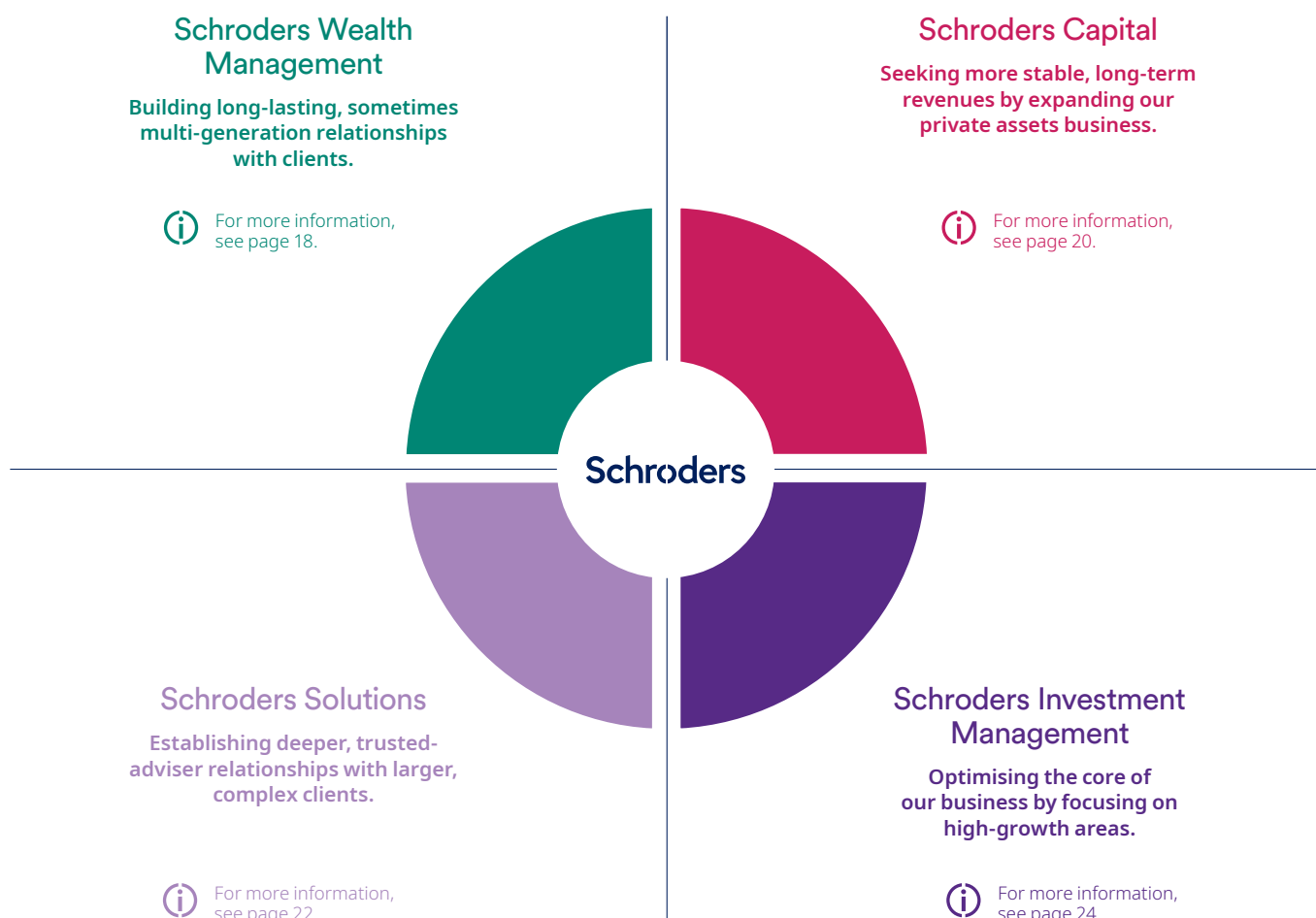
Sustainability is embedded throughout our strategy because we believe it is how we can deliver long-term value for clients and all stakeholders. We see demand for sustainable investment as a driver of new business. As an active investor, it is also important to lead by example – so we focus on being true to our purpose in every aspect of our operations.

Looking ahead

We have largely built the capabilities we need to meet our strategic goals. Our focus in the coming years will be on clients' increasingly complex needs, as well as growing our private assets and wealth businesses, which have significant positive potential.



Our three strategic priorities are delivered through four principle businesses that form the Group:



Enabled by sustainable leadership



Investing sustainably

We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

Read more on pages 27-29.



Prioritising our people and culture

Delivering our long-term strategy is dependent on our ability to attract, retain and motivate the best people.

Read more on pages 30-31.



Leading by example

As an active investor, we need to hold ourselves to the same high standards that we ask of the companies we invest in.

Read more on pages 32-33.

Our business model

By caring about what matters to our clients and putting them first, we can deliver sustainable value – for our clients and other stakeholders.

What we do



How we earn money

We earn fees charged as a percentage of clients' assets under management. We may also earn performance-based revenues.

What we need to be successful

Investment data and tools

Data and tools are at the heart of our ceaseless push for investment excellence, underpinning our investment decision-making and providing better insights. We have developed a number of proprietary tools, including our award-winning SustainEx™ impact measurement tool.

Platform

Our scaled, robust, global operating platform is the foundation for effective service delivery. We have materially upgraded our front office technology and are migrating the wider platform to the Cloud to enhance agility and cyber security.

Talent and culture of excellence

The success of our business relies on our people. We nurture a culture that allows individuals to achieve their highest potential, by supporting their career aspirations and development, celebrating diversity of thought and creating a sense of community.



What makes us different

Breadth of capabilities

The products we offer span private assets and alternatives, fixed income, equities and multi-asset.

We are one of the few publicly listed asset managers that can offer such breadth of capabilities.

Brand and heritage

The Schroders brand embodies the tenets of excellence, innovation and integrity, values that are evident in every aspect of our work. In the NMG survey, we are ranked fifth globally as an asset management brand among over 2,000 managers, with stable recognition across institutional and retail audiences.

Sustainable investment expertise

We have built our sustainable investing experience over the past 20 years. Our research and tools provide insights, which help our investors understand the various sustainability risks and opportunities faced across their portfolios.

Products launched since 2019

130+

Years of history

200+

Sustainable Investment team growth (since 2020)

2.6x

Global reach

Our investment capabilities span the globe. Our extensive global network brings the best of the Schroders proposition to our clients wherever they are.

Investment outperformance

Our purpose is to provide excellent investment performance to our clients through active decision-making.

Long-standing partnerships

Schroders has a rich history of partnerships across a number of geographies. Working with local partners has allowed us to access new markets and client segments.

Locations around the globe

38

Assets outperforming over three years

73%

Longest strategic partnership

23 years

How we create value over the long term

Responsible stewards of assets

We know that as stewards of more than £700 billion of assets, we can channel money to benefit society. We actively invest in forward-thinking companies, but we also support them in their journey to a fully sustainable future.

Growing people's savings and pensions

We strive to create a brighter future for our clients, investors and planet. It is imperative that we never lose sight of the individuals who entrust us with their savings, which is why clients are at the heart of everything we do.

Shareholder returns

Creating shareholder value goes hand in hand with our core aim of providing excellent performance to clients. Being able to service client needs, while thoughtfully allocating capital to higher growth areas allows us to generate stable returns for our shareholders over the long term.

Number of engagements

3,500+

Client meetings in 2022

23,000+

Dividend per share

21.5 pence

Schroders Wealth Management

A direct and trusted connection with our clients allows us to build longer-lasting client relationships which drive more sustainable revenue and margins.

Our priorities

- Continue enhancing our service and investment offering to deliver optimal client outcomes to our private, charity and trust clients.
- Extend our established business-owner franchise to serve thriving entrepreneurs across the UK.
- Develop Benchmark Capital, allowing more to benefit from our full range of platform and investment services.
- Nurture our client-centric and collaborative culture so that we remain employer of choice and the best home for clients.

Outcomes

£406.8m

Wealth Management net operating income

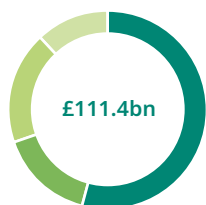
16%

6-year AUM CAGR

6.6%

Organic growth of advice business

Schroders Wealth Management AUM (£ billion)



● Advised	60.4
● Platform	17.3
● Managed	20.4
● Joint venture	13.3

The growth of our Wealth Management business sharply illustrates the value of building closer client relationships. Assets under management in Schroders Wealth Management have more than doubled in five years, to £111.4 billion in 2022, and we see considerable potential for further growth. That potential is underpinned by important trends, particularly a fall in UK adviser numbers, the success of family-owned businesses across the country and the need for advice driven by the growth of defined contribution (DC) pensions and the transfer of risk for retirement saving onto individuals.

Client assets in wealth management are typically held for significantly longer than in asset management and attract higher margins. That is why Schroders Wealth Management is providing a growing share of diversified Group profits.

We have built on our existing UK, Swiss and Asian Wealth businesses with a series of carefully chosen acquisitions and partnerships.

The acquisition of Cazenove Capital in 2013 enabled us to broaden our offering to high- and ultra-high-net worth clients in the UK. Benchmark Capital added an important technology platform capability and additional adviser reach. Schroders Personal Wealth, the joint venture with Lloyds Banking Group, in 2019 provided access to the mass affluent client segment with referrals from their banking network.

We generate revenue in three distinct ways – from advice (advised), from the assets we manage on behalf of clients (managed) and from the platform services which advisers use to manage investments, track portfolios and for compliance (platform) – see breakdown, left. This model shows the potential we have to generate multiple revenue streams from a single relationship.

Four branded franchises allow us to articulate clearly our offering to different client segments across the wealth spectrum.

Our four brands:

Cazenove Capital

UK: High- and ultra-high-net worth individuals, families and charities

Schroders Wealth Management

International: High- and ultra-high-net worth.

Progress in 2022

Accelerating the UK regional growth of Cazenove Capital: We continued to expand our business in various locations providing a platform to extend our business-owner franchise serving entrepreneurs across the UK. We now have a presence in six regions outside London and the South East.

Building relationships with financial advisers: We attracted 50 new financial advisers onto Benchmark Capital's technology-driven platform allowing them to benefit from our expanded offering of platform and investment services.

Our sustainability leadership in wealth: 19.6% of discretionary AUM won in Cazenove Capital was for sustainability mandates.

Our Responsible Multi-Asset Fund for charities with AUM of £1.2 billion is the fastest growing charity fund in each of the last three years.

Our global family office service: The 2020 acquisition of specialist family-office business, Sandaire, strengthened Cazenove Capital's established franchise with ultra-high-net-worth clients in the UK. We have continued to develop this business to deepen trusted adviser relationships with clients through the services it provides.

Generating client referrals in Schroders Personal Wealth: Referrals increased, and net new business has turned positive in our joint venture with Lloyds Banking Group, Schroders Personal Wealth.

Benchmark

UK: a technology platform supporting financial advisers and a network of advisers servicing private clients

Schroders personalwealth

UK joint venture with Lloyds Banking Group: financial planning and advice for the mass affluent client segment

Strengths and opportunities for growth

The UK 'advice gap' (see page 13) presents important opportunities for Schroders Personal Wealth and Cazenove Capital.

Schroders Personal Wealth, our joint venture with Lloyds Banking Group, allows us to extend our reach across client segments to Lloyds Banking Group's broad customer base across the UK.

The expansion of Cazenove Capital into the UK regions is a response to demand driven by the success of family-run businesses and opportunities arising from the UK advice gap (see page 13). We have a history of building multi-generational relationships with clients by having a local presence. In our Cazenove Capital client survey, 98% reported that we act in their interests, and thanks to the trust we establish, many relationships span 20 years or more. Where we have long-standing relationships with Cazenove, we also enjoy strong referral flows from clients and their networks of professional advisers.

Capabilities that span the Group strengthen the credibility of our wealth offering and enhance our ability to address clients' needs. For example, our leadership in sustainable investment continues to be an important differentiator. Over 80% of new business flows from charities in 2022 were into mandates with sustainability objectives. The demand for multiple components is also strengthened by our private assets capabilities, which we are increasingly structuring in a way that is attractive to private clients.

Our adviser platform in Benchmark Capital positions us well to reach more clients and generate revenue from multiple streams.



Success story: UK regional expansion of Cazenove Capital

Wealth clients are increasingly looking for a personalised, local service in order to achieve their long-term financial objectives. Expanding our local office network helps us deepen relationships with a new wave of high- and ultra-high-net-worth clients, to better understand their needs and to provide them with the valuable insights of a global firm.

They want advisers they can trust, advisers who understand the issues that matter to them personally. Our local presence across the Midlands, Thames Valley, North West and North East, South West, Yorkshire and Scotland, allows our advisers to become a part of each local ecosystem of professional advisers.

At the same time, our ability to draw on Schroders' global network differentiates us. Being part of a larger FTSE 100 company gives us tremendous financial strength. Our global investment expertise enables us to populate our clients' investment portfolios with the very best information. Clients recognise this is something they wouldn't get from a mere local presence.

Karan Sejjal

Head of Business Owners, Cazenove Capital

Schroders Capital

The scale and diversity of private markets allow us to offer our clients access to sources of diversified return across a large investment universe. With longer investment horizons and more locked-in capital, they help us generate more stable, long-term revenues and are less exposed to fee pressure.

Our priorities

- Scale and globalise our private assets business, for example by seeking cross-selling opportunities across the Group.
- Capture the full growth opportunity from bringing the breadth of our capabilities to our clients as a trusted partner and solutions provider.
- Develop innovative private assets products for new client segments, including insurers, private wealth and DC pensions.
- Expand our leading position in fast-growing sustainability and impact investing (S&I) strategies.

Outcomes

£406.1m

Net operating revenue

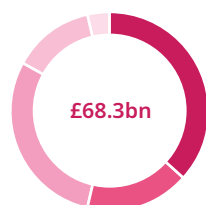
£6.4bn

Net new business generated

£17.5bn

Fundraising in 2022

Schroders Capital AUM (£ billion)



● Real estate	25.1
● Private equity	11.7
● Private debt	20.0
● Infrastructure	9.2
● Alternatives	2.3

Over the past decade, we have systematically added a comprehensive set of capabilities to our business across private market asset classes. As a proportion of the Group's AUM, private assets has risen from 5% in 2016 to 9% in 2022. This growth journey culminated in the launch of the Schroders Capital brand in 2021 to provide more visible market presence.

Today, Schroders Capital operates on a platform that provides synergies in fundraising and deployment, product structuring, marketing and operations. The platform allows clients to access a broad range of risk and return profiles and S&I outcomes in specialised – and more defensible – areas across the four major private asset classes.

In private equity, we have made over 200 direct and co-investments and are active in secondary and primary funds across Europe, US and Asia. Our investments focus on early-stage venture, growth capital, small and mid-sized buyouts.

Our unique platform of real estate operators under one institutional roof allows us to access and assess best risk-weighted opportunities to create long-term sustainable income and value.

In Private debt and credit alternatives we can offer access to a broad range of diversifying returns across securitised products, asset-based finance, leverage loans, insurance-linked investments and both infrastructure and real-estate debt. In infrastructure, we are the largest renewables investment manager in the UK and Europe.

We are one of the top European head-quartered private assets business, and we continue to grow rapidly.

Progress in 2022

Nearly 150 new clients, including a €750 million property portfolio win for a leading insurer and a €780 million property portfolio win for a German public pension provider.

Increasing our fundraising activity:

We raised £17.5 billion of client funds for investment, an increase of £5.1 billion on last year.

Acquiring a leading renewable energy infrastructure capability:

We took a majority stake in Greencoat Capital, one of the largest renewable infrastructure specialists in Europe. Exposure to renewable energy investments is increasingly relevant for our clients, fuelled by priorities around energy transition and energy security.

We have further strengthened our deployment and reporting capabilities in S&I investing:

We have developed our S&I investment policy and launched our first sustainability and impact report providing a comprehensive view of our approach to S&I.

Expanding our footprint in Real Estate:

We acquired Cairn Real Estate in the Netherlands, strengthening our pan-European real estate business.

Opening access to private assets investment:

We made an important step in giving defined contribution pension savers exposure to returns from private equity. Nest, a defined contribution scheme set up by the UK Government, representing a third of the UK workforce appointed us to manage a £600 million private equity allocation (see success story, right).



Success story: Opening access to private equity

The stock market was always the automatic choice for fast-growing companies in need of fresh capital. But markets have evolved. Today, more companies are choosing to fund their growth through private markets, and increasingly investors are willing to provide the capital.

At the core of our private assets business sits our private equities specialism. It has been built out from the acquisition, in 2017, of Swiss headquartered Adveq (now known as Schroders Capital Private Equity), a leader in private equity.

May 2022 marked an important milestone in the journey since then. Nest, the National Employment Savings Trust set up by the UK Government as default pension provider for its auto-enrolment drive, chose Schroders Capital to run a new sleeve of private equity in its portfolio. Most of the 10 million members will likely be first-time private equity investors. We are proud to be able to do this and we look forward to bringing our capabilities to more and more investors.

Our business grows because we focus on what clients want and need. We open investment frontiers through accessible structures, those that make illiquid investments more liquid. Today that might be Schroders British Opportunities, a public/private investment trust we launched in 2020; tomorrow it will likely be tokenised investments made possible from blockchain technology. From here, the democratisation of private assets will only accelerate and Schroders will be leading the drive.

Rainer Ender
Global Head of Private Equity



Strengths and opportunities for growth

The growth of our platform and the potential it offers, enables us to attract entrepreneurial and innovative investment teams to join us. We have over 300 investment professionals and over 700 employees dedicated to private assets around the world, providing outstanding specialist investment expertise with long-standing records of performance.

Our businesses do not operate in isolation, they rely on and benefit from each other. All Schroders clients can benefit from our private assets capabilities, not just those who engage with Schroders Capital. The breadth of our offering across private equity, private debt and credit alternatives, real estate and infrastructure, with shared capabilities across Solutions, S&I investing and manager research, enables us to combine investments offerings for institutional and private clients across the Group.

This makes us relevant to a range of clients, from those seeking complex, bespoke mandates to those seeking a single specialised strategy.

We are opening up private assets with pioneering new fund structures, embracing the opportunities from digital technology and changing regulation – particularly with the rollout of LTAFs in the UK and European Long-Term Investment Funds (ELTIF) in Europe. We can increasingly make private assets available to individual investors and DC pensions.

With BlueOrchard's long-established impact investing capability and Schroders Greencoat's long-established impact investing capability we have a pioneering position in S&I investing. The access and scale provided by the Group's wider sustainable investment expertise is an important source of differentiation.

Schroders Solutions

Positioning ourselves as a trusted adviser, able to answer the most challenging and complex questions for clients, allows us to offer them all of our capabilities and build longer-lasting valuable relationships.

Our priorities

- Establish a market-leading position as one of the foremost solutions providers in the UK and expand our presence in global markets.
- Become a provider of choice for Fiduciary Management (FM) and Outsourced Chief Investment Officer (OCIO) as the market in the UK continues to consolidate.
- Build on our significant Insurance Solutions presence globally.
- Meet the specific needs of our clients globally across Liability Driven Investments (LDI) and Risk Managed Investments (RMI).

Outcomes

£292.2m

Net operating revenue

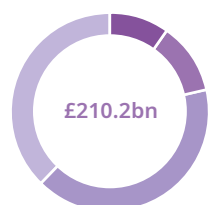
£43.1bn

AUM acquired

15%

6-year AUM CAGR

Schroders Solutions AUM (£ billion)



● Equities	20.6
● Fixed Income	24.5
● Multi-Asset	86.2
● Risk Mitigation	78.9

The investment backdrop, alongside developments in regulation, climate change and workforce demographics are all increasing the challenges facing our broader client base. They include insurance companies, pension funds, financial institutions, endowments, foundations and other large institutions.

We see a growing demand for advice and expertise to work in partnership with these clients as the complexity of their needs evolve.

Following our acquisition and onboarding of River and Mercantile Group's UK Solutions Division (RMSD), we are now one of the largest solutions providers in the UK that is independent of a consulting business.

We are also seeking to build our presence in global markets where we can identify need and believe our skills and capabilities position us to deliver investible solutions for clients.

Schroders Solutions offers a market-leading proposition which includes strategic advice, an advanced and proven investment process, an integrated implementation model aligned with an embedded client-centric approach.

The enhanced capabilities position us as one of a small number of firms globally able to solve complex client problems at scale.

We can compete in this space because our investment capabilities, our long-term track record and our depth and breadth across asset classes give us the credibility to do so. Our advice and holistic design capabilities combined with our strength in sustainability and thematics allow us to become long-term trusted partners with our clients.

Progress in 2022

A key acquisition to expand our

Solutions capability: We welcomed around 140 new colleagues from RMSD and added £43.1 billion of AUM. Schroders Solutions is now one of the largest Solutions providers in the UK, with a combined AUM of £210.2 billion and over 600 clients.

Growing our business with insurance

clients: Our presence as a provider of choice able to manage complex investment requirements for insurance clients grew as Schroders Solutions managed £100.8 billion of assets globally for insurance companies. A testament to this growing reputation was our appointment as investment partner for the Lloyd's of London new investment platform.

Delivering for clients as a leading Fiduciary Management specialist:

We enabled our clients to secure nearly £3.1 billion of pension fund members benefits in 2022 through buy out and buy in. This includes a £600 million buy in with the trustee of the Amey OS Pension Scheme, helping to secure the benefits of over 3,500 members.

Setting standards in the structure and delivery of Liability Driven Investments:

We continued to deliver for our pension clients and their members, designing and implementing investment strategies to help them achieve stronger sustainable levels of funding. Our response to the 2022 gilt crisis, which resulted from volatility in the government bond market in the UK solidified our reputation as a trusted and client-focused partner.

Winning OCIO mandates: We were appointed as OCIO by the trustees of the Centrica pension schemes to manage £10 billion of their members' assets. We continue to see demand for this service as Trustees and sponsors evaluate the optimal governance and management structure.

Gaining industry recognition: We were named 'Fiduciary Management Firm of the Year' at the Pensions Age Awards 2022.

Strengths and opportunities for growth

The Solutions business brings a trusted adviser, consultative approach to our engagement with clients. We apply open architecture principles for designing strategies and investing their assets, and use our in-house investment expertise where appropriate. We believe this delivers on our clients' financial aspirations and governance needs.

Over the coming years we see growth opportunities across our business, in particular in the following areas:

UK defined benefit pensions

An increasing number of defined benefit pension schemes are nearing maturity and seeking to secure members' benefits. We believe consolidation will continue to build momentum, and we are positioned well to be a leader in meeting this demand.

Liability Driven Investments (LDI)

We have an established reputation in the LDI market and the acquisition of RMSD has further strengthened our resources and capabilities. We continue to evolve in response to clients' needs, for example by combining LDI with our capabilities in 'buy and maintain' credit and private assets investment expertise.

Balance sheet solutions for insurers

Insurance companies face a variety of competing challenges due to local regulatory and accounting-standard developments. We have established a Solutions Insurance team with the investment capabilities to meet these needs. We are building partnerships across the firm to bring together individuals with the relevant skills and those with awareness of the insurers' regulatory frameworks.

Risk managed investments (RMI)

This has been a core part of the business for many years and as market complexity increases, the opportunities grow for us to deliver innovative solutions in this area.



Success story: launch of Schroders Solutions

The challenges facing clients globally continue to become more complex and diverse. UK pension funds are one example across our client base where we continue to see significant change. Funds evolve and mature and therefore risk appetite changes, and the need to develop and implement really effective cashflow driven investment (CDI) solutions becomes increasingly important. We need to understand the challenges each client faces – which could range from governance, investment strategy, de-risking, regulatory change or consolidation – and then tailor investable portfolios that address their very specific needs.

Growing our business is essential in tackling these client challenges, and we now have a team across the UK, Europe, Asia and North America, including a dedicated team of ESG specialists to help meet those needs. This scale gives us a real insight into the changing regulatory backdrop, the advisory landscape and global market forces.

The mandates we are given by our clients demonstrate how the combination of the scale of our business, our brand and the expertise of our outsourced investment offering is increasingly attractive for pension funds and our other clients globally.

James Barham
Executive Chairman, Schroders Solutions

Schroders Investment Management

Active asset management of publicly listed securities remains the core of our business and we continue to see untapped potential to optimise our strengths in the face of industry disruption.

Our priorities

- Establish a leadership position in sustainability and impact investing.
- Develop and broaden thematic investing.
- Expand our geographic footprint into new high-growth regions.

Outcomes

£2,068.7m

Asset Management Net Operating Income

£73.6m

Share of profit from associates

130+

new products launched since 2019

Schroders Investment Management AUM (£ billion)



● Mutuals Funds	100.8
● Institutional	139.1
● Associates	107.7

Publicly listed assets provide the greatest proportion of assets under management and the bulk of our revenue.

While we have been famous for a long time as an 'equities house', we have since diversified with well-established fixed income, multi-asset and quant capabilities. Offering access to high-quality sources of alpha remains the foundation of what we offer clients – it also enhances our advisory services in Wealth and Solutions. Being able to offer a full spectrum of active investment products makes us a valuable partner to our clients and benefits the whole business.

The needs of clients have changed. It's no longer sufficient to be simply a manufacturer of high-quality investment components. Retail investors can track benchmark returns at lower cost with passive funds, so they look to supplement their portfolios with targeted exposure to differentiated strategies where alpha is the goal.

Product innovation – with a focus on sustainability and thematic – is a priority for us. We have invested significant amounts of seed capital to build a dynamic product set that is geared towards future demand and the needs of our clients. Being an active asset manager at our core means that we can provide top-performing products in thematic and extend our position as a leader in sustainable investment. We offer a sustainable investment option for all of the main asset classes. We then build our capabilities into local fund structures so that our clients can easily access them locally around the world.

Working in partnership with established local brands to combine our investment expertise with their distribution networks allows us to build our presence in global growth markets.

Data scientists are embedded within investment teams, and data insights underpin product innovation and our stock-picking expertise.

Proprietary sustainable investment data and bespoke tools such as ThemeEx and SustainEx™ inform investment strategies and are a genuine point of differentiation (see page 26).

Progress in 2022

Broadening our sustainability offering:

We launched eight new funds with sustainability objectives. We have developed our Sustainable and Impact Product Framework (read more on page 28) to provide greater clarity over the different approaches taken by our strategies.

Developing innovative and relevant Mutual Fund products:

We broadened our offering of thematic funds, evolving our smart cities equities and energy transition strategies.

Expanding our geographic reach:

We made important progress through our strategic partnerships and joint ventures. Our Wealth Management Company venture with Bank of Communications in China began operating in April when Covid-19 measures were in place but has made good initial progress. Like any expansion into local markets, our approach is the result of an assessment of the potential opportunities and possible risks associated with the region.

The licence for our wholly owned Fund Management Company in China has been approved and we expect to begin operating in the second half of 2023. Building this business from the ground up has been a significant investment, which we expect will provide growth over the mid and long-term.

Latin America contributed positively, adding £0.3 billion of NNB.

Strengths and opportunities for growth

We continue to see strong demand for innovation and a distinctive offering in sustainability and impact. Flows into sustainable products remain strong and our Global Investor Study tells us that clients continue to seek returns with impact. Our investment in both the expertise and the products to support this position us well to continue being a leader in sustainability.

The demand for thematic investing offers great potential which is met by the investment we have made in expanding our thematics range.

Expanding demand in the Americas and Asia – particularly India and China – is an opportunity to scale our business in regions where we don't historically have a presence. The partnerships and relationships we have built in these regions are the product of long-term commitment and cannot easily be replicated by our competitors.



Success story: Thematic investing and the power of trends

As early as 2007, we were able to offer our clients access to a Climate Change fund.

However, six years ago we took a conscious decision to develop a broader thematics range. The evidence was growing that investors increasingly wanted to be able to back the trends they believe in. It was therefore put at the heart of the strategy to grow and evolve our core equities and bonds business.

Today our range spans broad themes, such as disruption, to more narrow specialisms, such as food and water, digital infrastructure or smart manufacturing. Our Global Energy Transition strategy has enjoyed particularly strong demand. It was drawing attention and assets before last year's energy crisis and that has continued unabated. It saw the largest net inflow of any of our thematic strategies in 2022.

Our success is underpinned by the skill and vision of our portfolio managers and their access to data. Schroders' early investment in data insights tools has paid dividends.

We believe we have selected themes with great potential and are in high demand. Wherever there is demand, competition is strong. We relish the challenge. Our success rests on outperforming the market and our peers over the long term. We never forget that.

Alex Tedder

Head of Global and Thematic Equities



Our approach to sustainable leadership


The ways of doing business that have driven corporate success in the past will not necessarily drive success in the future. Today, environmental, social and governance (ESG) factors are important considerations for all companies.

We believe that by recognising and embracing this change we can deliver long-term value for our clients, shareholders and wider stakeholders. We achieve this by embedding sustainability within our business – through our approach to investing sustainably; leading by example in the way we manage our corporate impact; and by promoting a positive culture underpinned by clear values of excellence, innovation, teamwork, passion and integrity (see page 30).



The path to net zero

We have made a number of climate and nature-related commitments to support achieving net zero by 2050, or sooner. These span both the investments we manage and our own operations. These commitments build on years of research, risk analysis, proprietary tool development, and action to understand and manage the risks and transition opportunities posed by climate change and biodiversity loss. In 2022, our greenhouse gas (GHG) emission reduction goals were formally validated by the Science Based Targets initiative (SBTi). Our Climate Transition Action Plan, published in December 2021, and progress against our targets are outlined in our Climate (TCFD-aligned) Report.

 Read our Climate Transition Action Plan (www.schroders.com/ctap) and Climate Report 2022 (in line with recommendations by the TCFD) (www.schroders.com/tcfd).



Investing sustainably

We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

Market-leading

Engagement Blueprint

won 'ESG engagement initiative of the year'

Science-based targets

Validated

by the SBTi to be aligned with a 1.5°C pathway

Better SustainEx™ score than benchmark

86%

based on public market AUM*



Prioritising people and culture

We aim to attract and retain talented employees and maintain our unique culture so we continue to deliver against our purpose.

Proud employees

96%

of our people are proud to work for Schroders

Employees' Choice Award

Glassdoor

One of the Best Places to Work in 2023

'Potential, not polish'

2:1

degree requirement removed for early careers



Leading by example

As an active investor, we hold ourselves to the high standards that we ask of the companies we invest in.

MSCI ESG Rating

AAA

putting us in the top 13% of our sector with a consistent score for more than five years

Renewable electricity

95%

of our electricity across our global offices is from renewable sources

CDP leadership level score

A

Ranked in the top 2% in the 2022 climate change questionnaire

* Weighted average across in-scope AUM managed by Schroders; excludes Schroders Capital and certain other portfolios and businesses, for example where measurement is not practicable due to insufficient data coverage. May include double-counting of AUM for certain portfolios.



Investing sustainably



Portfolio temperature score (°C)

Our objective

Align portfolios to a 2.2°C pathway by 2030 and 1.5°C by 2040.¹

How we performed

2.6°C

Temperature alignment of in-scope² assets fell to 2.6°C at end-2022, ahead of the pace of reduction required to meet our targets.



1. Based on Scope 1 and 2 targets for 2030 and Scope 1, 2 and 3 targets for 2040, in line with SBTi near and long-term calculations.
2. Current in-scope asset classes for SBTi include listed equities, corporate bonds, real estate investment trusts and exchange-traded funds. This represents more than 60% of our AUM.

Sustainable investment is not just a research effort, a fund range or a way of reporting. It is understanding how the investment decisions we make affect, and are influenced by, the myriad of social and environmental issues shaping economies, industries and investment portfolios.

We have invested heavily in building that understanding. It means we have conviction in our views – rather than bending to pressure from non-governmental organisations (NGOs) or adhering to industry league tables.

Our heritage in active management allows us to be bold; to develop thoughtful views of the world we are heading toward, rather than the one we are coming from. As a global, fully scaled investment platform, we bring together insights from across our network of analysts and fund managers, across regions, investment styles and asset classes.

Active management also brings us the ability to influence the management teams of companies and assets held in the investments we manage. Our ability to successfully support and encourage the transition towards more sustainable and successful business models is an increasingly important component of the value we create for our clients. By combining our specialist expertise in the central Sustainable Investment team with the breadth and depth of relationships and insights our investment teams have across global industries, we have a strong platform to build on.

Our industry is at the heart of the reallocation of billions of dollars of capital that will be needed to tackle the climate crisis, to reverse nature loss and to mend the cracks opening in many societies.

We are committed to seeking out the opportunities that this transition presents, and to providing a positive contribution to those challenges that many of our clients seek.

Climate threats are foremost among those threats and opportunities. We actively track the impact of our investments through our portfolio temperature score.

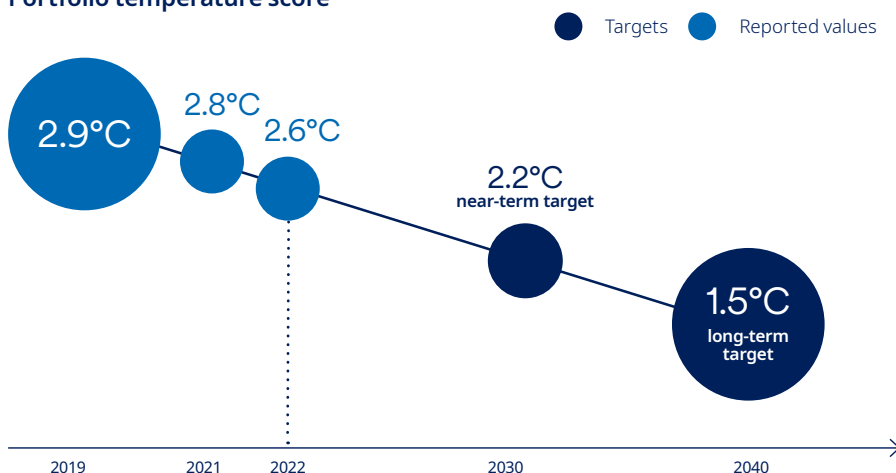
Climate change is a sustainability focus

While sustainability spans a wide spectrum of social and environmental trends and their investment consequences, climate change stands out for its dominance of policy agendas and social concerns. We continue to invest in building the capabilities to support transition in portfolios we manage and to develop investment solutions to support our clients' own goals. Reflecting our conviction of the importance of preparing for the disruption climate change presents, we are a founding member of the Net Zero Asset Managers initiative and the largest asset manager to have our climate targets validated by SBTi. Delivering that transition requires firm-wide engagement and effort.

The route we take to the net zero destination on which global leaders are focused will determine our ability to ensure our clients participate in the opportunities that transition will create. Companies able to decarbonise their business models will be at an advantage and the evidence of recent years tells us that stock markets have rewarded companies able to cut their emissions faster than peers. In 2022, we embarked on the biggest engagement effort Schroders has undertaken. Analysts, fund managers and sustainability specialists across the firm engaged over 700 companies representing around half the Group's financed emissions from portfolios in scope of our targets. We have seen the temperature alignment of those portfolios falling from 2.8°C to 2.6°C during the year.

Environmental pressures and social cracks underline the need for the investment industry to find new ways to connect capital to the solutions to those challenges. We have developed a broad range of investment strategies spanning public and private assets, including the creation of Akaria Natural Capital in 2022, a joint venture to invest in nature-based solutions in South-East Asia.

Portfolio temperature score³



3. Schroders temperature score is for illustrative purposes only as it includes the near-term target, which covers Scope 1 and 2 financed emissions, but the long-term target also includes Scope 3 as well. Though both targets are managed, they are monitored separately in practice.



Insights

How we analyse investments

Dedicated Sustainable Investment analysts work with specialists across investment teams to examine the consequences of social and environmental trends.

We have invested heavily across analytical, data and technology areas to develop thoughtful models for many asset classes, and to integrate them into our global research toolkit, portfolio monitoring and reporting.

In addition to broader analysis and tools, such as SustainEx™, we continue to develop the climate toolkit we have built in recent years and assess risks, action and alignment in portfolio companies.

We integrate the consideration of ESG factors across our clients' portfolios of managed assets. Our internal accreditation framework – which we continue to adapt and strengthen – supports that firm wide integration. Integration focuses on considering ESG factors alongside traditional investment metrics, not on eliminating exposure to challenged parts of markets.

Highlights in 2022

- Established research partnerships with global clients.
- Shared our views and pushed for action at the UN Biodiversity Conference in Montreal.
- Continued investment in strengthening our technology and data platform and the transparency we provide to our clients.

2.6x

the growth of our Sustainable Investment team since 2020

See www.schroders.com/tcfd for more information on our Climate Report.



Influence

How we influence management teams

Specialists work with analysts and fund managers to ensure a coordinated and consistent approach to influencing change and supporting transition in companies and assets we manage.

In 2022, our inaugural Engagement Blueprint laid out the areas of focus for companies with our ActiveIQ platform tracking our engagement actions. Our influence goals are reflected in the votes we cast.

We embarked on the largest engagement programme Schroders has undertaken, using our voice and influence to encourage over 700 companies to establish and deliver ambitious climate goals. We will continue to engage at that scale in the years ahead.

The same priorities are reflected in our voting. Our specialist corporate governance analysts work with portfolio managers and analysts to ensure our transition goals are reflected in the votes we cast.

Highlights in 2022

- Rolled out ActiveIQ, our new engagement database.
- Published an inaugural Engagement Blueprint.
- Awarded “ESG engagement initiative of the year” by Environmental Finance.

3,500+

Company engagements

See www.schroders.com/engage for more information on our Engagement Blueprint.



Innovate

How we develop and manage new products

Clients increasingly want strategies that explicitly reflect sustainability goals or processes. In 2022, we developed our Sustainability and Impact Product Framework, to bring consistency and clarity to the outcomes our clients can expect of different types of funds.

We have drawn on our experience and expertise to establish an impact investing framework, spanning public and private asset classes.

Despite fears that higher energy prices would lead investors back to oil and gas exposure, we continued to see strong demand for our growing range of climate-focused strategies in 2022. Akaria Natural Capital, the joint venture we launched with Conservation International, marked a statement of ambition in natural capital investments.

Highlights in 2022

- Developed the Sustainable and Impact Product Framework.
- Became members of the Operating Principles for Impact Management and launched three new impact funds.
- Developed innovative new products spanning public and private assets.

7

new Article 8 and Article 9 funds launched in 2022

See www.schroders.com/sipf for more information on our Sustainable and Impact Product Framework.



Active Ownership – unleashing the power of active management

For over 20 years we have conducted constructive and committed engagement with the management teams at the companies and assets we invest in.

We are rightly proud of our long track record and of how we accelerated the impact of our work in recent years.

The process is undertaken by our Active Ownership team and by hundreds of fund managers, investment and sustainability analysts around the world. Crucially, analysts and fund managers making investment decisions are central to engagement efforts, not a siloed team sitting in a corner.

Our approach can be broken into three stages:

1. Dialogue – fact-finding engagements with companies to understand if and how they are preparing for the long-term challenges they face.

2. Engagement – we support companies to help them to understand the potential impact of

these challenges and to encourage them to take action in the areas where change may be required.

3. Voting – we use our voice and rights as shareholders to support the changes we believe should be effected.

We must be transparent, and so in 2022 we published our award-winning Engagement Blueprint. It means that our expectations are clear to companies and available to scrutiny by anyone. Experience has shown us that sustainability never stands still; new research will emerge, data sets will expand and regulation will change, and so we have committed to update our Blueprint on an annual basis.

The table below offers a snapshot of our engagement in numbers. We report on this regularly. Our quarterly Sustainable Investment Report carries the numbers but also tells the stories of our engagements.

Kim Lewis
Head of Active Ownership

Q&A with Andy Howard Global Head of Sustainable Investment

Q Schrodgers' purpose is to provide excellent investment performance to clients through active decision-making. How does sustainable investing help you to achieve this?

A Social and environmental forces are reshaping businesses and financial markets creating risks and opportunities. The companies adapting fastest will thrive. A key point of good active management is to identify the potential winners and losers. We will continue to develop investment products that offer exposure to key sustainability trends.

Q ESG is in Schrodgers' DNA, but can you say that all of your investments are sustainable?

A We integrate the consideration of ESG factors across our investment desks. The way in which those factors are reflected in any given investment process may vary, so that doesn't mean we avoid companies that may not be considered "sustainable" or which face challenges. By engaging with companies to encourage transition toward more sustainable business models, we can help our clients to benefit from the value created.

Q At what point would you decide not to invest in a company?

A If you're not in the room, you can't be heard and you can't effect change. That said, divestment is an option when we have tried all other avenues.

Effective engagement is key. We explain in the case study on the right how we do this and expand on that summary in our Engagement Blueprint.

Q How do you manage the risk of overselling or greenwashing?

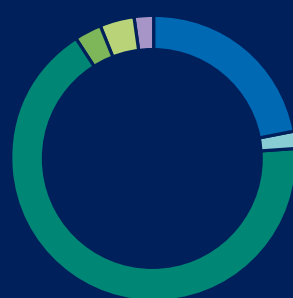
A Good governance and transparency are the antidote. That is why we continue to invest in building strong processes and controls so that portfolios meet the commitments we have made.

Secondly, we realise that sustainability means different things to different people. We have worked hard to develop models and measures so that we can be clear what we mean.

Q Some asset managers have left industry net zero initiatives, do you still think net zero is achievable and what is Schrodgers' role?

A We are proud to be a leader on net zero commitments. That position won't change. The suggestion from some corners is that returns must be sacrificed in the pursuit of climate goals. We believe that is fundamentally wrong. Our climate transition plan is designed to help us deliver returns for our clients, not constrain us from that goal. You can read more about our climate progress on page 27.

Engagements by theme



Climate change	22%
Diversity and inclusion	2%
Governance and oversight	67%
Human capital management	3%
Human Rights	4%
Natural capital and biodiversity	2%





Prioritising our people and culture



Retention of highly-rated employees (%)

Our objective

Developing and retaining talented people is key to our ongoing success. We actively monitor the retention of our employees with an emphasis on those who have received a strong performance rating in their annual performance review.

How we performed

94%

Our retention of highly-rated employees has consistently been at 94%. This represents a committed and engaged workforce, aligned with our values.



Our people are central to our purpose and critical in delivering our firm-wide strategy.

We strive to create an inclusive culture which celebrates diversity of thought and provides a world-class work environment. It helps us to attract and retain exceptional employees and supports our ability to deliver excellent investment performance and client care.

We want to be the employer of choice. To maintain this position, we offer:

- Purpose and inspiration;
- Fair pay for performance;
- High-quality work in a good environment that prioritises wellbeing; and
- Personal growth opportunities.

Our Board tracks and measures success by looking at a range of measures including how successful we are in retaining highly-rated employees, and by tracking the results of our pulse surveys, including the percentage of our people who feel proud to be associated with Schroders.

Our values

We strive for excellence: Being good at what we do is a powerful way to create value for all stakeholders and secure a long-term future for our business.

We promote innovation and teamwork:

We challenge how things are done, anticipate future opportunities and understand that to deliver value takes collaboration and a healthy respect for individual skills.

We have passion and integrity: We are realistic about what we can achieve, but are ambitious too, approaching everything we do with energy and drive. This sits alongside openness and responsibility to deliver on our promises.



Purpose and inspiration

Building an organisation with a clear purpose for our people through common shared values and leadership behaviours.

Our managers are key to maintaining our inclusive culture and reputation for excellence. 700 of our managers attended 'Lead to Win' training this year and we introduced a new way for teams to feedback to managers to help them improve.

Our data-driven approach to inclusion helps us drive meaningful change. Key achievements in 2022 include:

- Publishing our first combined workforce diversity and gender pay gap report, providing stakeholders with transparency about our progress (see www.schroders.com/workforce).
- Removing the 2:1 university degree criterion from our entry level programmes, making investment management more accessible to people from all backgrounds.
- Improving our ranking in the Social Mobility Employer Index and our score in the Bloomberg Gender Equality Index.

We will be setting new targets for gender and other underrepresented groups in 2023.

We are committed to providing equal employment opportunities and combatting all forms of discrimination. In keeping with our Equal Opportunities Policy, we give full and fair consideration to all employment applications, including those from disabled people, considering their particular aptitudes, skills, behaviours and abilities. If employees become disabled, we continue to employ them wherever possible, with retraining if necessary to enable continued career development.

Employees who would recommend Schroders as a good place to work

92%

Outperformed the benchmark for high-performing companies

Female representation in senior management

35.5%

Achieved target of 35% one year early. Details on gender diversity of our Board and senior management available on page 110.



Fair pay for performance

Recognising and rewarding employees with a holistic compensation and benefits offering.

Annual compensation

Salary and bonus decisions are governed by our Fair Pay for Performance framework, meaning each decision takes into account:

1. Annual performance – assessing firm-wide, team and individual performance, including behaviours.
2. Market context – pay levels and outlook among relevant comparators, as well as wider economic conditions.
3. Relativities and diversity – independent validation and challenge to ensure fairness versus peers and markets.
4. Individual context – skills, experience and potential of each employee.

Carefully balancing all these factors allows annual pay outcomes to be fair and drive high performance.

Benefits

We aim to provide generous benefits and support, over and above local market norms. Our flexible and inclusive offering empowers each individual to choose options that suit them and their personal circumstances. Enhancements in 2022 included the introduction of an electric car scheme and augmented medical support for menopause and gender dysphoria in the UK.

Salary increases for junior employees in high inflation countries

8-10%+

Find out more on page 77

Employees who are shareholders of the company

78%



Quality work and environment that prioritises wellbeing

Providing rewarding work, autonomy, flexibility, and supportive work relationships and environment.

Flexible working

In 2020, we were one of the first companies to launch a global Flexible Working Charter which sits at the centre of our inclusive culture. The Charter continues to be a significant advantage in attracting diverse talent.

Wellbeing

Supporting the wellbeing of our people – mental, physical and financial – has always been important to us. We have our own Schroders Employee Wellbeing Model, developed in 2022, that provides a framework through which we can make sure that we get help to the people that need it most.

Our new Wellbeing Hub, currently available in the UK, will soon be available globally. It provides tailored help and support for different career and life events, including divorce, infertility, going through the menopause, experiencing financial worries and struggling with workload. The hub allows easy access to the wide-ranging wellbeing support on offer at Schroders, and is complemented by a comprehensive calendar of wellbeing events.

With many employees impacted by increased costs of living, our financial wellbeing efforts have been particularly important this year. These include financial education sessions, 1:1 support on topics such as budgeting and debt consolidation and higher salary increases being targeted to our lower earners in countries experiencing higher inflation.

Launched new

Wellbeing Hub

Employees who agree leadership care about wellbeing

90%

outperformed the benchmark for high-performing companies



Personal growth opportunities

Supporting the development and career aspirations of our people through learning offerings and new opportunities driven by the growth of the business.

Employee feedback and engagement

We value regular employee feedback as it helps us deliver the things that are most important to our people. This feedback is heard by the Board of Directors and GMC and helps us in our goal to retain and recruit the very best people. Our Global Employee Forum is chaired by the Senior Independent Director and meets regularly during the year.

Our work to build a strong feedback culture has paid off, with 80% of our employees now agreeing that we ask for and receive regular feedback, the most improved category in the latest employee survey.

Learning and development programmes

'Career Week' allows our people at all levels to plan and take ownership of their own development and career progression. We develop bespoke learning opportunities to give our people the skills they need to deliver our strategy, such as in sustainable investment. Other examples include:

Sales Excellence Programme focusing on critical skills to take a more client-centric, trusted adviser approach.

Spotlight Programme, a career development initiative tailored for Investment to ensure we have a robust pipeline of emerging talent who are committed to staying with Schroders in the long term.

Sustainability related training

5,200+ hours

online and in-person training completed in 2022

'Lead to Win' training

700+

managers attended



Leading by example

In our role as a global employer, a FTSE 100 company and a steward of our clients assets, we recognise the importance of using our influence in society wisely and responsibly.

Founding partner of

Progress Together

promoting social mobility

Donations committed to charitable causes

£5.2 million

2021: £4.9 million

Reduction of our Scope 1 and 2 greenhouse gas emissions

-34%

from our 2019 base year

Our corporate sustainability strategy is grounded in the issues that matter to our stakeholders and reflects priorities in areas where we can make a meaningful contribution. Our priority themes relate to people, by promoting equalities and, planet, by supporting the transition towards a net zero and nature-positive future.

We strive to lead by example and hold ourselves to the same standards as the companies in which we invest. We are a signatory to the United Nations Global Compact and support its ten key principles, covering human rights, labour, environment and anti-corruption. By considering these issues in our operational decisions we help to promote positive change.

We play an active role in many other initiatives that drive change across and beyond our sector. We are members of the Race to Zero campaign, signatories of the Finance for Biodiversity Pledge, Change the Race Ratio, the Women in Finance Charter and a founding partner of Progress Together, a social mobility initiative in the City of London. We support and actively engage with a range of initiatives, memberships and organisations to help deliver our corporate sustainability strategy.

Rewarding shareholders

The interests of our shareholders are closely aligned with those of our clients, which means that in doing the right thing for our clients, we are also able to deliver value to those who have invested in our business. During 2022, the Board proposed changes to simplify the Company's dual share class structure through the enfranchisement of our non-voting shares and a related compensatory bonus issue. These changes were subsequently approved by shareholders and have now come into effect. The changes were the result of direct engagement and enable all shareholders to enjoy the same economic rewards and risks, and have the same voting rights.

Our impact on wider society

We want to inspire our people to support and collaborate with the communities in which they live and work. We have established corporate programmes, as well as employee-led programmes, which support employees to volunteer, fundraise and donate. In 2022, we committed £5.2 million to charitable causes around the world (2021: £4.9 million), £1.4 million of which was outside the UK (2021: £0.7 million). We provide grants to charities on the topics of inclusion, disability, social mobility and mental health. Each partnership provides employees with an opportunity to engage with our wider communities through

volunteering, applying their knowledge and developing new skills and awareness. We also ran four emergency fundraising appeals to support children impacted by the famine in Afghanistan; the people of Ukraine; those affected by the floods in Pakistan; those struggling to feed themselves due to food insecurity.

We offer donation-matching schemes for employee fundraising across Asia, Europe, the UK and US. We were awarded the Diamond Quality Mark for our payroll giving by the Charities Aid Foundation: 22% of our UK employees used the Give As You Earn scheme (2021: 24%), which saw £1.2 million donated (2021: £1.3 million) before the contributions were matched by Schroders, to over 1,300 charities across the globe.

We support our employees in collaborating and contributing their skills within our communities by offering up to 15 hours of paid volunteer leave per year. Employees around the world contributed over 4,800 hours (2021: 4,000) of volunteer work, inside and outside office hours. We have invested in the number of volunteer opportunities available to our people, recognising the benefits to both the development of our people's skills and wider communities.



Addressing modern slavery

We have a responsibility to respect human rights and tackle modern slavery; whether in our role as an employer, as a buyer of goods and services, when carrying out our fiduciary duties as a provider of financial services or as an investor in companies.

We apply similar analysis and engagement principles to our suppliers as we do to the companies in which we invest. We take a risk-based approach to the sourcing, onboarding and monitoring of our own supply chain and apply enhanced due diligence to those deemed to be higher risk regarding modern slavery exposure. In 2022, we rolled-out awareness-raising training to all employees, globally.

Our Modern Slavery Statement has been prepared in accordance with section 54 of the UK Modern Slavery Act 2015 and section 14 of the Australian Modern Slavery Act 2018.



Read our Modern Slavery Statement:
www.schroders.com/mss

Transitioning our own operations to net zero

Our operational climate change strategy focuses on reducing GHG emissions and resource use across our operations. We are doing this by decreasing energy demand, increasing energy efficiency and switching to low carbon electricity sources. We are also reducing our business travel and engaging with our supply chain to encourage them to set their own science-based targets.

We are currently on track with our science-based trajectory for our near-term targets. Our Scope 1 and 2 GHG emissions have decreased by 34% compared to our 2019 base year, a significant move towards our 46% reduction goal by 2030. We have also increased our annual sourcing of renewable electricity to 95%. We are developing site-specific net zero action plans and continue to roll-out ISO 14001 Environmental Management System certification across our largest office sites.

Despite business travel emissions currently being 60% lower than 2019 levels, business travel has increased as Covid-19 restrictions were eased. We will continue to monitor and manage this closely. Taking a similar approach to our active ownership programme with investee companies, we have a supplier engagement plan. In 2022, 25% of our suppliers in scope (by GHG emissions) had set a science-based target. We are exploring different ways to support our suppliers in their own net zero journey.

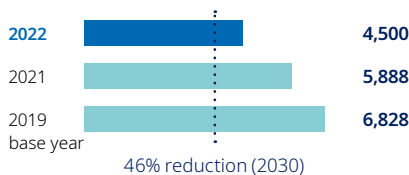
While our primary focus is on our decarbonisation plan, we continue to operate as a climate neutral company, following the CarbonNeutral® Protocol framework.

For our total operational GHG emissions footprint and energy data, see page 110.

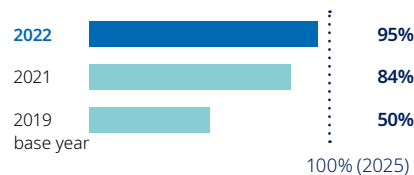
Our operational science-based targets



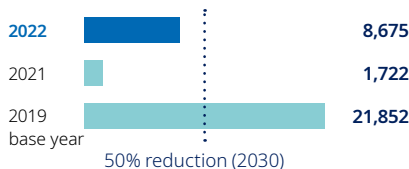
Scope 1 and 2 emissions performance (tCO₂e)



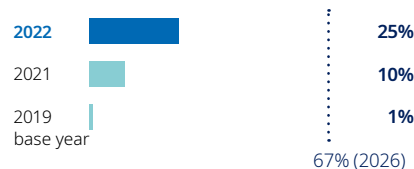
Renewable electricity consumption



Scope 3 business travel performance (tCO₂e)



Suppliers with science-based targets*



* Suppliers in scope (by GHG emissions) includes Scope 3 categories purchased goods and services; capital goods; and upstream transportation and distribution.



Demonstrating the strength in our strategy



Net operating income (£ million)

Our objective

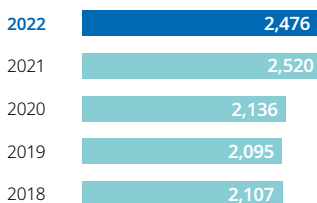
Net operating income comprises net operating revenue, which is primarily generated from AUM, net gains on co-investments, share of profit of joint ventures and associates, and other income. We aim to grow net operating income over time.

How we performed

£2,476m

Net operating income for 2022 was £2,476 million, down £44 million from 2021.

Net operating revenue from our strategic growth areas increased by £106 million. However this was offset by the market turbulence experienced worldwide in 2022.



Our financial results demonstrate the resilience of our business in what has been a challenging market environment. Net operating revenue, excluding performance-based fees, increased by 1%. This represents good underlying performance given the wider backdrop.

We reported an operating profit of £723.0 million (2021: £841.0 million) and profit before tax of £586.9 million (2021: £764.1 million). Profit after tax was £486.2 million (2021: £623.8 million). The Board has recommended a final dividend of 15.0 pence per share (2021: 14.9 pence per share). This means a total dividend for the year of 21.5 pence per share (2021: 21.4 pence per share, and a payout ratio of 57% (2021: 50%).

Continued growth from our strategic areas of focus

Despite the difficult market conditions, we continued to grow our revenues across Schrodgers Capital, Schrodgers Solutions and Wealth Management. These businesses represent strategic areas of focus for us

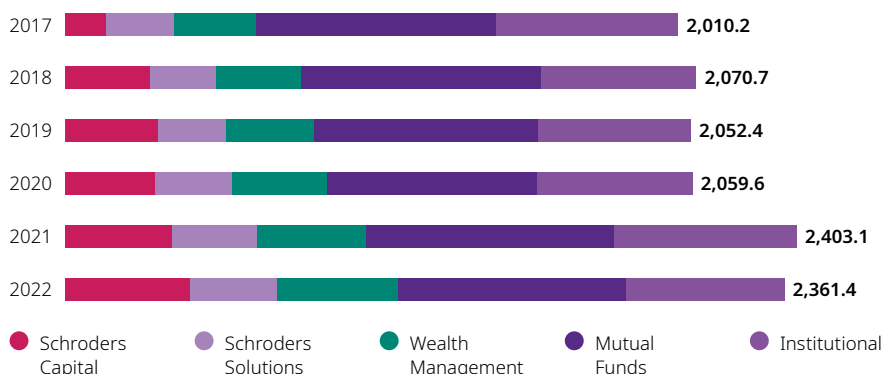
as we look to pivot away from the industry-wide headwinds (see page 12). The growth they have delivered demonstrates the strength of our strategy, and the benefits of further diversification.

Over the past five years, our net operating revenue from these business areas has increased by 75% to £1,092.6 million, which represents a compound annual growth rate of 12%.

Moreover, demand for products within these areas continues to rise, with Schrodgers Capital and our Wealth Management business welcoming net new business of £6.4 billion and £5.4 billion respectively in 2022.

Schrodgers Capital also benefitted from the two strategic acquisitions we completed during the year, which contributed AUM of £8.8 billion. The most notable of these was our acquisition of a majority stake in Greencoat Capital (now Schrodgers Greencoat), a leading renewable infrastructure manager. This not only enhances our capability in infrastructure assets, but also increases the longevity of our revenue streams.

Net operating revenue by business area (£ million)



Within Schroders Solutions, we successfully onboarded River and Mercantile's solutions business which we acquired at the beginning of the year. The strength of our client relationships came to the fore in helping us successfully navigate the gilt crisis. This provides a strong endorsement of our ability to navigate complex issues for our clients and positions us well going forward. The market disruption did however lead to some short-term redemptions as clients rebalanced their portfolios. As a result, our Solutions business area saw a marginal net outflow of £0.2 billion. The interest rate rises that occurred contributed to a reduction in the value of our AUM. However, this generally benefitted our LDI clients as the value of their liabilities reduced, helping many of them to move closer to their objective of achieving a buyout.

As noted earlier, in Wealth Management we continued to deliver strong growth, with continued client demand across our three service lines: advice (including discretionary management, financial planning, and banking services); platform services; and investment management. This reflects particularly strong growth at Cazenove Capital, our UK ultra-high-net-worth business, which delivered resilient investment performance in volatile markets. We saw significant demand for our sustainable investment expertise, and benefitted from the successful regional build-out of our business-owner franchise.

Overall, as a result of these developments the AUM of these three strategic growth areas rose 5% from £359.7 billion in 2021 to £376.6 billion in 2022, and the net operating revenue generated from them now accounts for 46% of our total net operating revenue (2021: 41%).

Market volatility impacting the more traditional parts of the Group

The traditional parts of our Asset Management segment were more impacted by the challenging conditions. For the first time in a generation, we saw bond markets and equity indices fall at the same time. The MSCI World equity index fell 17% and the Barclays Global Aggregate fixed income index fell 16%. This was a significant contrast to the bull markets that characterised the latter part of 2021.

Sterling's depreciation versus the US dollar and euro (11% and 5% falls respectively) helped to partly mitigate the impact of this, given the currency mix of our AUM.

Our Mutual Funds and Institutional businesses were particularly impacted by both this, and an increasingly risk-off attitude of investors as the year progressed. As a result, net operating revenue from these business areas reduced to £748.3 million (2021: £815.0 million) and £520.5 million (2021: £601.0 million) respectively.

Overall, our total net operating revenue was £2,361.4 million (2021: £2,403.1 million), with the decrease principally explained by lower performance fees and net carried interest, which fell from the record high of 2021 as markets retreated and portfolios failed to reach the high watermarks previously set. Excluding these fees, net operating revenue increased by 1% year-on-year, demonstrating the success of our strategy.

Our associates and joint ventures were not isolated from the challenging environment, experiencing a reduction in AUM due to net outflows and the fall in asset values. Net new business had been positive up until the third quarter but the prevailing risk-off sentiment towards the end of the year led to negative net new business of £6.0 billion. Our share of profit of associates and joint ventures therefore reduced to £77.6 million (2021: £88.2 million).

Long-term investment

The retention of key talent is paramount to delivering our strategy, and so we were extremely pleased with the results from the 2022 pulse survey which demonstrated that 96% of our people are proud to work for Schroders. We maintained cost discipline in managing our compensation costs, keeping our total compensation ratio at 46% (2021: 46%). Compensation costs within operating expenses therefore reduced to £1,121.2 million (2021: £1,136.3 million), despite the increase in headcount.

Non-compensation costs in our operating segments were £631.3 million (2021: £542.7 million). The increase was largely driven by the acquisitions we made and the impact of foreign exchange movements on our overseas costs. We also continued to invest in other areas where appropriate, including the build out of our presence in China and in further enhancing our IT resilience through our cloud migration programme. As explained in the Chief Executive's statement, growth in China remains an important part of our strategy for growing our core Asset Management business. Our transition to the cloud will result not only in greater operational resilience, but also future cost savings.

Bringing all of these components together, we generated an operating profit of £723.0 million (2021: £841.0 million).

Overall, I am pleased with these results. Our Schroders Capital and Schroders Wealth businesses performed very well, helping to mitigate the effects of the challenging backdrop our traditional asset management business faced. We believe that our focus on long-term goals and strong investment performance continues to provide a sound platform for future growth.



Basic operating earnings per share (pence)

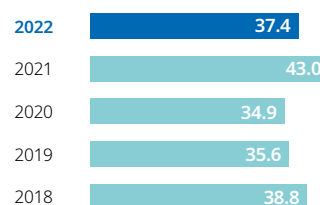
Our objective

We aim to grow earnings per share consistently, recognising the potential impact of market volatility on results in the short term.

How we performed

37.4p

In 2022, basic operating earnings per share was 37.4 pence.



Re-presentation of our income statement and the revised treatment of AUM

During 2022, we re-presented our consolidated income statement and revised the treatment of AUM. Further information can be found on page 71 and page 168.

Business and financial review

continued

£ billion	Schroders Capital	Schroders Solutions	Mutual Funds	Institutional	Asset Management	Wealth Management	Total (excl. JVs and associates)	Joint ventures and associates	Group Total
Opening AUM	53.7	198.1	116.0	166.2	534.0	81.2	615.2	116.4	731.6
Restatement ¹	-	-	-	-	-	20.4	20.4	14.7	35.1
Transfers ²	(2.0)	8.3	0.9	(7.2)	-	-	-	-	-
Restated opening	51.7	206.4	116.9	159.0	534.0	101.6	635.6	131.1	766.7
Gross inflows	16.1	39.5	33.7	24.3	113.6	14.5	128.1	240.9	369.0
Gross outflows	(9.7)	(39.7)	(39.6)	(31.6)	(120.6)	(9.1)	(129.7)	(246.9)	(376.6)
Net new business	6.4	(0.2)	(5.9)	(7.3)	(7.0)	5.4	(1.6)	(6.0)	(7.6)
Acquisitions	8.8	43.1	-	-	51.9	0.1	52.0	-	52.0
Investment returns ³	1.4	(39.1)	(10.2)	(12.6)	(60.5)	(9.0)	(69.5)	(4.1)	(73.6)
Closing AUM	68.3	210.2	100.8	139.1	518.4	98.1	616.5	121.0	737.5

1. Wealth Management AUM has been restated to reflect the basis on which contractual revenues are earned by the Group. AUM is now recognised where separate contractual client relationships exist that generate incremental revenues for the Group.

2. Emerging Markets Debt and Commodities have been transferred to the Mutual Funds and Institutional business areas and certain pension mandates have been transferred from Institutional to Schroders Solutions.

3. Includes markets, FX and investment performance. Currency movements increased AUM by around £37.3 billion.

The following commentary provides a more detailed review of our financial results.

Asset Management segmental results

Our Asset Management results demonstrated the benefits of our strategy. The two strategic growth areas of Schroders Capital and Schroders Solutions performed well, supported by strategic acquisitions. This helped to mitigate the market headwinds that impacted our Mutual Funds and Institutional business areas.

Net operating revenue for the segment was lower than the prior year at £1,967.1 million (2021: £2,043.1 million). This was largely due to lower performance fees and net carried interest which reduced to £59.1 million (2021: £126.1 million).

Schroders Capital had good growth, with gross fundraising of £17.5 billion and net new business of £6.4 billion. Net flows were particularly strong in our real estate and infrastructure capabilities, although the more liquid parts of our alternative credit products experienced outflows as clients rebalanced their portfolios. Together with the acquisitions of Greencoat Capital and Cairn Real Estate in the Netherlands, the net new business drove an increase in average AUM for the business area of 35%. This helped offset the impact of the fall in performance related fees within the business area, and led to net operating revenue increasing by 16% to £406.1 million (2021: £350.7 million). The net operating revenue margin excluding performance fees and carried interest reduced slightly to 61 basis points (2021: 62 basis points) as a result of a change to the product mix, including the impact of transfers.

Net operating revenue in Schroders Solutions business grew 6% to £292.2 million (2021: £276.4 million). This was principally a result of higher average AUM following the acquisition of River and Mercantile's solutions business which contributed £43.1 billion of AUM. As noted earlier, we dealt with the gilt crisis well, and emerged relatively unscathed. The net operating revenue margin for the business area reduced to 13 basis points (2021: 14 basis points), due to a change in the mix.

The average AUM for both our Mutual Funds and Institutional business areas reduced as a result of the fall in asset values and net outflows. As a result, net operating revenue for these business areas reduced to £748.3 million (2021: £815.0 million) and £520.5 million (2021: £601.0 million) respectively. Excluding performance fees, the net operating revenue margin for Mutual Funds reduced to 71 basis points. This was due to a change in business mix as the adverse market conditions had a greater impact on our higher margin products. Excluding performance fees, the net operating revenue margin for our Institutional business however increased to 34 basis points (2021: 31 basis points), principally as a result of the impact of transfers affecting the mix.

Our venture with Bank of Communications in China experienced a reduction in AUM, which resulted in reduced profits, although this was partly offset by foreign exchange movements and the performance of our other interests, including our partnership with Axis Bank in India. Returns from our Asset Management joint ventures and associates were largely flat as a result at £73.6 million (2021: £73.9 million).

Bringing this all together, our net operating income for the year was £2,068.7 million (2021: £2,137.5 million).

Operating expenses in Asset Management increased to £1,475.6 million (2021: £1,424.8 million). This reflects not only the increase in the scale of our business following the acquisitions we completed during the year, but also higher travel costs as business continued to open up post Covid-19 and the investment in our cloud migration noted earlier. Given the currency mix of our expenses, foreign exchange movements also resulted in a higher cost base. Overall, these movements resulted in operating profit of £593.1 million (2021: £712.7 million) for the Asset Management segment.

Wealth Management segmental results

Our Wealth Management business had a strong year, in particular demonstrating the benefit of the UK regional investment we have made in recent years. Net operating revenue enjoyed an increase of 10% to £394.3 million (2021: £360.0 million). Within this, management fees increased by 2% to £318.1 million (2021: £312.3 million) as a result of higher average AUM. The rise in interest rates had a positive impact and led to net banking interest increasing more than threefold to £36.9 million (2021: £11.1 million). This drove an increase in the net operating revenue margin of 2 basis points to 40 basis points.

We generated net new business of £5.4 billion, with positive contributions from each of the three services we provide clients: Advised, Platform and Managed.

Schroders Personal Wealth (SPW), our joint venture with Lloyds Banking Group, continued to perform well, generating positive net flows of £0.2 billion and an increase in revenue of 3%.

Operating expenses were £276.9 million (2021: £254.2 million). The increase in the year principally reflects continued investment in this growth area, both through strategic hires and improvements to our IT platform.

As a result of these movements, operating profit for the segment increased to £129.9 million (2021: £128.3 million). In light of the overall market environment, this represents a very strong result.

Central costs and other items

Central costs, which are presented below our operating profit, reduced to £48.8 million from £53.6 million in 2021. These represent costs incurred as part of our treasury and strategic corporate development activities and the costs associated with the governance and corporate management of the Group. The decrease was principally as a result of the reduction in compensation for our executive Directors.

As part of the treasury and capital management activities, the Group holds seed and investment capital. Due to the fall in financial markets this year, we incurred a net loss on financial instruments and other income of £6.7 million (2021: gain of £43.9 million). Acquisition costs and related items increased to £86.4 million (2021: £65.2 million), reflecting expenses, including amortisation of intangible assets, incurred as a result of the strategic acquisitions completed by the Group during the year. The combined impact of these movements along with the profit from our operating segments resulted in a profit before tax for the year of £586.9 million (2021: £764.1 million). Profit after tax was £486.2 million (2021: £623.8 million).

Financial strength and liquidity

Our year-end capital position remains strong, with a capital surplus of £655 million (2021: £1,454 million). The reduction in our capital surplus is largely due to the deployment of capital to complete our strategic acquisitions. These acquisitions highlight our focus on utilising excess capital to help deliver value for our stakeholders.

The Group's net assets increased by £54.0 million during 2022 to £4,479.7 million (2021: £4,425.7 million). The different forms of business that we conduct affect our total assets and liquidity. Certain assets managed on behalf of investors are recognised in the Consolidated statement of financial position, while others are not. The following table sets out how these assets are broken down between on-balance sheet assets and others that form part of our total AUM.

£ billion	Statement of financial position	Not recorded in the statement of financial position	Total
Life Company	10.1	–	10.1
Other Asset Management	–	508.3	508.3
Total Asset Management	10.1	508.3	518.4
Wealth Management	4.5	93.6	98.1
Joint ventures and Associates	–	121.0	121.0
Total AUM	14.6	722.9	737.5
Investment capital	0.2		
Seed and co-investment capital	0.5		
Other assets	6.0		
Total Group assets excluding clients' investments	6.7		
Total Group assets	21.3		

Within Asset Management, assets that are managed by the Group but not owned by it are not included in the statement of financial position. However, certain clients invest through life insurance policies that are managed by the Life Company. The assets backing these policies are owned by the Life Company and are included in the Consolidated statement of financial position along with a matching policyholder liability. Wealth Management principally provides investment management, wealth planning and financial advice, platform services and banking services. The subsidiaries that provide banking services are legally responsible for the banking assets and liabilities. They are therefore included in the Consolidated statement of financial position. The assets are managed to earn a net interest margin with consideration of the liquidity demands that may arise from clients. Reflecting these structures, the Group's total assets decreased to £21.3 billion at 31 December 2022 (2021: £24.3 billion).

As at 31 December 2022, investment capital is mainly comprised of cash, cash-like funds and other funds managed by the Group. During 2022, investment capital reduced by £654 million to £184 million (2021: £838 million) and our seed and co-investment capital decreased to £512 million (2021: £666 million). Other assets include goodwill and intangible assets, which are inadmissible for regulatory purposes and assets that support our ongoing operating activities in the form of working capital.

Richard Keers
Chief Financial Officer

1 March 2023

Our stakeholders



Clients

Actively helping our clients achieve their long-term financial goals

Clients are the primary focus of our business. The Group's resilience and ongoing success are built upon our ability to understand our clients' needs and respond to them. We work to anticipate how these will evolve and to construct products that meet their investment needs and build future prosperity.

How do we engage with them and consider their interests?

Our client service teams are the first point of contact for clients. They build lasting relationships with current and potential clients to develop a clear view of client objectives and how these are likely to evolve.

We have a dedicated Client Insights Unit that uses internal and external datasets to maximise the understanding of our clients and the environment in which they operate.

We conduct client surveys (independent third party and our own bespoke surveys) to hear directly from our clients. As a result of all of these activities we design our product solutions and advice offering to best meet their needs.

Outcomes

Engagement with clients drives our strategy. Client needs and the investment universe we operate in are dynamic and we have materially enhanced our product range in recent years.

Our desire to build closer relationships with end clients, to grow asset management through product innovation and expand private assets and alternatives is a direct result of our understanding of client needs.



Shareholders

Rewarding our shareholders through the sustained success of our business

We rely on the support and engagement of our shareholders to deliver our strategic objectives and grow the business. Our shareholder base supports the long-term approach we take in the management of our business.

How do we engage with them and consider their interests?

The Board engages with shareholders throughout the year. After being held remotely during the pandemic, the 2022 AGM was held as a hybrid meeting following changes to the Company's Articles of Association which gave shareholders a choice of how they could participate.

Over a number of years, the Company's non-voting ordinary shares had become increasingly illiquid and the discount at which they traded to the ordinary shares widened significantly. The Board closely engaged with the Principal Shareholder Group and our other major shareholders before recommending they approved the simplification of the Company's dual class share structure.

 See page 63 for more details.

Outcomes

The interests of our shareholders are very closely aligned with those of our clients, which means that in doing the right thing for our clients, we are also able to deliver value to those who have invested in our business.

The simplification of the Company's dual class share structure was as a result of direct engagement with our shareholders and its completion has enabled all shareholders, who share the same economic rewards and risks to have the same voting rights.



Our people

Offering fulfilling work and shared values to our people

Our people are central to the ongoing success of the business, and we are proud of our reputation as an employer of choice. Our people strategy aims to develop an agile and diverse workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs.

How do we engage with them and consider their interests?

We engage with our people through a variety of channels including management briefings, videos, an internal magazine and updates from the Group Chief Executive. We have dedicated teams and activities in every region so that everyone is connected to the key priorities, corporate developments and support networks. At the start of the year, all employees are invited to join sessions on business strategy and have the opportunity to ask questions of senior management. We also conduct pulse surveys and have invested in our internal communications to help employees understand and deliver our strategic objectives. Ian King, our Senior Independent Director, is our designated non-executive Director responsible for gathering workforce feedback. Ian chairs the Global Employee Forum to hear directly from employees on issues that concern them and reports back to the Board.

 See pages 30 and 31 for more details.

Outcomes

In our latest pulse survey, 96% of employees felt proud to be working for Schroders, which is a testament to our strength in having a great culture. During 2022, we held a global "Career Week" to help our people plan and take ownership of their development. We also launched an annual manager feedback survey to provide feedback and insights to our managers so that they can take practical actions to have greater impact on team engagement and performance. We also devised a new wellbeing strategy and developed a new model to measure wellbeing to be more responsive to the needs of our people.



Section 172 statement

The Board is bound by its duties under the Companies Act 2006 to promote the success of the Company for the benefit of its shareholders as a whole, having regard to our other key stakeholders.

The Board believes that in order to deliver its strategy and achieve long-term sustainable success, it must consider the interests of all stakeholders. We recognise that engagement with stakeholders in order to understand their needs and considering the impact of decisions on them is key to the continued success of the Company.

Examples of how the Board has considered the interests of the Group's stakeholders appear throughout this Annual Report and a specific example of how the Board considered their interests in relation to its principal decisions made during the year is set out on page 63 in the Corporate Governance Report.



Wider society

Directing our decisions and actions towards supporting wider society

We recognise the responsibility we have to wider society. Schroders is a principles-led business, and we believe that demanding high levels of corporate responsibility is the right thing to do.

How do we engage with them and consider their interests?

We are committed to helping communities around the world, by raising funds for specific causes and volunteering. Our employees are widely engaged with the selection of causes that we support and the Board receives an annual update on the Group's corporate sustainability activities, including risks and opportunities.

We are committed to respecting human rights and avoiding human rights infringements including modern slavery. This involves raising awareness and helping our people understand the scale and complexity of the issue.

During 2022, we published our first standalone report that is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This provided stakeholders with a fuller understanding of how we manage exposure to climate-related risks and opportunities.

Outcomes

We committed £5.2 million to charitable causes in 2022 and we rolled out modern slavery awareness training to all employees globally.

Our climate reporting has been recognised for its transparency and performance. Our 2022 CDP climate change questionnaire response (for year end 2021) achieved a leadership level score of A. This top ranking was achieved by only 2% of the nearly 15,000 global companies assessed by CDP.



External suppliers

Working with trusted partners

We have an established global network of external service partners that supplement our own infrastructure and, in many instances, provide a source of competitive advantage whereby we benefit from the expertise and specialised skills they provide.

How do we engage with them and consider their interests?

We continuously and proactively engage with our external service providers through various communication channels by employees throughout the Group. We have a framework that governs the sourcing, selection, on-boarding, management, oversight and reporting of suppliers. Our Supplier Code of Conduct sets out the high standards to which we hold ourselves and subsequently the treatment and behaviours we expect of our suppliers, and their suppliers, covering such fundamental principles as human rights including modern slavery, ethical sourcing, bribery and corruption, living wages, diversity and inclusion, health and safety and the environment. The Audit and Risk Committee reviews the Group's supply chain annually with a significant focus on material outsourced providers to ensure that they are consistent with our strategy to use service partners that add value to our infrastructure.

Outcomes

Schroders is committed to the fair treatment of its suppliers who are viewed as key stakeholders. The Board approved the Group's Modern Slavery Statement, which contains details of the risk assessment and due diligence processes in place for our suppliers on the issue of modern slavery.



Regulators

Building respectful relationships

As a global business, we seek to build collaborative relationships with each of our regulators providing input and expertise, and constructive challenge to their thinking where we think this is needed. This helps us to comply with current requirements, and to shape future ones, all of which helps us to serve our clients better. We also believe this strengthens and supports the regulators contributing to a more competitive, more resilient financial system.

How do we engage with them and consider their interests?

We engage with regulators and policymakers to understand and contribute to evolving regulatory requirements. In addition to compliance and risk teams we have a dedicated public policy presence in the UK and in Brussels for the EU.

The Board engaged with the FCA, PRA and Takeover Panel in respect of certain aspects of the simplification of the Company's dual class share structure. Our Public Policy team has regular engagement with officials at all levels and this year held detailed engagements on topics as diverse as sustainability, digitisation and governance and culture.

Senior management hold meetings with our regulators to foster good working relationships. The Audit and Risk Committee receives regular reports on engagement with regulators and how changes in regulatory regimes may impact our business.

Outcomes

Our engagement delivered better outcomes for the firm and our clients. This included engaging on the implementation of the FCA's Consumer Duty which sets expectations for the standard of care to be provided by UK firms to retail customers. During the implementation period we are engaged with the FCA to adopt an approach that is consistent with regulatory expectations. Similar engagement with the EU enabled us to meet deadlines for the implementation of the EU's Sustainable Finance Disclosure Regulation. Our input on related UK Sustainable Disclosure Requirements is helping to shape the policy.

Our risk management framework

Our rapidly evolving industry, global presence and core business activities mean that we are exposed to a variety of risks. Our risk management framework and strong system of internal control enable us to manage our risks and helped us respond to the challenges of 2022. Integral to our framework is our strong control culture and the effectiveness of our three lines of defence. Our second line of defence was strengthened in 2022 by bringing together our Risk and Compliance functions. This has allowed us to provide better oversight of the first line, enabling us to support business growth in a risk controlled manner through more integrated discussions and alignment of approach.

Managing risks

The Board is accountable for the maintenance of a prudent and effective system of internal control and risk management. It assesses the most significant risks facing the business and also uses quantitative exposure measures, such as stress tests, where appropriate, to understand the potential impact on the business.

Non-executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee, more details of which are set out on pages 68 to 75. We embed risk management within all areas of the business at Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as an advisory committee to the Group Chief Executive, regularly review the key risks we face. They are also responsible for monitoring that individual behaviours, within the teams they manage, reflect the culture and control standards of the business. The Group Strategy Committee, which supports the Group Chief Executive with the development and delivery of the Group's strategy, regularly receives a risk dashboard which includes metrics to monitor exposure against key risks. Subsidiary boards fulfil their obligations for managing risks in line with regulatory and legal requirements.

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group and chairs the Group Risk Committee (GRC). The GRC supports the Chief Financial Officer in discharging his risk management responsibilities. The GRC reviews and monitors the adequacy and effectiveness of the

Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and changes to existing risks.

The GRC is supported by a number of sub-committees, including the Group Conflicts Committee, the Financial Crime Committee and the Information Security Risk Oversight committee which review and challenge risks and report significant risk matters to the GRC.

Lines of defence

The first line of defence in managing and mitigating risk is the business functions themselves and the line managers across the Group. Heads of each function take the lead role with respect to identifying potential risks and implementing and maintaining appropriate controls to manage these risks, by applying our Risk and Control Assessment (RCA) process.

Line management is supplemented by oversight functions, including Group Risk, Compliance, Legal, Governance, Finance, Tax and HR, which constitute the second line of defence. The compliance assurance programme reviews the effective operation of relevant key processes against regulatory requirements.

Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme includes reviews of risk management processes and recommendations to improve the control environment, supplemented by external assurance from the Group's auditor. The team also carries out thematic compliance monitoring work.

We maintain comprehensive insurance cover with a broad range of policies covering a number of insurable events.

Risk appetite

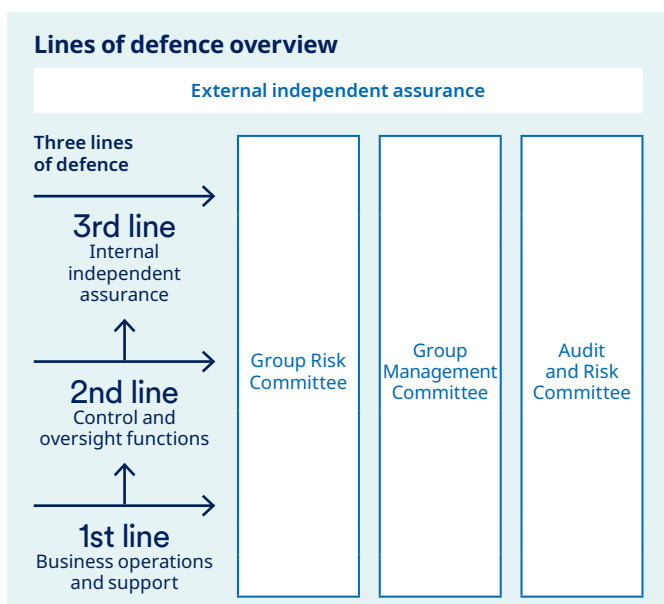
Risk appetite statements are set by the Board and cover all our key risks (excluding strategic risk, as this risk type mainly comprises factors that are external to our operating model) and apply to all areas of the business. We have a Group level risk appetite statement and a number of entity level statements. In 2022, we reviewed and refreshed our risk appetite statements for applicable UK entities to reflect the harms identified in our solo-entity Internal Capital Adequacy and Risk Assessments (ICARAs) and developed new risk appetite statements for in-scope entities where needed. See page 41 for further details on our ICARAs.

Each risk appetite statement is supported by a number of metrics and tolerances to enable us to provide an assessment of risk position against risk appetite. This is then formally assessed on an annual basis and is reviewed and challenged by the GRC, GMC and the Audit and Risk Committee prior to the Board.

Strengthening our approach to risk management

In 2022, we combined our Risk and Compliance functions under the leadership of the Chief Risk Officer (CRO). Bringing these functions together has allowed us to increase collaboration and effectiveness across the teams, develop talent, and ultimately improve the robustness of the second line of defence.

We have found natural synergies between the two functions. For example, a failure to comply with conduct and regulatory expectations is most likely to arise due to operational risk failures. As such, management of these risks in a more integral way is proving beneficial. We have also seen improvements in our reporting. We have combined our reports to the GRC and Audit and Risk Committee which has enabled us to more clearly highlight the key matters for senior management attention, resulting in more focus on these issues. In addition, by having our Investment Risk and Investment Compliance teams work together more closely we have been able to leverage the skills and experience of both functions in order to provide better oversight of our portfolios.



Notable developments

In 2022 a number of initiatives were undertaken to progress our management of risk. Some of these are summarised below:

- We further enhanced **ESG risk dashboards** and analytical techniques to support the review and challenge of ESG risks, including at the Asset Class Risk and Performance Committees. These committees are the primary venue for the first and second line functions to review and challenge risk and performance. For private assets strategies we developed proprietary scorecards to assess the ESG risk of individual transactions.
- We successfully completed the first phase of the FCA's and PRA's **operational resilience** regulations. The Schroders plc Board and relevant legal entity boards approved the operational resilience self-assessment documents. These assessments identified our most important business services, the level of resilience required for these services and the areas of our operational resilience that we should enhance. We are now focused on enhancing the areas of operational resilience identified, integrating ongoing compliance with the regulations into business-as-usual activities and continuing to mature our approach to achieve full operational resilience by March 2025.
- The Information Security Oversight Committee continues to provide oversight of the management of **cyber risk**. The focus in 2022 has been on testing our cyber defences through simulated cyber attacks. This has provided valuable insights into the areas we should prioritise for enhancement. Given this, we have initiated a Group-wide multi-year programme to further accelerate the evolution of our cyber defences which will enable us to make cyber defences as effective as possible and to evolve in line with the threats that we face. Attacks by organised crime groups (for example targeted ransomware) remain a risk for financial services and Schroders is no exception.
- We have been working with the firms we acquired in 2022 to move them onto our network, integrate them into Schroders' frameworks (as appropriate) and align our policies so that our control standards are consistent across the Group.
- We have ten UK entities in scope of the FCA's Investment Firms Prudential Regulation (IFPR). The regulation sets risk, capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an **ICARA**. In 2022, all of our solo-entity ICARAs were approved by their respective boards. As part of the development of the ICARAs we identified, assessed and quantified harms to clients, markets and the firm itself and confirmed that we have sufficient capital and liquidity resources under the new regime.
- Our Credit Risk team designed and developed a new automated tool to run **loan book stress tests and diversification analysis** reports for the wealth management banks which provide clear and up to date information for quick decision making in a volatile market. The reports are presented monthly to the various Assets and Liabilities Committees for discussion and approval.
- Within operational risk we have continued to enhance our RCA framework. Our **RCAs are a core part of our operational risk** framework and help us manage operational risk across the Group. They are used to identify inherent risks in business processes and document the controls in place to mitigate risks, enabling us to maintain ongoing oversight of the risk profile. This year we:
 - Incorporated consideration of **ESG and Operational Resilience** risks into the RCA process, leveraging the advice from specialist teams.
 - Implemented a **mid-year RCA review** to capture changes in business processes and associated risks on a formal basis. This was in addition to the existing expectations that RCAs be updated following periods of business change.
 - Developed a quarterly review of **high residual risks** to track and monitor the timely progression of actions to reduce risk and any changes to these risks.
- The way in which we communicate with clients is becoming increasingly more sophisticated and varied as we are communicating on a wider product and investment service range, in a wider set of jurisdictions. To mitigate reputational risk and the risk of non-compliance with regulatory requirements we have established a **Client Communications Framework**, which provides a consistent method of communicating with clients across the Group.
- We have a robust **Conduct Risk Framework** which was established a number of years ago. At the heart of the framework is a requirement for business areas to submit Conduct Risk Assessments on a quarterly basis which are reviewed and challenged by the GRC. This year we enhanced our approach by developing business function **Conduct Risk Appetite statements** leveraging the Group risk appetite approach. These risk appetite statements have enabled us to further analyse where conduct risk could occur within each business function, and to develop metrics to assess the current level of risk versus appetite.



Geopolitical risk, economic pressures and our crisis management approach

The last few years have tested our emerging risk and crisis management processes. From the Covid pandemic which began in 2020, to the geopolitical events of 2022 (specifically Russia's invasion of Ukraine in February and the gilt crisis in September and October), we have managed all crises with minimal disruption to the business and our clients. We consider emerging risks on a regular basis across the firm and incidents as they arise. We operated a daily call in February and an intraday call in September to manage the impact from the events noted above. We also have a crisis management plan which provides a coordinated and structured approach.

This overall approach served us well in response to Covid and recent events. Whilst geopolitical risk continues to remain high due to war in Europe and some political tension between China and the West, our business remains diversified globally, providing additional resilience. We regularly monitor our exposure to geopolitical risk and take proactive action where possible. The high inflation, low growth economic environment poses risks to the growth of our AUM and may in turn add cost pressures to the business. We must therefore apply vigilance to maintaining our control environment and continue to manage risks effectively.



Risk assessment

Emerging risks, and changes to our existing risks, are identified throughout the year, during the normal course of business, and are reviewed and discussed at relevant risk committees and boards. In addition, on a periodic basis we complete a formal assessment of the risks faced by our business using a “top-down” and “bottom-up” approach.

The “top-down” approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. Emerging risks and trends in existing risks are reviewed in light of the current internal and external environment, geopolitical factors, market conditions, changing client demand and regulatory sentiment. The objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. Each risk is then analysed to assess how it can be managed and mitigated.

The “bottom-up” approach uses the results from RCAs (described on page 40), trends in risk events and high-impact issues logged in our operational risk database, Archer.

The results of these assessments are used to inform our internal key risks which are presented to the GRC prior to the GMC, Audit and Risk Committee and Board.

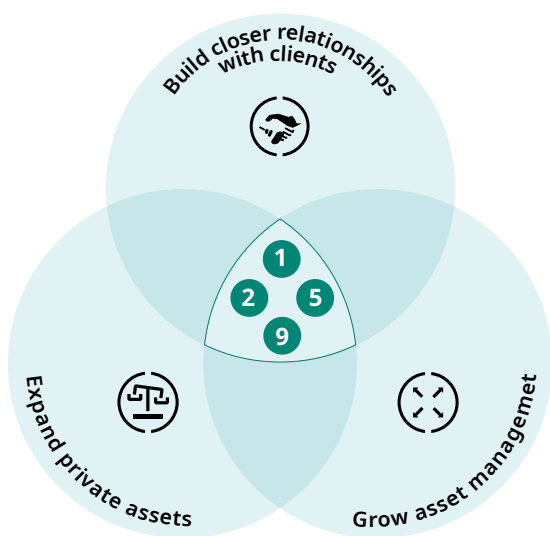
We have reviewed the list of internal key risks and identified a sub-set that are the principal risks to the firm. These are set out below and on pages 43 to 45. These pages are not designed to be an exhaustive list of all risks, but instead capture the principal risks that are most likely to impact our strategy, business model, external reputation and future performance. The numeric icons are for presentational purposes only and do not indicate a rank. The risks represent our exposure after mitigating controls are applied.

We have included trend arrows showing how our risk profile has changed since last year. Commentary to explain why risks have increased since the prior year, can be found on pages 43 to 45.

We have also included a diagram showing the strategic risks faced by the firm, that are mitigated by our strategy.

We confirm that the Group has an effective risk and controls process, supported by an appropriate governance framework.

Our strategy mitigates our strategic risks



Movement versus prior year position

- Increased
- Decreased
- Remained the same





Categories of risk





- Strategic risk
- Business risk
- Operational risk

Principal risks	2022	2021
1 Business model disruption		
2 Changing investor requirements		
3 Conduct and regulatory risk		
4 ESG including climate change		
5 Fee attrition		
6 Financial instrument risk		
7 Information security and technology		
8 Investment performance risk		
9 Market returns		
10 Operational process risk		
11 People and employment practices		
12 Product strategy and management		
13 Reputational risk		

Principal risks

	Description	How we manage this
<p>1</p>	<p>Business model disruption</p> <p>Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants.</p> <p>Geopolitical turmoil, including sanctions and conflict, could also impact our business. For example, heightened tension between China and the West may impact our China-based activities or Chinese assets which we invest in on behalf of our clients. This risk remains elevated.</p>	<p>We continue to invest in our technology platform to support our Schroders Capital business.</p> <p>We regularly monitor developments in countries subject to geopolitical risk and take steps to protect our people and assets where necessary.</p>
<p>2</p>	<p>Changing investor requirements</p> <p>Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a decrease in AUM. An example of where we need to respond to this is to win business that has transferred from defined benefit to defined contribution pension plans. ESG is a material part of our client considerations and we expect climate risks to feature more heavily in future investment requirements and offerings.</p> <p>The advice gap means demand for wealth management products continues to be high. There is a risk we do not grow and evolve to respond to this demand and retain and attract the right people to serve our Wealth Management clients.</p>	<p>The acquisition of the River and Mercantile solutions business and Greencoat Capital have allowed us to evolve our products to meet a wider range of client needs.</p> <p>We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed capital to support product innovation for future growth.</p> <p>We focus our attention where we believe we are able to make a more significant difference to our clients through current or planned future capabilities, in particular closing the UK private client advice gap.</p>
<p>3</p>	<p>Conduct and regulatory risk</p> <p>The risks of client detriment or reputational harm arising from inappropriate conduct of our staff or those of counterparties, suppliers and other third parties we engage, including failure to meet regulatory requirements (including those with respect to conflicts and financial crime), poor behaviour, or failing to meet appropriately our clients' expectations. This risk increased in 2022 due to regulators taking varying approaches to ESG, making implementation more difficult, and disruption in the UK gilt market resulting in increased regulatory scrutiny.</p>	<p>We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct and regulatory compliance via our conduct risk framework, supported by training and compliance assurance programmes.</p>
<p>4</p>	<p>Environmental, social and governance (ESG) risk including climate change</p> <p>Failure to understand, accurately assess and manage investment risk associated with ESG factors within assets and portfolios, and to appropriately represent the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate ESG products or to meet our clients' expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk has stabilised in 2022 due to improved data coverage of public assets, developments within SustainEx™ and the creation of a Schroders Capital Sustainability and Impact working group. The risk associated with regulators implementing different approaches to ESG, and their heightened scrutiny on the topic, is captured within Conduct and Regulatory risk above.</p>	<p>We have developed a range of proprietary tools to better understand the impacts of ESG risk including climate change on the portfolios we manage. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees. We have an Integration Accreditation Framework which we use to assess the integration of ESG factors into our investment desks' processes and re-accredit them on an annual basis. Regarding climate specifically, we have developed a Net Zero Dashboard which enables our investment teams and central risk function to monitor the temperature alignment of portfolios and track our progress against our firm-wide net zero commitment.</p>
<p>5</p>	<p>Fee attrition</p> <p>Fee attrition caused by clients allocating more of their assets to passive products, and less to active managers, coupled with a lower allocation to public markets, and a greater allocation to private markets. This has resulted in increased competition on price in the traditional active management market.</p> <p>We are also exposed to the risk of intermediaries taking more revenue streams.</p>	<p>We have continued to focus on solutions and outcome-oriented strategies, thematic products and private assets, which diversify our fee income. We have expanded our fiduciary business within Solutions and partnered with a number of new clients in 2022. We are also increasingly diversifying our product offering, supporting long-term profitability.</p> <p>We are moving to vertical integration and getting closer to clients allowing us to better understand their needs. This has also given us opportunities to access a greater share of available revenue.</p>

Description	How we manage this
<p>6 Financial instrument risk </p> <p>We face market, credit, liquidity and capital risks from movements in the financial markets in which we operate, arising from holding investments as principal. Due to geopolitical events resulting in inflation and movements in interest rates we have seen an increase in the volatility of several asset classes and shifts in correlations between asset classes which has resulted in an increase in Financial Instrument risk.</p> <p>Failure to manage market, credit and liquidity risks arising from managing AUM on behalf of clients would be considered an Operational Process risk.</p>	<p>We manage capital, liquidity and the Group's own investments through Board-set limits and in the Group Capital Committee. Equity market and credit spread risks in seed capital are hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.</p>
<p>7 Information security and technology risk </p> <p>Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that leads to a negative impact on the Schroders business and our client experience. Cyber threats have remained at the elevated level reported last year due to the activities of highly capable criminal organisations and state-sponsored threats. Through our programme of testing we continue to have greater insight into the areas we should focus on to enhance our cyber defence capabilities.</p>	<p>We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation.</p> <p>We are also undertaking a migration of our infrastructure and systems to the Cloud. This will allow us to use the capabilities of cloud technologies and the expertise of the providers, further enhancing our resilience and reducing cyber risk.</p>
<p>8 Investment performance risk </p> <p>There is a risk that portfolios may not meet their investment objectives, including, where applicable, a sustainability outcome, or that there is a failure to deliver consistent and above-average performance. There is a risk that clients will move their assets elsewhere if we are unable to outperform competitors or unable to deliver the investment objectives. The change from a long-term low interest rate environment to rising interest rates can impact clients' performance expectations and our ability to meet them and may require adjustments within strategies. Strong investment performance is critical to the success of Schroders.</p>	<p>We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge.</p> <p>Oversight of both risk and performance is embedded in our business processes and governance. In 2022, 73% of client assets outperformed benchmarks over three years and 76% outperformed benchmarks over five years.</p>
<p>9 Market returns </p> <p>Our income is derived from the value of the assets we manage. Falling markets reduce our AUM and therefore impact revenues. Market falls may be exacerbated by geopolitical risks, for example in response to deteriorating relations with Russia. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies.</p> <p>Economic uncertainty driven by the energy crisis, continued strict Covid-19 measures in China, UK government changes and the UK/EU relationship presented a risk in 2022. The impact of rising inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM. Capital investment may be targeted at domestic growth rather than being allocated to cross-border initiatives.</p> <p>This risk has stabilised at the higher level reported last year because none of the factors above have eased.</p>	<p>We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Schroders Capital, Schroders Solutions, and Schroders Wealth Management increased from £368 billion in 2021 to £390 billion in 2022, further increasing our diversification.</p> <p>Our focus on growing our Schroders Capital product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets.</p>

Description	How we manage this
<p>10 Operational process risk </p> <p>The risk of failure of significant business processes, such as compliance with fund or mandate restrictions, fund pricing, trade execution for investment portfolios and client suitability checks, whether these occur within Schroders or appointed third parties. It includes operational integration of acquisitions as there may be some risks whilst newly acquired firms are operating on different platforms, and before they are fully aligned to Schroders' policies. It also includes the ineffective management of joint ventures and associates. Overall this risk remains stable as our control environment continues to mature.</p>	<p>Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We work with acquired firms to move them onto our platforms (where appropriate) and to align our policies. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier life cycle to identify potential risks which may impact the quality or continuity of service.</p>
<p>11 People and employment practices risk </p> <p>People and employment practices risk may arise from an inability to attract or retain key employees to support business activities or strategic initiatives; non-compliance with legislation; or failure to manage employee performance. This risk has reduced in 2022 as our early move to a flexible working charter has given us a competitive advantage over our peers when recruiting and retaining talent. We are also normalising to a pre-Covid environment with staff coming back to the office and this has boosted morale. This is also evidenced with our latest pulse survey results, with 96% of our employees still feeling proud to be working for Schroders.</p>	<p>We have competitive remuneration and retention plans, with appropriate deferred compensation targeted at key employees. We have sustainable succession and development plans. We have policies and procedures in place to encourage inclusion and diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.</p>
<p>12 Product strategy and management </p> <p>There is a risk that our product or service offering is not suitably diversified or viable or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, do not perform in alignment with their investment objectives for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.</p>	<p>Risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee.</p> <p>We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. We have a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) would be notified to relevant teams rapidly, to reduce potential liquidity risk issues.</p>
<p>13 Reputational risk </p> <p>This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls. In recent years we have extended our brand through a number of new acquisitions. Reputational issues in joint ventures and associates where we have limited control of the outcome could adversely impact the Group.</p>	<p>We consider reputational risk when initiating changes to our strategy or operating model and focus on maintaining high standards of conduct. We have a number of controls and frameworks to address other risks that could affect our reputation, including: financial crime, investment risk, client take-on, client communications and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.</p>

Climate-related financial disclosures



The following summary read together with our detailed Climate Report, which can be found on our website, is our response to, and is consistent with, all the recommendations and relevant recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). These disclosures describe how the Group incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to the expectations of our stakeholders.





The reason we have produced a supplemental detailed Climate Report is to provide a more comprehensive and tailored view for our stakeholders. The summary disclosure below should therefore be read in conjunction with our Climate Report.

- Read our Climate Report: www.schroders.com/TCFD
- For our total operational GHG emissions footprint and energy data, see page 110.
- See pages 26-33 for more details on our sustainable leadership.



Summary disclosures










































TCFD pillars	Recommended disclosures	Our response
<p>Governance</p> <p> Read more on pages 13-19 of our Climate Report.</p>	<p>a) Describe the Board's oversight of climate-related risks and opportunities.</p> <p>b) Describe management's role in assessing and managing climate-related risks.</p>	<ul style="list-style-type: none"> • The Board of Schroders plc has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate and nature-related risks and opportunities into our strategy. The Board is therefore ultimately responsible for the oversight of climate and nature-related risks and opportunities that could impact our business. • The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further, whilst retaining overall responsibility for the delivery of our strategy. The Group Chief Executive has management responsibility for overseeing the Group's approach to climate change. There are a number of management committees and working groups that assess, advise on and oversee climate and nature-related risks and opportunities. The Group Sustainability and Impact Committee, chaired by the Group Chief Executive, monitors progress towards our climate and nature-related targets.
<p>Strategy</p> <p> Read more on pages 20-50 of our Climate Report.</p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<ul style="list-style-type: none"> • Risks to our investee companies include physical risks affecting operations (long term), and transition risks from measures to support global decarbonisation goals affecting the business proposition (short, medium and long term). In turn, these can negatively impact our investment performance. • Opportunities will arise in sectors that stand to benefit from decarbonisation, such as those focused on energy efficiency, renewable energy infrastructure, or climate change resilience/adaptation (short and medium term). • The majority of the risks and opportunities lie in our investments. We identify where the risks lie and act to respond to those risks. We assess our risk across a range of temperature scenarios. Our approach is detailed in our Climate Transition Action Plan, which has been updated, including our progress, in our subsequent 2021 and 2022 Climate Reports. • Our approach is to measure exposure, track and hold companies to account and offer client solutions aligned to a net zero pathway. • We work with our investee companies to transition through engagement. If companies do not take steps in their transition to a 1.5°C world, we have the option of exiting those positions. • For our own operations, we are reducing energy consumption in our offices, transitioning our company car fleet to electric vehicles, implementing ISO 14001 Environmental Management Systems, increasing renewable power, reducing business travel and engaging suppliers to set science-based targets.

TCFD pillars	Recommended disclosures	Our response
 <p>Risk management</p> <p> Read more on pages 51-58 of our Climate Report.</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<ul style="list-style-type: none"> • The process of identifying, assessing and managing climate risks has been embedded into our Group-wide risk management framework, which operates a three lines of defence approach. We also identify risks through the lenses of physical and transition risk. • Environmental, Social, Governance (ESG) risk including climate change is a key risk and is monitored using our risk appetite metrics. • We assess the risk via research and analytics for investee companies (valuations) or ourselves (reduced revenue/increased costs) using our Climate Analytics Framework and stress testing. • Climate risk has been embedded into our key existing processes alongside specific climate-related governance and decision-making bodies. This includes embedding it into investment research and decision-making, product development, company engagement and risk management processes. • The Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework.
 <p>Metrics and targets</p> <p> Read more on pages 59-69 of our Climate Report.</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. (All data is at 31 December 2022 unless stated otherwise.)</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<ul style="list-style-type: none"> • For our clients' investments, we review greenhouse gas (GHG) emissions using absolute and intensity measures, and track implied temperature scores. • For our own operations, we review and measure GHG emissions in our offices, company car fleet, business travel and supply chain. • As an investment manager, our Scope 3 category 15 (financed emissions) represents our greatest exposure to climate-related risks. • The combined Scope 1 and 2 carbon footprint for in-scope¹ AUM was 59.1 MtCO₂e. The temperature score for the combined Scope 1 and 2 GHG emissions at portfolio level was 2.6°C. • Our Scope 1 GHG emissions were 789 tCO₂e (29% reduction since 2019). Our Scope 2 location-based GHG emissions were 3,711 tCO₂e (35% reduction since 2019). 95% of our global electricity consumption was from renewable sources. • Our Scope 3 business travel GHG emissions were 8,675 tCO₂e (60% reduction since 2019). 25% of our suppliers in-scope² (by GHG emissions) have set a science-based target. • For our clients' investments our target is to align 100% of Scope 1, 2 and 3 temperature score for in-scope¹ listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs) holdings from 3.2°C in 2019 to 1.5°C by 2040. • For our own operations our targets are to reduce absolute Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year; increase sourcing of renewable electricity to 100% by 2025; reduce absolute business travel emissions by 50% by 2030 from a 2019 base year; and work with our suppliers so that 67% of suppliers (by GHG emissions) will have science-based targets by 2026.

1. Includes all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, REIT and ETF exposure. This accounted for over 60% of our AUM.
 2. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.

Governing our non-financial information

This section of the strategic report details the policies and standards which govern our approach to non-financial information. It is in accordance with sections 414CA and 414CB of the Companies Act 2006.

	Non-Financial Matter
ESG Policy for Listed Assets – our principles and practices regarding sustainable investing in Schroders' Asset Management processes and strategies.	  
Schroders Capital Sustainability and Impact Policy – our principles and practices regarding sustainable investing in Schroders Capital Private Assets business.	  
ESG and Stewardship Policy – our principles and practices regarding sustainable investing in our Wealth Management processes and strategies.	  
Statement of Compliance with UN Principles for Responsible Investment	 
Group Climate Change Position Statement – our position in relation to the environmental management for the investments we manage and our operations.	
Group Nature and Biodiversity Position Statement – our position on nature and biodiversity.	 
Task Force on Climate-related Financial Disclosures	
Engagement Blueprint – the areas on which we are focusing our engagement efforts with companies to support and encourage management teams to transition towards more sustainable business models that we believe will strengthen the long term value of their businesses.	  
Guiding principles and values – our values of excellence, innovation, teamwork, passion and integrity.	
Directors' Remuneration Policy – our approach for setting Directors' remuneration.	
Policy on Board diversity – our approach to board diversity.	
Group Personal Data Policy – summarises the obligations imposed upon all Schroders Group Companies and employees by data protection laws and covers the rights of individual employees with respect to their personal data.	
Group Tax Strategy – We aim to comply with both the spirit and letter of the law and are committed to conducting our tax affairs in an open and transparent way. Our tax strategy, available at www.schroders.com/taxstrategy , sets out our approach to tax matters across the Group more generally. This strategy is reviewed and approved annually by the Audit and Risk Committee.	
Modern Slavery Statement – our annual statement on how we assess, manage and report on the risks of modern slavery practices in our business and value chain.	   
Supplier Code of Conduct – the standards and behaviours we expect from our suppliers. We also have a number of internal policies and standards that are not published externally relating to anti-corruption and anti-bribery matters.	   
Group Human Rights Position Statement – our position for our entities and employees in relation to respect of human rights.	  
United Nations Global Compact (UNGC) – we were an Early Adopter of the refreshed UNGC Communication on Progress.	    
Whistleblowing Policy – our internal procedure for reporting and investigating concerns without fear of reprisals or detrimental treatment.	 

 **Environment**
on pages 32, 33, 46 and 47.

 **Employees**
on pages 30, 31 and 38.

 **Social matters**
on pages 32, 33 and 39.

 **Human rights**
on pages 32.

 **Anti-corruption and anti-bribery**
on pages 32 and 39.

Additional information

Description of business model	Our business model is designed to deliver for our stakeholders. We do this by providing excellent investment performance to our clients through active decision-making.	On pages 16-17.
Description of principal risks and impacts of business activity	We review our internal and external environment to identify the principal and emerging risks that are most likely to impact our strategy, business model, reputation and performance.	On pages 40-45.
Non-financial key performance indicators	In addition to our financial performance metrics, we also measure our performance through the use of non-financial performance indicators.	On the inside front cover.

In accordance with the UK Corporate Governance Code, the Directors have carried out a robust assessment of the key risks facing the Group and expect that Schroders plc will continue to be viable for at least the next five years.

Assessment of prospects

The five-year period to December 2027 is consistent with the Group's strategic business planning and forecasting period. The Group's strategic and financial planning process includes a detailed review of the business model and key assumptions. It is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams, with the outlook most recently updated in February 2023. The business planning process considers the longer-term headwinds that may materially impact the Group, and assesses the need for business model changes. The business plan reflects the Group's strategy and diversified business model, which is summarised on pages 14-17.

Key assumptions underpinning the financial planning process include AUM growth from both markets and net new business; changes to net operating revenue margins owing to changes in business mix, planned business activity and industry-wide margin pressures; and additional costs comprising the expected total compensation cost ratio and non-compensation costs including those arising from continued investment in the development of the business.

Progress against financial budgets and key objectives are reviewed throughout the year by both the Schroders plc Directors and the GMC, along with periodic reviews of the capital and dividend policies.

Assessment of viability

The assessment of the Group's viability requires the Directors to consider the principal risks that could affect the Group, which are outlined on pages 40-45. The Directors review the key risks regularly and consider the options available to the Group to mitigate these risks so as to ensure the ongoing viability of the Group.

Stress testing is performed on the Group's business plan and considers the impact of a number of the Group's key risks crystallising over the assessment period. This includes consideration of new and emerging risks, identified through the business planning process, that could have a material impact over the five-year planning period.

The severe but plausible stress scenarios applied to the business plan include consideration of the following factors:

- a deterioration in the value of our AUM as a result of a severe period of market stress, similar in severity to the global financial crisis;
- the impact of a material operational risk event or poor investment performance which could lead to reputational damage and significant outflows of our AUM;
- a significant decline in net operating revenue margins reducing projected revenues, together with an increase in the ratio of total operating expenses to net operating income;
- the early crystallisation of certain climate change risks;
- prevailing economic factors such as the potential for a sustained period of high inflation, elevated interest rates and a marked slowdown in global growth.

The Group also assesses the impact of the regulatory stress scenario published by the Prudential Regulation Authority. The stress scenarios are consistent with those used in the Group's consolidated Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

Having reviewed the results of the stress tests, including a scenario that combines a number of the factors set out above, the Directors have concluded that the Group would have sufficient capital and liquid resources and that the Group's ongoing viability would be sustained. In drawing this conclusion, the Directors assessed the management actions that are available to the Group and were comfortable that they are sufficient in order to maintain adequate capital and liquidity surpluses. The Directors also have regard to business model changes that may be required given the new environment in which the Group would be operating.

It is possible that a stress event could be more severe and have a greater impact than we have determined plausible. In this context, we conduct reverse stress tests, which demonstrate the unlikely and very extreme conditions required to make our business model non-viable.

The Directors' current, reasonable expectation is that Schroders plc will be able to continue in operation, meeting its liabilities as they fall due, over a viability horizon of at least five years. The Board's five-year viability and longer-term assessment is based on information known today.



Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in this Strategic report. In addition, the financial statements include information on the Group's approach to managing its capital and financial risk; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for 12 months from the date the Annual Report and Accounts is approved. They therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Pages 1 to 49 constitute the Strategic report, which was approved by the Board on 1 March 2023 and signed on its behalf by:

Peter Harrison
Group Chief Executive

1 March 2023

Governance

Governance

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Leading a world class business



Dame Elizabeth Corley
Chair



Peter Harrison
Group Chief Executive



Richard Keers
Chief Financial Officer

Board Committees



Skills, experience and contribution

Elizabeth was appointed as an independent non-executive Director in September 2021 and became Chair at the conclusion of the 2022 Annual General Meeting.

Elizabeth is a non-executive Director of BAE Systems plc, Chair of the Impact Investing Institute and a Trustee of the British Museum. She was previously the CEO of Allianz Global Investors and a non-executive Director of Morgan Stanley Inc. and Pearson plc.

Elizabeth is a leading figure in financial services with over 45 years' experience. Elizabeth is active in representing the investment industry and developing standards. Elizabeth has significant expertise in impact investing and sustainability and brings a wealth of investor, governance and boardroom experience to the Board.

Peter was appointed as Group Chief Executive in April 2016. He was an executive Director and Head of Investment from May 2014.

Peter began his career at Schroders and subsequently held roles at Newton Investment Management, J.P. Morgan Asset Management as Head of Global Equities and Multi-Asset and at Deutsche Asset Management as Global Chief Investment Officer. He was Chairman and Chief Executive of RWC Partners before re-joining Schroders as Global Head of Equities in March 2013.

Having spent his whole career in the asset management industry, Peter brings a long and successful track record in asset management and extensive industry and leadership experience to the Board.

Richard was appointed as an executive Director and Chief Financial Officer in May 2013.

Richard is a chartered accountant and was a senior audit partner at PricewaterhouseCoopers LLP (PwC) until 2013. He became a partner at PwC in 1997 and has 25 years' experience in the audits of global financial services groups. Richard's experience includes time spent in PwC's New York, Sydney, Edinburgh and London offices. Richard was a non-executive member of Lloyd's Franchise Board and Chairman of its Audit Committee from 2016 to 2019.

With over 25 years' experience in the audits of global financial services groups, and having spent time as a Senior Audit Partner at PwC, Richard brings his extensive accounting and financial management expertise to the Board.

Current external appointments

- Non-executive Director of BAE Systems plc
- Chair of the Impact Investing Institute
- Trustee of the British Museum
- Member of the London Stock Exchange's UK Capital Markets Industry Taskforce
- Member of the Investment Association Advisory Council
- Member of the Impact-Weighted Accounts Initiative Leadership Council
- Director of FCLT Global
- Member of the Advisory Board of Antler Global
- None

N Nominations Committee
AR Audit and Risk Committee

R Remuneration Committee
● Chair



Ian King
Senior Independent Director

N R

Ian was appointed to the Board as an independent non-executive Director in January 2017 and was appointed as Senior Independent Director in April 2018.

Ian was Chief Executive of BAE Systems plc from 2008 to 2017 having been originally appointed to the BAE board as Chief Operating Officer, UK and Rest of the World. Prior to this, he was Chief Executive of Alenia Marconi Systems. Ian also served as a non-executive Director and Senior Independent Director of Rotork plc until June 2014.

Having held a number of leadership positions in major multinational companies, and having capital markets experience both as an executive and non-executive director, Ian brings strong global leadership experience which is of great value to the Group as we continue to grow our business internationally.

- Senior Adviser to the Board of Gleacher Shacklock LLP
- Chairman of Senior plc
- Director of High Speed Two (HS2) Limited and lead non-executive Director for the Department of Transport



Sir Damon Buffini
Independent non-executive Director

N R

Damon was appointed as an independent non-executive Director in February 2018. He was Chair of the Remuneration Committee from November 2019 until April 2022.

Damon was a founding partner of Permira where he was Managing Partner between 1997 and 2010 and remained a partner until 2015.

Damon has over 25 years' experience in private equity. He brings his broad and highly successful business experience to bear in relation to the Group's overall range of strategic opportunities, particularly in the area of private assets.

Damon will not be seeking re-election as a Director and will stand down at the conclusion of the 2023 AGM.

- Chair of the National Theatre
- Chair of Royal Anniversary Trust UK
- Deputy Chair of the BBC Board
- Chair of the BBC Commercial Board



Rhian Davies
Independent non-executive Director

N AR R

Rhian was appointed as an independent non-executive Director in July 2015 and was appointed as Chair of the Audit and Risk Committee in 2016.

Rhian is a chartered accountant and was a partner at Electra Partners, an independent private equity fund manager, until June 2015, and then a Senior Adviser until March 2017. Rhian previously worked in PwC's audit and insolvency practice before joining Electra in 1992.

Rhian's background as a qualified accountant is a specific strength given her role as Chair of the Audit and Risk Committee. With extensive experience as a partner of a private equity fund manager, Rhian brings financial and industry knowledge to the Board, particularly in the area of private assets.

- None



Paul Edgecliffe-Johnson
Independent non-executive Director

N AR

Paul was appointed as an independent non-executive Director in July 2022.

Paul is Chief Financial Officer and Group Head of Strategy at InterContinental Hotels Group plc (IHG). Paul held a number of senior management positions at IHG from 2004 before being appointed to the Board in 2014. Paul previously worked at PwC where he was Senior Manager for Private Equity Tax Structuring and spent seven years working within Corporate Finance at HSBC Investment Bank.

Paul is a fellow of the Institute of Chartered Accountants and is a graduate of the Harvard Business School Advanced Management Programme. Paul brings his experience as a Chief Financial Officer of a FTSE 100 company and also has considerable experience of international markets which is of great benefit as we look to grow our business around the world.

- Chief Financial Officer and Group Head of Strategy at IHG until 19 March 2023
- Paul will become Chief Financial Officer at Flutter Entertainment plc on 20 March 2023

Board of Directors and Company Secretary

continued



Claire Fitzalan Howard

Non-executive Director



Rakhi Goss-Custard

Independent non-executive Director



Leonie Schroder

Non-executive Director



Deborah Waterhouse

Independent non-executive Director

(N)

Claire was appointed as a non-executive Director in April 2020.

Claire is a non-executive Director of Caledonia Investments plc, Director and Trustee of the Schroder Charity Trust and a Trustee of a number of charitable foundations. She was previously a non-executive Director of Gauntlet Insurance Services.

Claire brings experience of family-owned businesses in financial services and from her non-executive roles. Claire is a descendant of John Henry Schroder, co-founder of the Schrodgers business in 1804. Claire's appointment reflects the commitment to Schrodgers of the Principal Shareholder Group which has been an important part of Schrodgers' success over the long term.

- Director and Trustee of the Schroder Charity Trust
- Trustee of a number of charitable foundations
- Non-executive Director of Caledonia Investments plc

(N) (AR)

Rakhi was appointed as an independent non-executive Director in January 2017.

Rakhi is an experienced executive in digital retailing having spent 12 years at Amazon where she was Director of UK Media. Prior to joining Amazon, she held roles at TomTom and in management consultancy in the US. She was previously a non-executive Director of Intu plc.

Rakhi's experience in the digital world through her work at Amazon and, more recently through her experience as a non-executive director on other boards, is highly valuable to the Group as digital has an increasingly important impact on the asset management industry.

- Non-executive Director of Trainline plc
- Non-executive Director of Kingfisher plc
- Non-executive Director of Nisbets plc (unlisted)
- Non-executive Director of Rightmove plc (until 5 May 2023)

(N)

Leonie was appointed as a non-executive Director in March 2019.

Leonie is currently a Director and Trustee of the Schroder Charity Trust and has held a number of roles in the charity sector.

Leonie is a descendant of John Henry Schroder, co-founder of the Schrodgers business in 1804. Leonie's appointment reflects the commitment to Schrodgers of the Principal Shareholder Group which has been an important part of Schrodgers' success over the long term.

- Director and Trustee of the Schroder Charity Trust
- Director of a number of private limited companies

(N) (AR) (R)

Deborah was appointed as an independent non-executive Director in March 2019.

Deborah is the CEO of ViiV Healthcare. ViiV Healthcare is a leading global company, majority owned by GlaxoSmithKline (GSK) and focused on advancing science into HIV treatment, prevention and care. Deborah is also a member of the GSK Corporate Executive Team.

Deborah brings her experience as Chief Executive of a major international business operating in many of the markets in which we are active, which is of great benefit as we continue to grow our business internationally.

- CEO of ViiV Healthcare
- Member of the GSK Corporate Executive Team

- N Nominations Committee
- R Remuneration Committee
- AR Audit and Risk Committee
- Chair



Matthew Westerman
Independent non-executive Director

- N
- AR
- R

Matthew was appointed as an independent non-executive Director in March 2020 and was appointed as Chair of the Remuneration Committee in April 2022.

Matthew started his career in 1986 at Credit Suisse First Boston. He subsequently worked at Rothschild & Co where he became Managing Director and Joint Chief Executive of ABN AMRO Rothschild. He joined Goldman Sachs in 2000 and became a partner in 2002. During his tenure he led substantial businesses within the Investment Banking Division. He left Goldman Sachs in 2016 to become Co-Head of Global Banking at HSBC.

Matthew brings significant experience of global financial markets after a distinguished career in investment banking.

- Director of MW&L Capital Partners
- Chairman of the Board of Trustees of the Imperial War Museum
- Foundation Fellow of Balliol College, Oxford
- Trustee of the UK Holocaust Memorial Foundation



Graham Staples
Group Company Secretary

Graham was appointed Group Company Secretary in 2004. He previously held senior company secretarial, compliance and business development roles at NatWest, Barclays, TSB and Computershare.

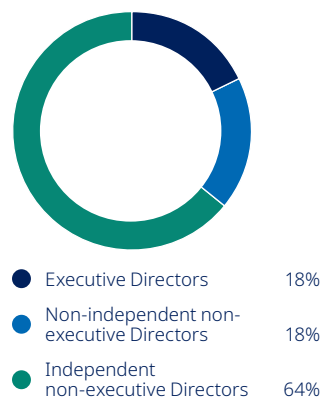
Graham is responsible for the Group's governance framework and is the principal adviser on all governance matters. He is also Chair of Schroder Investment Management (Europe) S.A., the Group's main operating company in the EU.

Graham brings great experience in corporate governance and company law.

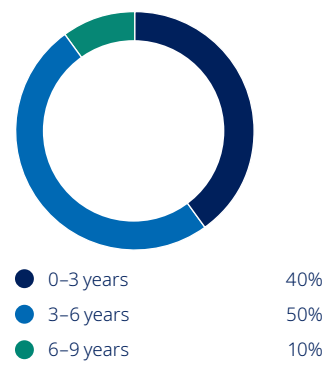
- Member of the advisory Board of Leeds University Business School
- Director and Trustee of Sherborne Girls School Charitable Foundation

Composition of the Board at 31 December 2022

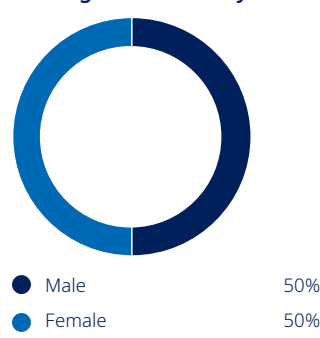
Board composition



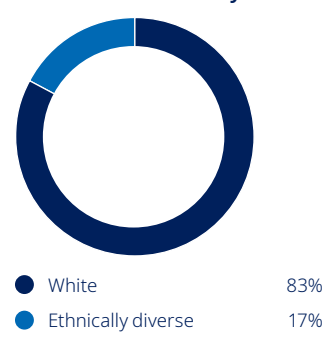
Non-executive Directors' tenure



Board gender diversity



Board ethnic diversity



Developing strategy, talent and culture



We have a strong governance framework which ensures the Board and the Committees do everything they need to in the right way

I am delighted to present my first governance report since becoming Chair in April 2022. In the following pages you can read about our governance arrangements, the operation of the Board and its Committees and how we discharged our responsibilities during the year.

By the time I took over as Chair I had already been on the Board for over seven months and had gone through a very thorough induction process. This involved meeting a wide range of our people from across all parts of the Group. I have been impressed by the openness of everyone I have met and by their clear focus on putting clients first and 'doing the right thing'. I had long been an admirer of Schroders and its culture before joining and everything I have seen and heard since has reinforced those positive views.

Having a handover period also allowed me to observe the operation of the Board and its Committees before becoming Chair. Again, I have been impressed with what I have seen. Colleagues are open and transparent and there are no 'no-go' areas for the Board. We have a strong governance framework which ensures the Board and the Committees do everything they need to in the right way. This was highlighted as a strength in this year's externally facilitated evaluation process. This process also identified a number of areas where we can improve. These are set out later in the report, but the most important, I believe, is for the Board to be able to focus more of its time on the longer term strategy for the business.

The lifting of Covid restrictions allowed shareholders to attend the Annual General Meeting in person again. Our move to hybrid meetings has opened up our AGM to more shareholders and we will continue to facilitate attendance in person or virtually going forward as a matter of course.

Another benefit of the lifting of restrictions was that the Board could once again travel overseas. As a global business I think it is vital the Board meets our people in overseas offices and really feel the culture and get feedback from our colleagues. We had a most successful trip to New York in September where we combined formal Board meetings reviewing our strategy for the Americas with breakfast with high potential staff, dinner with senior regional management and drinks for all staff. We also benefitted from hearing directly from one of our major US clients on their perspectives of the industry and their relationship with us. The Board came away enthused with the scale of the opportunity we have in the region and quality of the team we have there to deliver that opportunity. Part of our annual strategy meeting was held at our Broadlands campus near Horsham, where we were able to meet with many of our 600 colleagues located there. We plan to visit colleagues in Paris this year and take a deeper look at our European businesses.

Talent and succession are themes you will find throughout the Annual Report. The Nominations Committee has focussed considerably on the development of our senior talent, but the Board is also keen to get to know talent across the Company at all levels. We have introduced a number of initiatives to achieve this, including breakfast meetings for the Board with high potential staff, informal lunches and receptions with members of the Group Management Committee and attendance at Board meetings of members of the Group Strategy Committee.

Later in this report you can read about the specific topics the Board discussed across the year, but I should highlight the decision to enfranchise our non-voting shares. This was a major step for the Company, which removed a significant governance matter. Setting terms that would be acceptable to both classes of shareholder was always going to be a challenge, but with the proposals obtaining over 98% support from both classes the conclusion is that we managed to strike the right balance.

Looking forward, our priorities in 2023 will be on our long-term strategy; protecting our reputation through strong governance; talent development; and improving Board effectiveness.

Dame Elizabeth Corley
Chair

1 March 2023

2022 Board and Committee attendance

Directors are expected to attend all meetings of the Board and committees on which they serve. Details of Board and committee attendance are included in the table below. Where a Director is unable to attend a meeting their views are sought in advance and shared with the Board.

	Board ¹	Nominations Committee	Audit and Risk Committee	Remuneration Committee
Chair				
Dame Elizabeth Corley ²	9/9	4/4		
Michael Dobson ²	5/5	1/1		
Executive Directors				
Peter Harrison	9/9			
Richard Keers	9/9			
Non-executive Directors				
Ian King	9/9	4/4		7/7
Sir Damon Buffini ³	8/9	3/4		7/7
Rhian Davies	9/9	4/4	5/5	7/7
Paul Edgecliffe-Johnson ⁴	3/3	2/2	3/3	
Claire Fitzalan Howard	9/9	4/4		
Rakhi Goss-Custard	9/9	4/4	5/5	
Leonie Schroder	9/9	4/4		
Deborah Waterhouse ⁵	8/9	4/4	5/5	3/3
Matthew Westerman ⁶	9/9	4/4	4/5	7/7

1. There were six scheduled Board meetings held during the year and three additional meetings to consider the simplification of the Company's dual share class structure.

2. Michael Dobson retired from the Board at the conclusion of the 2022 AGM on 28 April 2022 and was succeeded as Chair by Elizabeth Corley from that date.

3. Damon Buffini was unable to attend a Board meeting which was arranged at short notice in order to consider the simplification of the Company's dual share class structure and one meeting of the Nominations Committee due to prior commitments.

4. Paul Edgecliffe-Johnson was appointed to the Board and as a member of the Nominations Committee and Audit and Risk Committee on 1 July 2022.

5. Deborah Waterhouse became a member of the Remuneration Committee on 1 August 2022. Deborah was unable to attend a Board meeting which was arranged at short notice in order to consider the simplification of the Company's dual share class structure.

6. Matthew Westerman was unable to attend one meeting of the Audit and Risk Committee due to a prior commitment.

The Board and its committees

The Board has collective responsibility for the management, direction and performance of the Company. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. In discharging its responsibilities, the Board takes appropriate account of the interests of our wider stakeholders including clients, employees, external service providers, regulators and wider society. Certain decisions can only be taken by the Board, including on the Group's overall strategy, significant new business activities and the strategy for management of the Group's investment capital. These are contained in the Schedule of Matters Reserved to the Board, which can be found on the Company's Investor Relations website¹ and summarised on page 58.

The Board has delegated specific responsibilities to Board committees, notably the Nominations Committee, the Audit and Risk Committee and the Remuneration Committee. The minutes of committee meetings are made available to all Directors. At each Board meeting, the Chair of each committee provides the Board with an update of the work currently being carried out by the committee they chair. Membership of the committees is detailed in each committee's report. The committees' terms of reference can be found on the Company's Investor Relations website².

The Chair also has regular meetings with the non-executive Directors without the executive Directors being present. These meetings are for informal discussions and do not have fixed agendas.

Board calls are used as an additional avenue for communication to supplement the formal Board meeting programme; these are held between the scheduled meetings. At each call, the Group Chief Executive and Chief Financial Officer provide updates on the Group's financial performance, and an update on business issues.

1. www.schroders.com/board-matters

2. www.schroders.com/tor

Governance framework

Board

The Board is collectively responsible for the management, direction and performance of the Company.

Matters reserved to the Board

The Group's overall strategy

The Company's capital strategy and changes to the capital or corporate structure

Significant new business activities

Remuneration strategy

Annual Report and financial and regulatory announcements

Annual budgets and financial commitments and strategic or key acquisitions

Risk management framework, risk appetite and tolerance limits

Board and Committee composition, succession planning and Committee terms of reference

Corporate governance arrangements, including Board conflicts of interest

Maintenance of an effective system of internal control and risk management

Dividend policy

The full Schedule of Matters Reserved to the Board can be found on the Company's Investor Relations website, www.schroders.com/ir

Chair

The Chair is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. She is responsible for creating an environment for open, robust and effective debate and challenge. The Chair is also responsible for ensuring effective communication with shareholders and other stakeholders.

Group Chief Executive

The Group Chief Executive is responsible for the executive management of the Company and its subsidiaries. He is responsible for proposing the strategy for the Group and for its execution. He is assisted by members of the GSC and GMC in the delivery of his and the Board's objectives for the business.

Senior Independent Director (SID)

The SID's role is to act as a sounding board for the Chair, oversee the evaluation of the Chair's performance and serve as an intermediary for the other Directors if necessary. He is also available as an additional point of contact for shareholders and other stakeholders should they wish to raise matters with him rather than the Chair or Group Chief Executive. He is the designated non-executive Director responsible for engagement with the workforce as key stakeholders in the Company.

Non-executive Directors

Non-executive Directors are expected to provide independent oversight and constructive challenge and help develop proposals on strategy, performance and resources, including key appointments and standards of conduct.

Nominations Committee

Responsible for reviewing and recommending changes to the composition of the Board and its Committees.

Chair: Dame Elizabeth Corley



See page 66 for the Committee report

Audit and Risk Committee

Responsible for overseeing financial reporting, risk management and internal controls, internal and external audit.

Chair: Rhian Davies



See page 68 for the Committee report

Remuneration Committee

Responsible for the remuneration strategy for the Group, the remuneration policy for Directors and overseeing remuneration firm-wide.

Chair: Matthew Westerman



See page 76 for the Committee report

Group Strategy Committee (GSC)

The GSC comprises the senior management team who have primary responsibility for the development and delivery of the Group's strategy. It is an advisory committee to the Group Chief Executive.

Group Management Committee (GMC)

The GMC comprises the wider senior management team and is an advisory committee to the Group Chief Executive on the day-to-day running of the Group's business.

Group Sustainability and Impact Committee (GSI)

The GSI comprises senior management across the Group and provides advice to the Group Chief Executive to assist him in discharging his responsibilities regarding sustainability and impact.

Group Capital Committee

Assists the Chief Financial Officer in the deployment of operating, seed, co-investment and investment capital.

Group Risk Committee (GRC)

Assists the Chief Financial Officer in discharging his responsibilities in respect of risk and controls. The GRC has a number of sub-committees, which look at specific areas of risk including conduct and conflicts of interest.

Independence

The Board remains committed to its stated policy regarding the benefits of an absolute majority of independent Directors. All the non-executive Directors are independent in terms of character and judgement.

Claire Fitzalan Howard and Leonie Schroder are not considered independent as they are both members of the Principal Shareholder Group. The Nominations Committee believes the judgement and experience of Claire Fitzalan Howard and Leonie Schroder continues to add value to the Board and the Group. The Board will therefore recommend their re-election at the 2023 AGM.

Director appointments and time commitment

The rules providing for the appointment, election, re-election and removal of Directors are contained in the Company's Articles of Association. The Company may only amend its Articles of Association by special resolution of the shareholders.

In accordance with the Articles of Association, Paul Edgecliffe-Johnson will resign and offer himself for election at the AGM on 27 April 2023. All other Directors are required to seek re-election on an annual basis unless they are retiring from the Board. Sir Damon Buffini will not be seeking re-election as a Director and will stand down at the conclusion of the 2023 AGM. Details of the Directors' length of tenure are set out on page 55.

Non-executive Directors' letters of appointment stipulate that they are expected to commit sufficient time to discharge their duties. The Board has adopted a policy that allows executive Directors to take up one external non-executive directorship. Non-executive Directors are required to consult the Chair before taking on any additional appointments. The Board is satisfied that all Directors continue to be effective and demonstrate commitment to their respective roles.

For details of executive Directors' service contracts, termination arrangements and non-executive Directors' letters of appointment, please refer to the Remuneration report from page 76.

Board training

The Board believes that the ongoing development and briefing of Directors is an important part of the Board's agenda. The Board receives regular briefings throughout the year in order to provide them with a deeper understanding of the Group.

During 2022, there was a briefing session on sustainability delivered by the Global Head of Sustainable Investment and the Global Head of Corporate Sustainability which included climate and nature-related issues as well as an overview of human rights and modern slavery. At this meeting, the Board was updated on how sustainability trends were shaping our industry, including climate and nature-related risks and opportunities. This covered the trends, impacts and how the business was responding.

At the two-day strategy offsite meeting held in November 2022, a presentation was given to the Board that provided insights on the challenging macroeconomic environment and how it can impact Schroders.

Members of the Board committees also receive regular updates on technical developments at scheduled committee meetings. Other training comprises external professional events and industry updates.

Board induction

The Group Company Secretary supports the Chair and Group Chief Executive in providing a personalised induction programme to all new Directors. This helps to familiarise newly appointed Directors with their duties and the Group's culture and values, strategy, business model, businesses, operations, risks and governance arrangements.

The induction process is reviewed on a regular basis and is updated and tailored to ensure it remains appropriate. Induction and briefing meetings are generally open to any Director to attend if they wish to.

Committee-specific inductions are also arranged when Committee membership changes, and these induction processes are tailored to the skills and knowledge of the individual and the forthcoming Committee agenda items.

Paul Edgecliffe-Johnson was the only new appointment to the Board during 2022 and a comprehensive and tailored induction programme was provided. The induction process involved:

- Meeting all members of the GMC and their teams to gain an insight into and an understanding of the opportunities and challenges facing their area of responsibility.
- One-to-one meetings with other senior management across the Group, including first, second and third lines of defence to understand the Group's internal control and risk management framework.

I am grateful to my colleagues on the Board for their support and have enjoyed meeting with people from many areas of the business both ahead of and after my appointment in July 2022. I have met with members of the Group Management Committee and their teams to gain a deeper understanding of the business.

As a member of the Audit and Risk Committee, I have also had briefings from management across the second and third lines of defence including Risk, Compliance, Legal and Internal Audit which has aided my understanding of the internal control and risk management framework.

Paul Edgecliffe-Johnson

Corporate governance report

continued

Compliance with the 2018 UK Corporate Governance Code (Code)

During 2022, the Board has complied with the Code and applied its Principles and Provisions with the exception of Provisions 9 and 19. Michael Dobson was not independent on appointment as Chair in April 2016, and had served on the Board for more than nine years since he was first appointed. Michael Dobson retired from the Board at the conclusion of the 2022 AGM.

The table below and on the next page sets out examples of how the Board has applied each Principle, assisting our shareholders to evaluate our Code compliance.

Code principle

Board leadership and company purpose

A Role of the Board The Company is led by an effective Board which is collectively responsible for the long-term sustainable success of the Company, ensuring that due regard is paid to the interests of our stakeholders, who include our clients, shareholders, employees, external service providers, regulators and wider society.

 See the Key areas of focus during the year on page 62.


B Our purpose, values and strategy The Board has collective responsibility for the management, direction and performance of the Company. Certain decisions can only be taken by the Board, including decisions on the Group's overall strategy, significant new business activities and the strategy for management of the Group's investment capital.

 See Stakeholder interests and engagement on page 63.


C Resources and controls The Board reviews the financial performance of the Group at each scheduled meeting and is ultimately responsible for the Group's control framework. The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control on behalf of the Board.

 See the Audit and Risk Committee report on pages 68 to 75.

D Engagement The Board recognises that engaging with and taking account of the views of the Group's stakeholders is key to delivering the strategy and long-term objectives of the Group.

 See page 63.

E Workforce engagement The Board receives updates on our people strategy during the year. Ian King is our designated non-executive Director responsible for gathering workforce feedback and he chairs the Global Employee Forum.

 See page 62.

Division of responsibilities

F The role of the Chair The roles of the Chair and Chief Executive are separate. Their job descriptions can be found on our investor relations website. The Chair has overall responsibility for the leadership of the Board and for its effectiveness in all aspects of its operation. Elizabeth Corley became Chair at the conclusion of the 2022 AGM and was considered independent upon appointment.




G Board composition The Board is committed to its stated policy of having an absolute majority of independent Directors. The Board believes that it operates most effectively with an appropriate balance of executive Directors, independent non-executive Directors and Directors who have a connection with the Company's Principal Shareholder Group. No individual or group of individuals is in a position to dominate the Board's decision-making.

 See page 66.




H Role of the non-executive Directors Non-executive Directors are expected to provide independent oversight and constructive challenge and help develop proposals on strategy, performance and resources, including key appointments and standards of conduct.

I Group Company Secretary All Directors have access to the advice and support of the Group Company Secretary and his team. Through him Directors can arrange to receive additional briefings on the business, external development and professional advice independent of the Company, at the Company's expense.






Composition, succession and evaluation

J	Appointments to the Board	<p>The process for Board appointments is led by the Nominations Committee, which makes recommendations to the Board.</p> <p> See the Nominations Committee report on pages 66 to 67.</p>
K	Skills, experience and knowledge of the Board	<p>In 2021, the Nominations Committee carried out a full analysis of the Board to identify the skills and experience required by future appointments. The results of this analysis formed part of role profiles used in the appointments of Elizabeth Corley in 2021 and Paul Edgecliffe-Johnson in 2022. We are updating the analysis and will use it to help identify future candidates for the Board.</p> <p> See the Nominations Committee report on pages 66 to 67.</p>
L	Board evaluation	<p>Independent Board Evaluation (IBE) facilitated an external Board evaluation during 2022 in accordance with the Code requirement. IBE conducted the previous externally facilitated Board evaluation in 2019, with the evaluations in 2020 and 2021 being conducted internally by the Chair.</p> <p> See page 65.</p>

Audit, risk and internal control

M	Internal and external audit	<p>The Audit and Risk Committee oversees the relationship with the external auditor, Ernst & Young. The Group Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee.</p> <p> See the Audit and Risk Committee report on pages 68 to 75.</p>
N	Fair, balanced and understandable assessment	<p>The Audit and Risk Committee reviews the Company's financial reporting in detail and is able to recommend to the Board that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.</p> <p> See the Audit and Risk Committee report on pages 68 to 75.</p>
O	Risk management and internal control framework	<p>The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control, and considers the adequacy of risk management arrangements in the context of the business and strategy. The Committee also considers the principal risks, alongside emerging and thematic risks that may have an impact on the Group.</p> <p> See the Audit and Risk Committee report on pages 68 to 75.</p>

Remuneration

P	Policies and practices	<p>Executive remuneration is designed to align to our purpose. Our existing remuneration policy was approved at the 2020 AGM. The updated remuneration policy will be considered by shareholders at the 2023 AGM and was developed following engagement with our shareholders.</p> <p> See the Remuneration Committee report on pages 76 to 107.</p> <p> See the updated remuneration policy on pages 92 to 98.</p>
Q	Remuneration Policy	<p>The Remuneration Committee provides independent oversight of the Group's remuneration policy and determines the remuneration of the Chair and the executive Directors within the policy approved by shareholders. No Director is involved in discussions relating to their own remuneration.</p> <p> See the Remuneration Committee report on pages 76 to 107.</p> <p> See the updated remuneration policy on pages 92 to 98.</p>
R	Exercising independent judgement and discretion	<p>We pay for performance in a simple and transparent way, clearly aligned to shareholder and client interests, to the financial performance of the Group, and the progress made towards our strategic goals.</p> <p> See the Remuneration Committee report on pages 76 to 107.</p>



Key areas of focus during the year

At each scheduled Board meeting the Board discusses reports from the Group Chief Executive on the performance of the business, the Chief Financial Officer on financial performance, the Group Company Secretary on governance developments, and, where relevant, a report from each of the Board Committees.

Set out below are the key topics considered by the Board during 2022, taking into account the views of key stakeholders while continuing to promote the Group's long-term success. Throughout the year, the Board has considered workforce welfare, external markets, our clients, the Group's capital position, business operations and the need to keep the market updated on key developments.



Strategy

- The Board continued to focus on the development and delivery of our overall strategy. In November, the Board held a two-day offsite meeting to discuss strategy for 2023 and beyond.
- At each scheduled meeting, the Board received a strategic update from the business. During 2022, these included the Client Group, our businesses in China, Europe, North America, Latin America and the UK, including Schroders Solutions, Wealth Management and Schroders Capital.



Financial performance and risk management

- The Board reviews the financial performance of the Group at each scheduled Board meeting. In March, the Board reviewed the 2021 Annual Report and Accounts and final dividend proposal. In July, the Board reviewed the 2022 half-year results and recommended a dividend of 37 pence per ordinary share of £1 each and non-voting ordinary shares of £1 each in issue at that time.
- The 2023 budget and five-year forecast was discussed by the Board at the two-day offsite meeting in November.
- During the year the Board approved the ICAAP, ILAAP, Recovery Plan, Resolution Pack and Wind-down Plan following their review by the Audit and Risk Committee.
- The Board also approved the Group's 2021 Task Force on Climate-related Disclosures (TCFD) report to provide our shareholders, clients and other stakeholders with a better understanding of our exposure to climate-related risks.



People and culture

- The Board relies on our people to deliver the Group's strategy and considers our culture to be one of our assets. In September, the Board received an update on our people strategy and considered succession planning for critical roles, the initiatives to enhance inclusion and diversity across the Group and how to protect our culture in a post-pandemic world.
- Ian King, our Senior Independent Director, is our designated non-executive Director responsible for gathering workforce feedback. He chairs the Global Employee Forum to hear directly from employees on issues that concern them. Ian provided an update to the Board following the Forum meeting in July, which covered our approach to ESG and the simplification of the dual share class structure. At its October meeting, the Forum discussed flexible working and the inflationary pressures that have led to increases in the cost of living. Their feedback was discussed by the Board in November. The Board welcomes the additional feedback from employees via the Forum and will continue to engage with it during 2023.



Shareholder engagement

- The Board engaged with shareholders throughout the year. The primary means of communicating with shareholders is through the AGM, the Annual Report and Accounts, full-year and half-year results and related presentations.
- Following changes to the Company's Articles of Association, the 2022 AGM was held as a hybrid meeting to enable more shareholders to attend. After the meeting the website was updated with a summary of the presentations and the question and answer session.
- The Investor Relations programme has continued our engagement with our major shareholders, particularly around the simplification of our dual share class structure.

Stakeholder interests and engagement

In discharging their section 172 duties, the Directors have regard to the factors set out on page 39 and any other factors considered relevant to the decision being made, such as the interests of shareholders, employees and the views of regulators. The Directors acknowledge that every decision made will not necessarily result in an equally positive outcome for all stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, the Board does, however, expect that its approach to decision-making and consideration of stakeholder interests will be consistent.

The example provided below shows how the Board considered the matters set out in section 172 in respect of one of the key decisions made during 2022.

Simplification of Schroders plc's dual share class structure



A key decision made by the Board in 2022 was the recommendation to shareholders of the simplification of the Company's dual share class structure by enfranchising the non-voting ordinary shares. These proposals were subsequently approved by shareholders at a General Meeting and a Class Meeting held on 15 August 2022 and came into effect on 20 September 2022.

Over recent years, the non-voting ordinary shares had become increasingly illiquid and the discount at which they traded to the ordinary shares had widened significantly. Non-voting shares have also become increasingly rare in UK listed companies as corporate governance best practice develops. The enfranchisement helped address these issues and means that all of the Company's shares are eligible for inclusion in the major indices which also enhances liquidity.

Under the enfranchisement, each non-voting ordinary share was converted into one ordinary share and re-designated to have the same rights, including voting rights. The holders of ordinary shares received a bonus issue of three additional ordinary shares for every 17 ordinary shares held to compensate them for the dilution of their voting rights. Subsequent to the enfranchisement and bonus issue, the ordinary shares were sub-divided into five new ordinary shares with a nominal value of 20 pence each.

The Board considered the simplification of the dual share class structure at a number of meetings to assess whether it was in the best interests of its shareholders. The Board engaged with the Principal Shareholder Group who saw their interest in the Company diluted from 47.93% to 43.11% as a result. The Board had also engaged with other major shareholders ahead of announcing the proposal.

In addition, the Board engaged with a number of regulators in relation to certain aspects of the simplification. These included the Takeover Panel in relation to the change in the Principal Shareholder Group's interest in the Company, the FCA in respect of the bonus issue of ordinary shares and the delisting of the non-voting ordinary shares, and the PRA so that the Company's share capital could continue to be classified as Tier 1 regulatory capital.

The Board took a number of factors into account when considering the appropriate level for the compensatory bonus issue designed to compensate the ordinary shareholders for the dilution of their voting rights. These included: the reasons for and levels of the discount between the two share classes; the dilutive effect on the ordinary shareholders' voting rights resulting from the enfranchisement; and the dilutive effect which the compensatory bonus issue would have on the economic interests of the non-voting ordinary shareholders.

The Board considered the terms of the enfranchisement, compensatory bonus issue and sub-division, together with the grant of buyback authority, represented fairly the interests of holders of both ordinary shares and non-voting ordinary shares.

2022 Board objectives

The 2021 evaluation was undertaken internally and in light of the findings of that evaluation and the conclusions of the Chair's Committee, the Board set the following high level objectives for 2022.

Area of focus for 2022	Progress made during 2022
Reviewing the integration of the major acquisitions agreed in 2021 and the progress of follow-on growth plans for those businesses	Acquisitions have been an important part of our strategy to position our business for future growth. In 2022, Schroders completed three major acquisitions which were approved by the Board during 2021, therefore a priority was to integrate them within our organisation. In July, the Board considered the integration of Greencoat Capital and Cairn Real Estate as part of the strategic update on Schroders Capital. The integration of River and Mercantile's UK solutions business was considered as part of the strategic update on the UK business.
Monitoring progress against the five-year plan agreed in November 2021	The Board reviews performance at each scheduled meeting and held a two-day offsite meeting in 2022 to agree the strategy for 2023 and beyond. Challenging markets have reaffirmed the Board's strategy for growing the business by expanding in private assets and alternatives, growing asset management and building closer relationships with end clients.
Reviewing the development of senior management talent	The Board considered an external review of the GMC and the personal development plans prepared following that review and also succession planning for the GMC members. The Board also reviewed our People Strategy in September, which examined the development of talent below the GMC and HR's initiatives to enhance inclusion and diversity.
Reviewing core business areas, including key areas of strategic growth, particularly Schroders Capital, China and strategic partnerships	The Board reviewed the key business areas during its scheduled meetings in 2022. Future agendas provide for the review of key business areas to occur on an ongoing basis. The Board considered Schroders Capital and strategic partnerships in July and reviewed China alongside the Group's strategy for Asia at its two-day offsite meeting in November.
Reviewing our clients, their needs and their perceptions of Schroders	Our success depends on meeting the needs of our clients, therefore the Board assesses their needs and their perception of Schroders. During 2022, the Board considered our brand, the market perception of it and how it could be leveraged. The Board reviews key business areas at each of its scheduled meetings. As part of these reviews the Board considers the requirements of our clients and how we can continue to meet their needs.
Carrying out regular in-depth reviews of investment performance	The Board considers investment performance at each scheduled meeting. In addition, in March and September there were comprehensive reviews focusing on investment performance and our investment capabilities. We are determined to be leaders in sustainability and a primary aim is to demonstrate the value of an active approach to asset management.
Undertaking an in-depth review of the actions the Group could take in the event of a significant downturn in the business environment	We saw increased volatility in the business environment during 2022. At its two-day offsite meeting in November, the Board received an update on the challenging macroeconomic environment, the impact on our business and how we can navigate for the best interests of our stakeholders.
Reviewing the adequacy of the Group's cyber security arrangements	The Audit and Risk Committee devoted a large part of its agenda to cyber-related topics and also received briefings on thematic topics, including cloud transition risks, to keep them up to date with the latest developments in this area. See page 74 for more information.
Continuing to review our corporate purpose, what it means in practice and its articulation	The Board continued to review our corporate purpose so that we were able to continue to serve our stakeholders. Our corporate purpose is grounded in generating returns for our clients by navigating opportunity and risk.

2022 Board evaluation

The 2022 evaluation of the Board, its principal Committees and individual Directors was undertaken externally by Independent Board Evaluation (IBE). IBE has undertaken previous evaluations but has no other connection with the Company. We chose to use IBE again to provide continuity and context for their observations given the significant changes to the Board in recent years.

The evaluation process included one-on-one interviews with each Director, the Company Secretary and a number of other non-Board members who attend or support the Board and its Committees. The process also included the evaluator attending meetings of the Board, Audit and Risk Committee, Remuneration Committee and Nominations Committee. An overall Board evaluation report was produced and this was presented to the Board at the January 2023 meeting. Separate reports were provided to each Committee Chair and these were discussed by the respective Committees at the next meeting of the Committee. Summaries of the findings are included in the Committee reports.

Individual reports on the performance of each Director, including the Chair, were produced and the Chair discussed these directly with the relevant Director. Ian King, as Senior Independent Director, discussed the report on the Chair with the rest of the Board before giving feedback to the Chair.

The overall conclusion of the Board evaluation was that the Board was now modern and diverse with engaged, thoughtful and forthright members. There was still some adjustment to make for the different style of the Chair and for some new voices around the table. The dynamics between Chair and CEO were working well. The Board had no 'no-go' areas and all Board members were encouraged to speak up, and their views were welcome. There was a clear desire to spend more time on strategy and the challenge was to find the right balance between detail and longer term themes. The evaluation indicated that the Board was on the right track but was not able at present to devote as much time to long-term issues as members would like. The Board needed to be clear on its priorities and needed to keep out of the detail. A number of recommendations were made, including:

1. Revising the Board's objectives to manage the pressure on Board agendas.
2. Opening up induction sessions where appropriate so that any non-executive can attend to refresh their knowledge, on an opt-in basis.
3. Revising the Board's skills matrix, in line with the evolving strategy.
4. Reviewing the Employee Engagement programme to encompass more points of information and to focus more closely on feedback from employees to the Board.
5. Scheduling more private sessions of Board members, including a meeting annually of the independent NEDs and opportunities for NEDs to meet without management present.

The Chair and the Company Secretary were tasked with taking the recommendations forward.

2023 Board objectives

Using the findings of the external evaluation process as context, the Board agreed a number of objectives under four major themes; strategy, talent, Board effectiveness and governance.

Strategy

- Develop strategic scenarios and options for five years plus.
- Review strategy implementation and value creation.

Talent

- Increase Board exposure to talent.
- Complete succession reviews.
- Continue to encourage diversity, equality and inclusion across the business.

Board effectiveness

- Explore new ways of Board and Committee working; embracing a hybrid working environment.
- In a continuing period of rapid change, ensure Board maintains knowledge and currency.
- Appoint new non-executive Directors with focus on priority skills areas.

Governance

- Maintain current high standards of governance and oversight.
- Maintain/enhance our Brand and reputation with all stakeholders.
- Explore options for Board oversight of reputation.

Focusing on the future



Committee membership

Dame Elizabeth Corley (Chair)

Sir Damon Buffini

Rhian Davies

Michael Dobson (until 28 April 2022)

Paul Edgecliffe-Johnson (from 1 July 2022)

Claire Fitzalan Howard


Rakhi Goss-Custard

Ian King

Leonie Schroder

Deborah Waterhouse

Matthew Westerman

 See page 57 for meeting attendance.

Responsibilities of the Nominations Committee

The Committee is responsible for keeping under review the composition of the Board and its Committees and for ensuring appropriate executive and non-executive Director succession plans are in place.

The Committee's terms of reference are available on the Company's Investor Relations website at schroders.com/ir.

Biographical details and experience of the Committee are set on pages 52 to 55.

I succeeded Michael Dobson as Chair of the Nominations Committee following the Annual General Meeting in April 2022. The process for my appointment as Michael's successor was led by Ian King, our Senior Independent Director, and is fully explained in the 2021 Annual Report.

We also explained in last year's Annual Report the process we had gone through to select Paul Edgecliffe-Johnson as an additional non-executive Director. Paul joined us on 1 July 2022 and is already making a valuable contribution to our discussions.

At Committee level, we also announced that Matthew Westerman would succeed Sir Damon Buffini as Chair of the Remuneration Committee after the Annual General Meeting. Again, this is covered in detail in last year's Annual report. Matthew has led the consultation on our new Remuneration Policy which will be put to shareholders for approval at the 2023 Annual General Meeting.

With these changes all in hand, we had no immediate succession issues we needed to address as we entered 2022. However, succession planning is something we need to think about constantly to ensure we are well placed for both foreseen and unforeseen changes to the Board and its Committees. Our meetings in 2022 and early 2023 have therefore focussed mainly on longer term succession for both executive and non-executive roles. The Committee sees having internal options as potential successors at executive Director level as critical given the importance of the leadership team understanding the culture of the organisation. The Committee has worked closely with the Chief Executive to identify the senior talent within the business who may have the potential to join the Board in the future. This group then undertook externally facilitated assessments which led to specific development plans being drawn up for them. Each individual was assigned a mentor from the Board and the Committee received updates throughout the year on progress. The development of a strong pool of internal talent with the potential to lead the business in the future will continue to be a focus for the Committee.

At non-executive level, Damon Buffini indicated in December that he would like to step down from the Board at the 2023 Annual General Meeting following his appointment as Deputy Chair of the BBC. Although there is no immediate need to replace Damon, we have already commenced a search for a successor. One reason for this is that we have given a commitment to always having an absolute majority of independent directors on the Board. With Damon leaving we would have no contingency should another independent Director leave the Board for whatever reason. The Committee also felt that we needed to address some of the gaps in skills and experience Damon's departure would leave. At our meeting in January 2023, the Committee discussed our requirements in detail and agreed to appoint Russell Reynolds Associates to lead the search for a new non-executive Director. Russell Reynolds have undertaken a number of assignments for us in the past, including my own appointment, but there are no other business relationships with Schroders or individual directors.

The Committee feels that the knowledge and understanding of the Company Russell Reynolds has acquired through these assignments makes them well placed to understand our needs and provide a good range of potential candidates. The process is now well underway, with a detailed role specification and candidate profile being agreed by the Committee. Key skills and experience we identified as being important in helping the Board be aligned better with our strategy include experience in wealth and alternatives, international experience and digital disruption including fintech and crypto as well as broader listed company experience. We expect to start interviews shortly and to make an appointment as soon as possible.

We addressed succession for Rhian Davies on the Audit and Risk Committee. We also felt it was important to broaden further the skills and experience of the Remuneration Committee and we therefore appointed Deborah Waterhouse to that Committee in August.

As our business becomes more diverse and complex so the skills and experience required of Board members also change. To ensure the Board has the right skills we may need to increase the number of Directors in the medium term.

Directors standing for election and re-election

Any Director standing for election or re-election must have the support of the Committee and the Board. On the basis of the feedback from the Board evaluation process, combined with the many interactions I have had with individual Directors since becoming Chair, the Committee agreed that all Directors standing for election and re-election make a valuable contribution to the Board's deliberations and recommends their re-election. Rhian Davies, Ian King and Rakhi Goss-Custard will all have served for six years or more by the time of the Annual General Meeting. The Committee reviewed their re-election carefully and there was unanimous support for their ongoing membership of the Board.

As required by the UK Listing Rules, the appointment of independent Directors must be approved by a simple majority of all shareholders and by a simple majority of the independent shareholders. Further details are set out in the 2023 Notice of AGM.

Evaluating the performance of the Committee

I included in my Governance report the details of our externally facilitated 2022 evaluation process. As part of that process the external evaluator attended a Committee meeting and also received feedback on the Committee's effectiveness through interviews with each Director. The overall conclusion was that the Committee was operating effectively but could have a more comprehensive agenda going forward which covers the full people and governance agenda. This is being progressed.



Policy on Board Diversity

The Board recognises the importance of diversity and that it is a wider issue than gender and ethnicity.

We look for diversity of skills, experience and background, which is important for an effective Board and management team, and this will continue to be the primary criterion by which we select candidates. Diversity across our whole workforce is discussed by the full Board. The specific diversity targets for the Group are set by the Board as part of our annual review of people strategy.

The Board understands the importance of increasing gender and ethnic diversity and is committed to have a minimum of 40% of Board positions held by women and to meet the Parker Review's recommendations of at least one director from an ethnic minority on the Board. Currently we meet both these gender and ethnicity recommendations as women comprise 50% of the Board and we have two ethnic minority Directors. We intend only to use the services of executive search firms which have signed up to the Voluntary Code of Conduct on Gender Diversity.

There is a full description of our approach to diversity and inclusion on pages 30 to 31 and 110. Our gender diversity statistics for both the Board and senior management can be found on page 110.

Priorities for 2023

Looking ahead to the rest of 2023, the Committee's priorities are focussed on executive succession and continuing to evolve the Board to ensure it has the right skills to support the delivery of our strategy.

Dame Elizabeth Corley

Chair of the Nominations Committee

1 March 2023

Evolving in the face of challenges



Committee membership

Rhian Davies (Chair)

Paul Edgecliffe-Johnson (from 1 July 2022)

Rakhi Goss-Custard

Deborah Waterhouse

Matthew Westerman

I am pleased to present the Committee's report for the year ended 31 December 2022. The Committee plays a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's system of internal control and financial and risk management.

The Committee recognises its role in promoting the integrity of the Group's financial results and high quality reporting. We are grateful for the support of management and the assurance and challenge provided by Group Internal Audit and Ernst & Young (EY) as external auditor. We welcomed the UK Government's response to its consultation on Restoring Trust in Audit and Corporate Governance during the year, which confirmed the intention to take forward many of the reforms proposed in the consultation. We note the Financial Reporting Council's (FRC's) Draft Minimum Standards for Audit Committees and will continue to consider the impact of the reforms as they develop.

During the year, the Committee continued to focus on its responsibility for the monitoring and oversight of the Group's control environment and system of internal control and the Group's management of risk and compliance-related activities. As part of this work, the Committee considered the Group's business services resilience and Risk and Control Assessments, as well as the ICAAP, ILAAP, wind-down and recovery plans and resolution pack and various operational stress scenarios to support the Board's conclusions on the viability statement and going concern set out on page 49.

The Committee continues to play an important role in reviewing conduct and culture risk in the Group and continues to oversee the evolution of Schroders' conduct risk framework, designed to identify emerging trends and heightened areas of risk. Conduct and culture risk is informed by a number of metrics, including conduct risk reports, employee opinion surveys and oversight by the second and third line of defence functions. We believe that Schroders' conduct risk framework is well placed against regulatory standards.

In line with the FRC's and PRA's operational resilience regulations, our Operational Resilience Consolidated Self-Assessment was approved by the Board for the first time in March 2022. The Self-Assessment identifies our important business services, sets our impact tolerances to avoid intolerable harm to our clients and identifies areas where we should enhance our operational resilience. This is discussed further on page 74.

Ahead of the 2022 half-year results, the Committee considered changes to the presentation of the Group's income statement and revisions to the Group's AUM recognition policy. Further information on how the Committee challenged management in this regard is included on page 71.

In November, the Committee discussed Liability Driven Investment (LDI) strategies and our response to the volatility experienced in the bond and gilts markets between late September and mid-October. Further information on our response can be found on page 74.

A large part of the Committee's agenda during the year was devoted to cyber-related topics. Further detail on information and cyber security can be found on page 74.

Climate-related risks remained at the forefront of our discussions throughout 2022 and were given particular consideration in relation to the preparation of the Group's Annual Report and Accounts. In February, the Committee considered the Group's first standalone report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Thematic risks including climate change will continue to be a key priority for 2023.

The Committee received briefings on business and thematic topics during the year including on Cloud transition risks and opportunities, fund liquidity, adequacy of active risk taking and the valuation of Private Assets.

I would like to welcome Paul Edgecliffe-Johnson, who joined as a member of the Board and Audit and Risk Committee in July 2022. Paul's background as a Chief Financial Officer and Chartered Accountant will be of specific benefit to the Committee.

I am grateful to all members of the Committee for their support in 2022 and I look forward to continuing our work in 2023.

Rhian Davies

Chair of the Audit and Risk Committee

1 March 2023

Role of the Audit and Risk Committee

The principal role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting, financial controls and audit, risk and internal controls.

All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on pages 52 to 55. The Board has determined that, by virtue of their previous experience gained in other organisations, members collectively have the competence relevant to the sector in which the Group operates. In addition, the Board considers that Rhian Davies, a chartered accountant, has the recent and relevant financial experience required to chair the Committee.

The Chair, Group Chief Executive and Chief Financial Officer attended all meetings at the invitation of the Chair of the Committee. Other regular attendees who advised the Committee were the Group Financial Controller, the Chief Risk Officer,

the Group Head of Internal Audit and the General Counsel. Other members of senior management were also invited to attend as appropriate. The Chair of the Wealth Management Audit and Risk Committee (WMARC), who is an independent non-executive Director of Schroder & Co. Limited, attended one meeting of the Committee and provided an update to each meeting on matters related to the Wealth Management business.

Representatives from EY, including Julian Young, lead audit partner for the 2022 financial year, attended all of the Committee's scheduled meetings. During 2022, two private meetings were held with the external auditor without management present. Private meetings were also held with the Chief Financial Officer, the Chief Risk Officer and the Head of Internal Audit. These meetings provided an opportunity for any matters to be raised confidentially.

The Committee's primary responsibilities are detailed below.

The Committee's primary responsibilities are the oversight of:

Financial reporting, financial controls and audit

- The content and integrity of financial and Pillar 3 reporting
- The appropriateness of accounting estimates and judgements
- The effectiveness of the financial control framework
- The effectiveness of the external auditor
- The independence of the external auditor
- The recommendation to the Board of the appointment of the external auditor

Risk and internal controls

- The Group's risk and control framework and whistleblowing procedures and the financial crime framework
- The Group's ICAAP, ILAAP, wind-down plan, risk appetite and the recovery plan and resolution process
- The Group's regulatory compliance and conduct processes and procedures and its relationships with regulators and compliance monitoring
- The Group's Internal Audit function
- The Group's legal risk profile and disputes
- Emerging and thematic risks that may have a material impact on the Group's operations in the future

Key areas of focus during the year

The key issues that the Committee considered during 2022 are set out below. In addition, at each quarterly meeting, the Committee received updates from Internal Audit, Compliance, Risk, Legal and external audit covering ongoing projects and the key issues that had arisen since the last meeting and reviewed a dashboard of metrics in place for monitoring key risks.

Financial reporting and financial controls

- As part of the Group's annual reporting cycle, the Committee considered the 2021 Annual Report and Accounts and 2022 half-year results, including financial estimates and judgements and governance considerations. Ahead of preparing the 2022 Annual Report and Accounts, updates were provided on the effectiveness of our internal controls and on the Group accounting policies. The going concern and viability statements, Pillar 3 regulatory disclosures and ESG disclosures were also considered.
- In relation to the 2022 half-year results the Committee considered and approved changes to the presentation of the Group income statement and revisions to the Group's AUM recognition policy.
- The Group Head of Tax updated the Committee on the Group's tax strategy, our approach to tax risk, the key tax risks facing the Group and how the Group's effective tax rate is expected to evolve in the coming years.

External audit

- When considering the 2021 Annual Report and Accounts, the Committee assessed the oversight and independence of the external auditor and audit effectiveness.
- In relation to audit quality and effectiveness, the Committee discussed the results of the external auditor feedback questionnaire and noted the areas of improvement that had been identified. The Committee reviewed EY's audit plan for 2022, including key audit matters and new areas of focus to cover recent acquisitions. Fees for non-audit services were reviewed and approved by the Committee.
- Policies for safeguarding the independence of the external auditor were considered for recommendation to the Board.

Internal Audit

- In 2022, as part of the governance considerations for the 2021 Annual Report and Accounts, the Committee considered the annual assessment of the Group's governance and risk and control framework, conducted by Group Internal Audit.
- The Internal Audit Charter was reviewed and re-approved with minor amendments during 2022.
- The results of an independent External Quality Assessment of the Group's Internal Audit function and Compliance Assurance framework were considered. Further information can be found on page 75.
- Looking ahead to 2023, the Committee considered and approved the 2023 Internal Audit and Compliance Testing plan, which is based on an assessment of the risks the business faces.

Risk and internal controls

- When reviewing the 2021 Annual Report and Pillar 3 disclosures and 2022 half-year results, the Committee considered the Group's key risks and risk management framework. The Chair of the WMARC provided an update on the activities of the WMARC and its oversight of the financial reporting, risk management and internal controls of the entities within the Wealth Management division.
- The Committee considered the ICAAP, ILAAP, Group wind-down plan, Group recovery plan and Operational Resilience Consolidated Self-Assessment for recommendation to the Board. The approach taken under the Group's resolution process was also considered. The Committee approved the stress scenarios for use in the Internal Capital and Risk Assessment (ICARA) required for Schroder Investment Management Limited under the Investment Firms Prudential Regime (IFPR).
- An update was received on third-party service provider oversight which included how the regulatory requirements for operational resilience are being integrated into our supplier framework and how our Procurement framework and capability has been evolving to provide ongoing assurances over supply chain risk.
- The Committee reviewed the Group's approach to managing conflicts of interest, including consideration of the evolving regulatory environment and the continuing development of the Schroders Group Conflict of Interest Framework.
- The Group Head of Financial Crime Compliance provided the Committee with a review of financial crime risk, including updates on the regulatory landscape and effectiveness of the Group Financial Crime framework. An update on the Group's workflow management system for onboarding clients was also provided.
- Thematic issues were considered throughout the year including business services resilience, whistleblowing, our Global Operations Strategy and conduct and culture risk oversight. The Committee also reviewed the implications of the market volatility experienced towards the end of the year affecting the LDI market. Further information on LDI can be found on page 74.
- The Committee considered the impact of geopolitical events including the Russian invasion of Ukraine, which led to the temporary suspension of our SISF Emerging Europe fund due to sanctions and market disruption.
- The findings of EY's assessment of the maturity of our cyber security capabilities in light of the cyber risks posed to the Group were presented to the Committee, together with updates from the Chief Information Security Officer and Chief Technology Officer on information and cyber security and technology risk. Further detail on information and cyber security can be found on page 74.
- In February, the Committee reviewed climate-related disclosures in line with the TCFD framework and recommended the Group's 2021 TCFD report to the Board for approval. In November, the Committee received an update on proposed changes and developments to the Group's climate reporting for 2022. ESG risks including climate change were also considered as part of the Committee's review of key risks.

Significant accounting estimates and judgements

The preparation of the financial statements requires the application of certain estimates and judgements. The material areas of either estimation or judgement are set out in the note on the presentation of the financial statements on pages 167 and 168. Each of these areas is considered by the Committee based on reports prepared by management. The external auditor, EY, presents to the Committee the audit procedures performed, challenges raised to management and conclusions reached on areas of judgement. Further information on how EY challenged management is included within the independent auditor's report on pages 189 to 197. The significant estimates and judgements considered in respect of the 2022 financial statements and the agreed actions by the Committee are summarised below.

Significant estimates and judgements	Action and conclusion
Carried interest	
<p>The Group recognises carried interest from its Private Assets and Alternatives business area. This revenue stream is dependent on the future value of certain investments that may not crystallise until an uncertain date in the future. The Group is contractually committed to make payments based on a relevant proportion of carried interest received to various parties, including as part of deferred consideration arrangements.</p> <p>For financial reporting purposes, the Group is required to estimate the value of carried interest receivable, in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers; and the fair value of related amounts payable based on the requirements of IFRS 9 Financial Instruments.</p> <p>The key inputs used in determining carried interest comprised the fair value of the relevant assets on which carried interest may be earned, future growth rates, the expected realisation dates and the discount rates.</p> <p> Please refer to note 2 for the estimates and judgements made in respect of carried interest receivable and amounts payable in respect of carried interest</p>	<p>The Committee received a report from the Finance function, which reviewed the inputs for estimating the amounts receivable and payable in respect of carried interest. The Committee challenged management and considered the judgement applied in determining the principal assumptions and the sensitivity of the relevant balances to those assumptions.</p> <p>The Committee discussed the accounting for carried interest with EY and considered the findings from its audit work. Once the Committee was satisfied with the estimates and judgements applied, the estimated carrying values were approved.</p> <p>The Committee considered the disclosures presented in respect of 2022 and concluded that they were appropriate.</p>
Pension schemes	
<p>The Group's principal defined benefit pension scheme is in respect of certain UK employees and former employees (the Scheme). The Scheme was closed to future accrual on 30 April 2011 and, as at 31 December 2022, had a funding surplus. The pension obligation, which was valued as £570.2 million at the year end, is estimated based on a number of assumptions, including mortality rates, future investment returns, interest rates and inflation. The Scheme's assets are invested in a portfolio designed to generate returns that closely align with known cash flow requirements and to hedge the interest rate and inflation risks.</p> <p> Please refer to note 23 for more information on the estimates and judgements made in respect of the Scheme</p>	<p>Finance provided the Committee with a report that included the key financial assumptions, which had been applied by the independent qualified actuaries, Aon Solutions UK Limited, to determine the Scheme surplus. EY's report to the Committee set out its audit procedures and conclusions on the pension assets and liabilities. The Committee considered and challenged the proposed assumptions and was satisfied that the estimates were appropriate.</p>
Acquisition of subsidiaries in 2022	
<p>During 2022, the Group acquired a number of subsidiaries, including Greencoat Capital and the solutions business of River and Mercantile. Significant judgements were made to estimate the fair value of the identifiable intangible assets acquired in these business combinations and the fair value of an option to purchase the remaining interest in Greencoat Capital in the future. The judgements were mainly in respect of the estimation of forecast returns from the businesses and the applicable discount rates. The other acquisitions did not require any significant estimate or judgement in the context of the Group's results.</p> <p> Please refer to note 27 in respect of estimates and judgements made in respect of acquisitions made in 2022</p>	<p>The Committee considered a report from Finance that set out the principal estimates and judgements in respect of the acquisitions of Greencoat Capital and the solutions business of River and Mercantile. The Committee considered the assumptions and the sensitivity of the fair values to changes in these assumptions. Within their Audit Results Report, EY also provided the Committee with a summary of the findings from their audit of the acquisition accounting for both Greencoat Capital and the solutions business of River and Mercantile. The Committee discussed the findings with EY who confirmed they had not identified any significant matters to draw to the Committee's attention. Once the Committee was satisfied with the proposals, it concluded that the estimates and judgements were appropriate.</p>

Presentation of the Group income statement

During 2022, the Committee considered changes to the presentation of the Group's income statement and revisions to the Group's AUM recognition policy. Further information on the changes can be found on page 168. The Committee challenged management on the changes, including the impact of removing the separate presentation of exceptional items and the new presentation of Wealth Management AUM. After discussion, the Committee agreed that the changes provided better alignment to the operation of the business and provided more relevant information to users of the financial statements.

Financial reporting and financial controls

The Committee reviews whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements, including those summarised on page 71. The Committee is also required to report to shareholders on the process it followed in its review of significant estimates and judgements that it considered during the year, as set out on page 168. During 2022, the Committee considered and approved changes to the presentation of the Group income statement and revisions to the Group's AUM recognition policy.

Financial reporting is reliant on there being an appropriate financial control environment. The Committee receives reports on the existing control environment as well as plans to enhance controls in the future, along with progress made against previous planned changes. The reports provide a detailed summary of the controls that exist across the Finance function globally and support the Group's Risk and Control assessments. For more details, see pages 40 to 45. In 2022, the reports focused on developments made to strengthen our financial control environment through our Finance Report Cost Strategy programme, the centralisation of purchasing and payables processes to a new operations centre in Horsham, enhancement of our cost reporting and the development of systems and processes to respond to regulatory change, including new reporting requirements under IFRS. The reports also considered new estimates and judgements in relation to business combinations that completed during the year, which included the acquisition of Cairn Real Estate, River and Mercantile's UK solutions business and a majority stake in Greencoat Capital.

The Committee considers other controls that might have an impact on financial reporting. During 2022, the Committee considered EY's assessment of the cyber risks posed to the Group. In addition, the Committee reviews the Group's tax strategy annually, which is discussed with the external auditors.

The financial control environment is also subject to audit procedures by both the Group's internal and external auditors. The Committee considered that an effective system of internal control had been in place during the course of 2022.

The Committee conducted an in-depth review of the Group's financial projections and the application of appropriate stress scenarios taking into account the impact of risks, including climate change and prevailing macroeconomic factors, so that it can recommend that the Board can make the viability statement, as set out on page 49, and to support the going concern basis of preparation of the financial statements.

A key focus of the Committee is its work in assisting the Board in confirming that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and assessing whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee considered the key messages communicated in the 2022 Annual Report and Accounts, as well as the information provided to the Committee and the Board as a whole during the year.

The Committee, having completed its review, recommended to the Board that, when taken as a whole, the 2022 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Oversight of the external auditor

The Committee places great importance on the quality, effectiveness and independence of the external audit process. The Committee oversees the relationship with EY, including safeguarding independence, approving non-audit fees, recommending the auditor's appointment at the AGM and determining the remuneration of the auditor.

The external audit was last put out to tender in 2016, with EY replacing PwC as the Group's auditor for the financial year commencing 1 January 2018. The next external audit tender will take place within ten years of EY's appointment and by 2027 at the latest. We periodically perform an assessment to maintain the highest possible audit quality and will conduct a competitive tender process in advance of this date if it is considered to be in the best interests of the Company. Julian Young is the current lead audit partner and has held this position since EY's appointment in 2018. In line with requirements, the lead audit partner must be rotated within five years. James Beszant will therefore take over as lead audit partner during 2023. The external auditor attends all the Committee's scheduled meetings and the Committee holds private meetings with the external auditor without management present. The Committee confirms that the Company has complied with the provisions of the Competition and Markets Authority Order 2014 relating to the UK audit market for large companies throughout the year under review and as at the date of this report.

During the 2022 financial year the Committee considered the scope of the audit and concluded that it was sufficient. There were no additional areas for review that were not already being considered as part of the audit plan.

Assessment of audit quality and effectiveness

The Committee is responsible for evaluating the performance of the external auditor. In February 2022, ahead of the consideration of the 2021 Annual Report and Accounts, the Committee received initial feedback on the conduct of the 2021 audit, which identified no significant areas of concern. A full assessment of the external auditor was carried out by way of a questionnaire prepared in accordance with the Financial Reporting Council's (FRC's) guidance and completed by key stakeholders. Interviews with senior managers and Group Finance were also held. The findings of the questionnaire were presented to the Committee in May 2022. EY generally scored highly in the auditor effectiveness questionnaire and was assessed to have further improved in the fourth year of its audit. Areas of improvement were identified and discussed with EY to allow for enhancements to be made ahead of the 2022 audit.

The Committee reviewed the 2022 external audit plan presented to the Committee in May 2022. The plan included new areas of focus to cover the acquisitions of River and Mercantile's UK solutions business, Cairn and Greencoat Capital, as well as the simplification of Schroders' dual share class structure. The Committee concluded that the audit plan was comprehensive and well structured, with sufficient resources in place to be conducted effectively. Updates were received from the external auditor throughout the year demonstrating that professional scepticism had been applied through challenge of judgements, estimates and disclosures. Matters arising from the audit were communicated to the Committee on an ongoing basis.

The Committee reviewed EY's transparency report and discussed the findings from the EY audit quality inspection report published by the FRC, the impact on the Schroders audit plan, and how EY maintains and monitors a high-quality audit for Schroders. EY undertakes a range of processes that are designed to promote, embed and monitor audit quality. The structure of the audit team has been designed by the Lead Audit Partner to deliver and maintain a high-quality audit. EY continues to assess the structure, experience and knowledge of the team, with a view to maintaining and enhancing audit quality. In making this assessment, the Committee and EY have discussed and considered several Audit Quality Indicators ('AQIs'), including the responsibilities and time commitments of senior team members and the extent to which specialists are involved in the audit.



In February 2023, ahead of the consideration of the 2022 Annual Report and Accounts, the Committee received initial feedback on the conduct of EY's 2022 audit, which identified no significant areas of concern. The detailed assessment of EY's 2022 audit will be considered by the Committee at its May 2023 meeting with any findings implemented for the 2023 audit.

Independence and non-audit services

The Committee has responsibility for monitoring the independence and objectivity of the external auditor. Since its appointment, EY has continued to confirm its independence and this remained the case during 2022 and prior to issuing its opinion on the Annual Report and Accounts. In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of EY throughout the year. No Committee member has a connection with the external auditor.

A key factor in ensuring auditor independence is the Committee's consideration of the provision of certain non-audit services by EY. The Committee maintains a policy on the engagement of the auditor for the provision of non-audit services to safeguard its independence and objectivity. This policy is reviewed annually and takes account of relevant regulatory restrictions and guidance in the jurisdictions in which the Group operates, including those in the UK. The policy prohibits the provision of certain non-audit services and contains rules regarding the Committee approving permitted non-audit services.

Details of the total fees paid to EY are set out in note 3c to the accounts. The policy on non-audit services restricts the appointment of EY to the provision of services that are closely related to the audit. Other services, where they are not prohibited, may also be considered, but these will not normally be approved by the Committee. Certain services that are provided to the Group are closely related to the audit but are not required by regulation. The Committee considers that these services are most appropriately performed by the Group's external auditor as they support the statutory audit as well as providing the external auditor with relevant insights on aspects of the business, although they are not necessarily directly related to the financial statements.

Non-audit fees, excluding audit-related assurance services required under regulation, equated to 15% of audit fees (2021: 16%).

During 2022, non-audit services mainly comprised assurance services in respect of controls reports and regulatory reporting normally conducted by the Group's external auditor. These services are assurance in nature and are not considered to present a risk to independence.

Auditor oversight conclusion

The Committee is satisfied with the work of EY and that it is objective and independent. Accordingly, the Committee has recommended to the Board that a resolution be put to the 2023 AGM for the reappointment of EY as external auditor, and the Board has accepted this recommendation.

Risk and internal controls

The Board has overall responsibility for the Company's system of internal control, the ongoing monitoring of risk and internal control systems and for reporting on any significant failings or weaknesses. The system of controls is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable assurance against material misstatement or loss. The Board has delegated to the Committee responsibility for monitoring and reviewing the effectiveness of the risk and internal control framework.

On behalf of the Board, the Committee carried out the annual assessment of the effectiveness of internal controls during 2022, including those related to the financial reporting process. The Committee also considered the adequacy of the Group's risk management arrangements in the context of the Group's business and strategy. In carrying out its assessment, the Committee considered reports from the Group Financial Controller, the Chief Risk Officer, the Group Head of Internal Audit and EY. This enabled an evaluation of the effectiveness of the Group's internal control framework. As part of the internal controls process each member of the GMC has attested to the appropriateness and adequacy of risk management arrangements in place in their area, and has confirmed that appropriate controls are in place. The Group continually works to enhance systems to support and improve the control environment.

As discussed on page 40 the Risk and Compliance functions have been combined under the leadership of the Chief Risk Officer. As a result, combined Risk and Compliance reports are now presented to the Committee which enables important matters to be clearly highlighted resulting in greater focus on key issues. The Legal function remains under the leadership of the Group General Counsel and Legal reports are now presented on a standalone basis.

Risk and Compliance

Risk and Compliance reports set out changes in the level or nature of the risks faced by the Group, cover developments in the approach to managing these risks, and provide information on operational risk events.

During the year, the reports addressed changes to our global regulatory environment including new and developing regulatory initiatives such as the FCA Consumer Duty, material fines and sanctions in the market, and the Group's key interactions with regulators. The reports outlined the planning and execution of the compliance assurance programme covering testing, monitoring and automated surveillance.

Additional specific reports allowed the Committee to consider a range of factors when determining the key emerging and thematic risks and uncertainties faced by the Group. These included assessments of risk tolerance and stress testing of the Group's capital position, as well as the production of the Group's ICAAP, ILAAP, the wind-down plan and the Group's recovery plan and resolution process.

The Committee reviewed the Group's arrangements in relation to conflicts of interest, financial crime, business services resilience, information and technology risk, outsourced providers and conduct and culture risk. The Committee also considered ESG risk including climate change and the impact of geopolitical events including the Russian invasion of Ukraine which led to the temporary suspension of the SISF Emerging Europe fund due to the impact of sanctions and market disruption. Throughout the year, the Group continued to engage frequently and proactively with regulators globally. The Committee regularly reviewed the status of our relationships and engagement with our principal regulators and received updates on material regulatory interactions such as those that took place during the gilt crisis.

Further information can be found in the Risk Management section of the Strategic report set out on pages 40 to 45.

Audit and Risk Committee report

continued

Set out below are summaries of the Committee's activity in three areas where members of the first line of defence attended and presented to the Committee in relation to emerging and thematic risks.



Information and cyber security

Information and cyber security has been a key area of focus for the Committee for a number of years as a result of the continually evolving threat landscape and increasing sophistication of attacks. As is typical of a Group of our size, we see a continuous stream of cyber attacks against our business, most typically involving phishing as a means of establishing initial access. As a result, we have built a dedicated cyber security department, led by the Chief Information Security Officer, made up of staff from a diverse set of backgrounds including financial services, law enforcement, military, government and various other industries. Using these varied skills, the team has developed robust defences to protect the Group and its clients against ongoing attacks, and we continue to strengthen and develop these defences year-on-year.

During 2022, our cyber security strategy remained focused on protection against the primary threats facing the financial services sector such as ransomware. Improvements made continue to be aligned to input received through external independent reviews such as the 2021 external review led by PwC, with progress on delivery against the strategy regularly reported to the Committee. In addition, EY performed its annual 'Cyber in the Audit' assessment to determine the maturity of our cyber security capabilities in light of the cyber risks posed to the Group and the robustness of processes and systems that management has put into place to respond to these risks. Our Internal Audit function has dedicated technology auditors that undertake a range of assurance work in this space to provide assurance to management on the effectiveness of information and cyber security arrangements and to support the delivery of further enhancements.

We recognise that cyber security goes beyond our dedicated cyber teams and is a responsibility of all of our employees. Accordingly, we have put in place extensive training and testing programmes for our staff to equip them with the right skills to recognise and respond appropriately to potential attacks. In addition, we have developed a strong governance structure for cyber with a focus on transparency and collaboration. This structure involves a continuous information flow from our Information Security Risk Oversight and Global Technology Risk Committees up to the GRC which in turn reports into the Board Audit and Risk Committee. During 2022, the Committee devoted a material part of its agenda to cyber-related topics given the rapidly developing threat landscape including crisis and recovery plans. In addition, Committee members have received briefings on thematic topics, including Cloud transition risks, to keep them up to date with the latest developments in this area and also ensuring digital security is foremost in our Cloud architecture.

We recognise the value that comes from a strong international cyber security posture in financial services and are active participants in government, regulatory and industry bodies on this topic. We will continue to actively engage in this area throughout 2023 and beyond.



Liability Driven Investment

In November, the Board Audit and Risk Committee discussed Liability Driven Investment and our response to the volatility experienced in the gilts and bond markets between late September and mid-October. During this period, our Solutions business, along with multiple functions across the firm, engaged in a series of intraday calls to address the challenges set by the unprecedented events. Our Distribution and Fiduciary Management teams proactively communicated with our clients and their consultants to inform them about the implications of the market disruption. There was also significant engagement with our regulators in both London and Luxembourg.

Following the events of this period, we instigated a review spanning our three lines of defence to determine where our systems and processes could be strengthened, should similar stresses be experienced in the future. We have also been engaging constructively with policy makers on the potential evolution of the applicable regulatory regimes. Liability Driven Investment will remain an area of focus for the Committee as the wider implications of the market events emerge.



Business services and operational resilience

During 2022, there was a focus on the first phase of the FCA and PRA operational resilience regulations under which our in-scope Group subsidiaries were required to prepare and approve operational resilience self-assessments. Under the regulations, Schroders plc was required to provide overall approval, which was facilitated by the publication of a consolidated view of the self-assessments. The Committee reviewed the consolidated self-assessment in February and recommended it to the Schroders plc Board for approval. The self-assessments are a written record of our compliance with the first phase of the regulations and identify our important business services, set our impact tolerances to avoid intolerable harm to our clients and identify areas where we should enhance our operational resilience. In line with the next phase of the regulations, we are now focusing on continuing to mature and test the resilience of our important business services against severe but plausible scenarios and on improving our resilience in the areas identified. This is with the overall objective of achieving full operational resilience by March 2025.

The Committee will review progress and the consolidated self-assessment on an annual basis and will recommend it to the Schroders plc Board for approval. The applicable subsidiary boards will similarly review and approve their self-assessments. These assessments will continue to evolve as we embed the regulatory requirements into our everyday processes and as we continue to mature our operational resilience and testing capabilities.

Legal

Legal reports provide the Committee with information about new legal risks and notable developments with respect to new law or regulation. The reports also provide detail on any material ongoing disputes and emerging risks faced by the Group. During the year, the Committee was kept up to date on sustainable finance including the FCA's proposed Sustainability Disclosure Requirements regime. Updates on the progress of our data privacy initiatives were also provided.

Internal Audit

The Committee has authority to appoint or remove the Group Head of Internal Audit, who reports directly to the Chair of the Committee. The Chair of the Committee is accountable for setting the objectives of the Group Head of Internal Audit, appraising his performance against those objectives and for recommending his remuneration to the Remuneration Committee, with advice from the Group Chief Executive. During the year, the Committee assessed and confirmed the ongoing objectivity and independence of the Group Head of Internal Audit and reviewed and re-approved the Internal Audit Charter.

The Committee also has responsibility for approving the Internal Audit budget and being satisfied that the Internal Audit function has appropriate resources and skills and continues to be an effective and valued assurance function within the Group. The Internal Audit function monitors developments in internal audit practices and undertakes quality and assurance activities. During 2022, the function began to develop its data analytics capability to deliver additional insights and efficiencies. The Committee satisfies itself as to the quality, experience and expertise of the function through regular interaction with the Group Head of Internal Audit, both when the Committee meets and also through other regular meetings outside the formal meetings schedule.

The Committee reviews Internal Audit reports on progress against a rolling plan of audits approved by the Committee on an annual basis. These reports include any significant findings from audits performed, including any observations on culture and recommendations to improve the control environment, and their subsequent remediation.

As required by the International Standards for the Professional Practice of Internal Auditing, an independent external quality assessment of the Internal Audit function is conducted every five years, which provides further assurance. The latest review of the Group's Internal Audit function was undertaken during 2022. A similar assessment was also undertaken for Compliance Assurance. The key conclusions of those assessments were:

Group Internal Audit external quality assessment

- The Group Internal Audit function "Generally Conforms" to the Standards, which is the highest assessment.
- Group Internal Audit has the appropriate level of authority and objectivity to challenge the business.
- Areas of good practice included the quality of the assurance activity over the Group's control environment, audit methodology and the standing of the Group Internal Audit function within the business.

Compliance Assurance external quality assessment

- Schroders' Compliance Assurance activity "Generally Aligns" to expectations of how a Compliance Assurance framework should operate.
- The documented global framework develops an effective set of global minimum standards, providing a common methodology to develop risk-based plans and priorities for Compliance Assurance teams across global and local entities.
- There is an effective combined control assurance model in place between the Compliance Assurance function and Group Internal Audit.

Opportunities to further enhance these two areas, for example by introducing additional enabling technologies, will be progressed in 2023.

During 2022, a broad range of audits was conducted across the business, both in the UK and overseas. Global travel has continued to open up following the Covid-19 pandemic, allowing increased on-site audit work to take place, including in Asia Pacific and the Americas. The 2022 Internal Audit plan was continually reassessed by the Committee and Internal Audit to allow for the appropriate allocation of resources and to remain in line with the risk profile of the business. The 2023 Internal Audit plan has been developed in line with the Group's key risks. For example, as in previous years, in 2023 a range of audits will be undertaken by IT auditors to test the adequacy of aspects of the Group's information and cyber security framework, including a focus on cloud security, whilst audits will also be undertaken across our technology hub sites of Singapore and Luxembourg for asset management, and Zurich for Wealth Management. As well as undertaking internal audit projects, senior Group Internal Audit staff attend relevant oversight and management committees and regulated entity boards to provide input and challenge on the topics discussed.

The annual compliance testing and Internal Audit plans are developed using a risk-based approach to provide proportionate assurance together over the Group's controls for the key risks set out on pages 40 to 45.

Evaluating the performance of the Committee

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process.

The findings relating to the Committee were discussed with the Committee Chair, who is considered a very effective and knowledgeable Chair. The Committee is seen as well-organised and well-functioning with thorough underlying processes and diligent support. The work undertaken provides assurance to Directors who are not on the Committee that the risks relevant to the business are overseen appropriately.

Committee's assessment of internal control and risk management arrangements

The Committee was content with the effectiveness of the Group's processes governing financial and regulatory reporting and controls, its culture, ethical standards and its relationships with regulators. The Committee was also satisfied with the appropriateness and adequacy of the Group's risk management arrangements and supporting risk management systems including: the risk monitoring processes, internal controls framework and the three lines of defence model.

Priorities for 2023

As well as considering the standing items of business, the Committee will also focus on the following areas during 2023:

- Information and cyber security
- Thematic risks including climate
- Financial crime
- Business services and operational resilience
- Audit and regulatory changes

By order of the Board.

Rhian Davies

Chair of the Audit and Risk Committee

1 March 2023

Delivering our remuneration policy in a fair and transparent way



Structure of the Remuneration report

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Committee membership

- Matthew Westerman (Chair)
- Sir Damon Buffini
- Rhian Davies
- Ian King
- Deborah Waterhouse (from 1 August 2022)

 See page 57 for meeting attendance and page 90 for a summary of the responsibilities of the Committee.



The pressures facing our business and people were at the forefront of the Committee's discussions in 2022

I am pleased to present our 2022 Remuneration report. This report provides insight into the decisions the Committee has taken in determining the pay policy and outcomes for our Directors and wider workforce.

The market disturbances and economic challenges in 2022 impacted global financial markets and challenged our business. Crucially, they also affected many of our people, with the cost of living increasing significantly across many of the countries in which our employees live. These pressures facing our business and the impact on our people were at the forefront of the Committee's discussions in 2022, particularly in relation to the annual compensation review, described in the first section of this report ("2022 outcomes"). Significant 2023 salary increases have been targeted towards our lower paid employees in locations with higher inflation, while our higher earners, including our executive Directors, are again seeing salary freezes where their roles remain unchanged.

Bonus outcomes across the firm are generally below prior year. The extent of the decrease applying to the executive Directors, as calculated through application of the scorecard, is particularly pronounced, with the year-on-year change significantly below the wider employee and stakeholder experience at around 50% down on prior year. This reflects the challenging market conditions that materialised during 2022, after the scorecard was set.

A new Directors' remuneration policy will be put to a shareholder vote at the 2023 AGM as our current policy approaches the end of its three-year life. During 2022, the Committee undertook a detailed review of the existing policy, including consultation with a number of key shareholders who agreed to engage with us. As the second part of this letter explains ("2023 policy review"), we believe the policy continues to provide an effective framework for rewarding executives for the long-term, sustainable success of the Group. As such, no material changes are proposed.

We will, however, effect some adjustments to the way the policy is implemented beginning in 2023. These updates are designed to improve alignment with the Group's strategic priorities and respond to feedback from shareholders. They are described in the final section of this report ("2023 implementation").



Focus on: key decisions taken this year

- Performance alignment**
 - **Executive Director bonus outcomes c.50% down on prior year**, below the general employee and stakeholder experience.
 - **Existing policy reviewed in detail**, with the conclusion that it continues to provide an effective framework to reward long-term sustainable success.

- People**
 - **2023 salary budget targeted towards lower paid employees**, with increases of 8—10%+ applying to those in countries experiencing heightened inflation and a salary freeze for higher paid employees where roles remained unchanged.
 - **Refreshed focus on employee wellbeing**, using a data-led approach to facilitate tailored and targeted interventions to support mental, physical and financial health.

- Planet**
 - **Introduction of a financial ESG metric** in the executive Director bonus scorecard.
 - **Shift towards AUM-related climate metric in the LTIP**, replacing the previous internally focused measure.

2022 outcomes

Although our assets under management fell by 4% to £738 billion and operating profit reduced by 14% to £723 million, we saw an increase in the contribution from our strategic priority areas. Combined, Schroders Capital, Schroders Solutions and Schroders Wealth Management contributed an increase in net operating

revenue in 2022 of £105.5 million to the Group's overall net operating income of £2,476 million. This performance generated value for our shareholders of 37.4 pence operating earnings per share, down 13% from 2021. The recommended total dividend per share is 21.5 pence. For more information on our strategic and financial performance, please see the Group Chief Executive's statement beginning on page 6.

Key performance and remuneration metrics

Net operating income		Operating earnings per share		Headcount		Annual bonus pool	
2022 vs 2021	-2%	2022 vs 2021	-13%	2022 vs 2021	+12%	2022 vs 2021	-15%
2021 vs 2020	+18%	2021 vs 2020	+23%	2021 vs 2020	+3%	2021 vs 2020	+37%
Net operating profit		Dividend per share		Fixed remuneration costs		Total remuneration costs	
2022 vs 2021	-14%	2022 vs 2021	0%	2022 vs 2021	+16%	2022 vs 2021	-2%
2021 vs 2020	+20%	2021 vs 2020	+7%	2021 vs 2020	+3%	2021 vs 2020	+20%

Firm-wide remuneration outcomes

Our investment in strategic priority areas is reflected in the increased headcount in 2022 which in turn drove increased fixed remuneration costs. This was a consideration in setting the compensation outcomes for the year as the Committee sought to balance its responsibility to manage the ratio of total operating costs to net operating income through the market cycle with a desire to protect the ongoing interests of the workforce, in particular the lower paid.

The Committee considered the firm's financial and non-financial performance alongside an assessment of overall market conditions and wider stakeholder experience when setting the bonus pool. The Committee and Board concluded that a bonus pool of £351 million – representing a 15% reduction on the prior year – struck the right balance between relevant stakeholders, including shareholders, clients and employees. When coupled with the increased headcount, this meant year-on-year reductions were generally in the range of 0% to 30% down on prior year. This yielded total remuneration costs below prior year, notwithstanding the +12% increase in headcount. Individual allocations were determined by reference to our Fair Pay for Performance philosophy, as disclosed in our 2021 annual report. In reviewing outcomes, the Committee evaluated analytics on differentiation, diversity and competitiveness, and were satisfied the year-end process was rigorous and bonus outcomes took account of financial and non-financial performance, including conduct.

For 2023, a 5% overall salary budget was highly targeted towards our lower paid employees, with increases of 8–10%+ applying to those in countries exposed to higher levels of inflation, while a salary freeze applied to senior employees unless there has been a significant increase in responsibilities.



Focus on: financial wellbeing

Our long-standing wellbeing strategy focuses on supporting employees to stay healthy and happy across three pillars: body, mind and financial. With many employees being impacted by increased costs of living, our financial wellbeing efforts have been particularly important this year, including:

- Targeting our salary increases towards our lower earners in high inflation countries, with increases of 8–10%+ applying from March 2023.
- Running targeted financial education sessions, facilitated by internal and external experts, including events to promote financial literacy among our employees' children too.
- Offering preferential access to Schroders' expert financial advice and funds as well as wider tailored discounts.
- Offering specialist 1:1 financial support including budgeting, financial commitment planning and debt consolidation through our Employee Assistance Programme, available 24/7, 365 days a year.

Additionally, giving all employees a one-off "Share in Success" award of 5% of salary in December 2021 gave employees the ability to realise additional cash if/as needed during the year, on their own terms. As at the end of 2022, the majority of employees still held these awards as Schroders shares.

Our highly targeted approach to 2023 salary increases

Employee Group	0%	>0%<5%	5%<10%	10%<20%	20% or more
Admin/support	12%	12%	47%	28%	1%
Junior professionals	9%	18%	41%	24%	8%
Intermediate professionals	27%	27%	33%	11%	2%
Senior professionals	78%	9%	7%	4%	2%
Senior executives	100%				

● 0% ● >0%<5% ● 5%<10% ● 10%<20% ● 20% or more

Executive Director remuneration outcomes

Executive Director bonuses are funded from the firmwide bonus pool and determined by the Committee using a balanced scorecard. At the beginning of 2022, the Committee set and disclosed metrics comprising 70% financial factors and 30% non-financial factors, all chosen to align to the Group's strategy. At the end of the year, the Committee evaluated the level of performance achieved against the target ranges set for each financial metric. For meeting threshold, 25% payout would be triggered, meeting target, 65% payout and meeting maximum, 100% payout.

When setting targets for 2022, the Committee reflected on the risk of ongoing market volatility and the strong performance delivered in 2021. As a result, stretching, asymmetrical upside targets were set. The story of 2022 was unfortunately not one of a market resurgence, but was marked by ongoing market challenges and external shocks, including the UK gilt crisis. This impacted our performance and in turn the payout against our financial scorecard targets.

The bonus scorecard also includes non-financial performance, assessed by the Committee by reference to pre-determined strategic goals and objectives and an assessment of each individual's personal performance. As detailed on the next page, strategic progress was very strong in 2022, with clear outperformance against nearly all targets, including sustainability leadership, acquisition integration, continued expansion of strategic growth areas including Schroders Capital and Schroders Wealth Management, and successful delivery of non-voting share enfranchisement.

The Committee discussed the overall executive Director bonus outcome in the context of performance delivered and the unfavourable market conditions that materialised after setting scorecard targets. For example, Schroders' management of the UK

gilt crisis, while praised by clients, had a negative impact on flows which made the difference between meeting and missing the net new business threshold target. We ultimately determined not to use positive discretion, but are conscious of the misalignment that has arisen versus the wider employee population and shareholder experience, as well as competitiveness versus our global asset management peers. Our learnings from this year will be reflected in the 2023 targets, as we seek to ensure they are stretching and incentivising in the current environment, and support the delivery of our Board-approved budget, set to support the achievement of the firm's long-term, strategic priorities. The total bonus outcomes for the Group Chief Executive and Chief Financial Officer are 49% and 47% of maximum respectively.



Focus on: target setting

Target ranges are set taking into account the Board-approved budget, market expectations, prior year outcomes, strategic priorities and the wider economy. For 2022, the Committee reflected on the risk of ongoing market volatility as well as the strong performance delivered in 2021. In this context, the Committee chose to introduce additional upside stretch against both profit metrics, and a stretching upside target for net new business. The resulting asymmetric profit target ranges included +18% stretch on the upside and 10% below target for threshold.

Assessment of the financial metrics of the executive Directors' 2022 annual bonus scorecard (audited)

Performance measure	Weighting	Threshold 25% payout	Target 65% payout	Maximum 100% payout	Achievement Payout for this metric	Resulting bonus payout	
Profit before tax and exceptional items (£m)	35%	vs budget	740	822	970	674	0%
		vs prior year	752	836	986	674	0%
Investment performance	20%	3-year	50%	60%	70%	73%	10%
		5-year	55%	65%	75%	76%	10%
Net new business (£bn) (excluding joint ventures and associates)	15%	2.3	18.8	35.3	-1.6	0%	
						20% out of 70%	

Non-financial assessment for executive Director annual bonus scorecard (audited)

Criteria	Performance in 2022
Strategic progress (see pages 12-25 for more information)	
Continued expansion of Schroders Capital	<ul style="list-style-type: none"> £17.5bn fundraising in 2022, including around 12% per annum organic and 24% including inorganic. This achievement means sales levels are now approaching those of long-standing, Private Asset specialist peers. Achieved an important step in giving defined contribution pension savers exposure to returns from private equity through securing a £600 million private equity allocation from Nest, a defined contribution scheme set up by the UK government, representing a third of the UK workforce.
Continued expansion of Schroders Wealth Management	<ul style="list-style-type: none"> Target net new business growth of >5% per annum exceeded with £4.9 billion advised NNB, equal to 6.6% of AUM. Successfully expanded our UK business in various locations across the country, now with presence in six regions outside London and the South East.
Continued expansion in strategic growth markets	<ul style="list-style-type: none"> Latin America contributed positively to NNB, adding £0.3 billion. After significant work over 2022, we received approval for the establishment of a wholly foreign-owned public fund management company in mainland China.
Integration of recent acquisitions	<ul style="list-style-type: none"> Completion of all acquisitions announced in 2021 within anticipated timescales, including Schroders Greencoat, the solutions business of River & Mercantile and Cairn. Successful launch of Schroders Solutions in Q2 2022, as part of the addition of River and Mercantile's solutions business as part of our core business offering. Concluded negotiations to purchase an additional 8.5% share in majority-owned impact investment manager, BlueOrchard.
Sustainability (see pages 26-33 for more information)	
Climate engagement with investee companies	<ul style="list-style-type: none"> Far exceeded initial target to engage with companies which represent 20% of AUM in scope of our science-based targets; over 700 companies engaged with representing over 40% of AUM. Target to develop climate voting principles met through the launch of Schroders' Engagement Blueprint in first half of 2022, latterly awarded ESG Engagement Initiative of the Year at Environmental Finance's Sustainable Investment Awards.
Corporate sustainability strategy	<ul style="list-style-type: none"> Target to be on-track to meet financed emissions target of 2.2°C by 2030 exceeded, with reduction to 2.6°C in the past 12 months. Target to maintain a leadership level in CDP climate assessment (A-) exceeded, with Schroders' 2022 rating being upgraded to the coveted top rating (A), achieved by only 2% of the nearly 15,000 companies assessed by CDP. This establishes Schroders as a clear leader in corporate transparency and performance on climate change.
Our people (see pages 30-31 for more information)	
Retention of key talent	<ul style="list-style-type: none"> Target to retain at least 90% of key talent and top performers exceeded, with 94% retention. This achievement was particularly pleasing in the context of the widely reported "great resignation" at the start of 2022. 96% of our people report that they are proud to work for Schroders through our regular pulse surveys. This comfortably exceeds market benchmarks, in particular within financial services, and is reflective of the continued emphasis put on maintaining Schroders' strong culture. Schroders was recommended as one of the Best Places to Work in the UK Employee Glassdoor awards.
Inclusion and diversity	<ul style="list-style-type: none"> Female representation in senior management at 31 December 2022 was 35.5%, meeting our stated Women In Finance Charter target of 35% female representation in senior leadership, one year early. We won a number of industry awards for our approach to diversity and inclusion. Ethnic minority representation in the UK at the end of 2022 was 16% overall and 14% in senior management, achieving our Board-approved target one year early. Diversity profile for ethnicity completion has continued to increase, but remains below our 80% target. Good progress has been made on widening our inclusion strategy to include socio-economic data, including being a founding member of "Progress Together" in the UK.

Remuneration report

continued

Non-financial assessment for executive Director annual bonus scorecard (audited) continued

Criteria	Performance in 2022
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Risk and conduct (see pages 40-45 for more information)	
Governance and risk management	<ul style="list-style-type: none">An independent, external evaluation of the Board was undertaken during the year and feedback was received highlighting the confidence the Board has in the quality of the internal controls and the culture of the organisation.The investment in the Group's Cloud programme neared completion in 2022, earlier than budgeted, to secure efficiencies from 2023 onwards.The capital ratio remains comfortably above regulatory minimums.

Personal performance assessment for the Group Chief Executive

Peter Harrison delivered a very strong year of leadership for the Group, with many notable, transformational achievements for Schroders, including:

- Strong performance and leadership delivered across a **demanding set of acquisitions** and in challenging market conditions. The successful negotiations and integration process are central to delivering Schroders' long-term growth ambitions.
- Negotiation and delivery of a new, **simplified share class structure** through enfranchisement of the non-voting shares, bringing our share structure in line with best practice.
- Strong leadership under significant pressure through the **UK gilt crisis**, receiving positive feedback from clients, mitigation of losses and positioning Schroders very strongly as the market now looks to reset.
- Successful reshaping of the **senior leadership team**, including implementation of a new executive committee structure and Board engagement approach.
- Leading the onboarding and **building of partnership** with new Company Chair, Elizabeth Corley.
- Continued growth in our **sustainability leadership position**, this year being ranked fifth in sustainability among asset managers globally per a Brand ESG Rankings Report by NMG Consulting.

These landmark achievements are underpinned by continued positive feedback from key stakeholders:

- An independent assessment of **shareholder views** ranked Peter Harrison very highly.
- Employees** continue to rank Peter Harrison's leadership very highly as he continues to be a major culture carrier, safeguarding Schroders' values and brand among the employees who placed him in the Top 50 CEOs on Glassdoor.
- Independent Board** feedback reinforces that Peter Harrison is highly regarded.

Considering the clear outperformance against nearly all pre-determined non-financial targets and the very strong achievement against personal objectives, the Committee confirmed a non-financial bonus scorecard payout of 29% for the Group Chief Executive.

Personal performance assessment for the Chief Financial Officer

Richard Keers' contribution has been consistently strong, leading a number of our key strategic initiatives:

- Delivered **enhanced changes to our financial reporting** approach, to better allow investors and analysts information for understanding the Group's operating activities.
- Bringing greater transparency and comprehension of the **firm's technology costs**, supporting acquisition integration and operational process alignment, IT resilience and information security progress.
- Effective oversight of the continued **Cloud migration programme**, driving significant efficiencies in the process.
- Significant contribution to important **succession planning workstreams**.

Richard Keers' oversight of operations continues to deliver a long-term downward trend in errors and omissions.

In addition to strong leadership across the significant breadth of his role, Richard Keers is an exemplary representative of the Group by supporting select, strategic client origination and engagement matters.

Considering the clear outperformance against nearly all pre-determined non-financial targets and the strong achievement against personal objectives, the Committee confirmed a non-financial bonus scorecard payout of 27% for the Chief Financial Officer.

2019 LTIP vesting

In addition to annual bonuses, executive Directors are also eligible to receive long-term plan incentive (LTIP) awards, granted annually based on performance in the prior year and subject to demanding performance conditions over a four-year period. In March 2023, the LTIP awards granted in 2019 are expected to vest at 50%, comprising 0% vesting on the portion based on EPS, and 100% based on the proportion based on net new business. In performing the EPS calculation, Schroders' opening EPS was restated to neutralise the impact of the simplification of Schroders' share structure undertaken in 2022 (enfranchisement of non-voting shares, issuing of bonus

shares for voting shareholders and sub-division of shares). This was required to allow a like-for-like comparison over the performance period. The relative performance requirement targets remained unchanged and threshold vesting was not met. The same adjustment to opening EPS will be required for the 2022 LTIP awards (2020 and 2021 awards were waived by the executive Directors).

The Committee reviewed the 50% vesting outcome and was comfortable the outcome appropriately reflected the stakeholder experience over the period. A 12-month holding period will apply to the LTIP awards once vested.

2019 LTIP performance scorecard and outcome

Measure	Weighting	Threshold	Maximum	Achievement	Outcome
EPS versus composite index	50%	20%	40%	-16.1%	0%
Net new business	50%	£15 billion	£25 billion	£99.4 billion	100%

Executive Director single figure

Combining the 2022 annual bonus and LTIP due to vest in 2023 with the executive Directors' fixed pay gives their single total remuneration figures for the year. The chart below shows how the outcome for 2022 is below last year, at 52% of policy maximum. The Committee considered these outcomes in the context of the wider workforce and stakeholder experience, noting the resulting year-on-year change in bonus and total compensation are significantly below the average employee experience.

The Group Chief Executive's total remuneration is 30 times the mean full-time equivalent total remuneration for UK employees of the Group (2021: 49 times) and 46 times the median (2021: 84 times). The decrease from prior year reflects that a larger proportion of the Group Chief Executive's total remuneration is based on targets set by reference to financial performance.

Single total remuneration figures

Executive Director		Single total remuneration figure (£'000)						
Group Chief Executive Peter Harrison	2022 actual	12%	19%	19%	33%	11%	6%	4,696
	2022 maximum	6%	18%	18%	38%	13%	7%	8,990
	2021 actual	7%	18%	18%	40%	13%	4%	8,434
Chief Financial Officer Richard Keers	2022 actual	18%	18%	18%	28%	9%	9%	2,350
	2022 maximum	10%	17%	17%	36%	12%	8%	4,494
	2021 actual	11%	18%	18%	37%	12%	4%	4,005

● Fixed pay ● Upfront bonus – cash ● Upfront bonus – fund award ● Deferred bonus – share award ● Deferred bonus – fund award ● LTIP vesting

2023 policy review

The end of the current three-year policy period is approaching and shareholders will be asked to vote on a new policy at the 2023 AGM. In order to assess whether any changes to the policy were warranted, the Remuneration Committee and Board undertook a detailed review of our remuneration principles and approach. This included consideration of how the current policy has supported Schroders' strategic priorities over the past three years, as well as considering future strategic priorities, shareholder expectations and feedback, regulatory expectations and employee and market context.

Reflections on the current policy

Our current policy was approved in 2020, receiving nearly 98% of votes in favour. At the time, our policy introduced total remuneration caps for the executive Directors as well as performance scorecards for their annual bonus awards. This policy has remained in place for the full three years, receiving strong support from shareholders in each year's implementation. Since its approval, the policy has operated well in volatile market conditions:

- 2020 was a challenging year as firms adapted to a new Covid-19 environment. Schroders did not furlough any employees, accept any government assistance or make any Covid-19 related redundancies. From a remuneration perspective, no scorecard targets were adjusted in light of the economic impact of Covid-19. The Committee also acknowledged the societal impact of the pandemic by adjusting downwards the non-financial element of the annual bonus scorecard and also exercising their discretion to further reduce bonus outcomes by £250,000 and £100,000 for the Group Chief Executive and Chief Financial Officer, respectively. The executives also voluntarily waived entitlement to both their 2020 and 2021 LTIP awards with aggregate face value of £2 million.
- 2021 saw a year of strong performance, with Schroders delivering both for our clients and for shareholders. This was reflected in positive scorecard outcomes for our executive Directors and in employee outcomes for the year, with an increased overall bonus pool and the launch of our first ever global share offering to employees. These "Share in Success" awards encouraged firm-wide share ownership, a partnership ethos and financial inclusion throughout the Company.
- 2022 was another challenging year, with negative market movement and reduced risk appetite from some investors, notwithstanding excellent progress against strategic objectives. The extent of the decrease in bonus and total compensation for the executive Directors is more pronounced than for wider employees and stakeholders, reflecting the challenging market conditions that materialised after the scorecard targets were set.

More widely, executive Director salaries have not been adjusted over the policy period and remain unchanged since 2014. Pension and benefit provision remain aligned to other London-based employees, which, in practice, result in lower effective pension contributions for executive Directors given the application of a maximum pension cap which applies to employees and executive Directors alike. Our emphasis on longer-term alignment continues with 60% of executive



We believe the current policy continues to provide an effective framework to reward executive Directors for the long-term sustainable success of the Group

Director bonuses deferred over three or more years, multi-year investment metrics included within the bonus scorecard assessment and five-year time horizons for long-term incentives (four-year performance period plus additional one-year hold). Our extensive malus and clawback provisions and shareholding requirements also provide additional longer-term alignment.

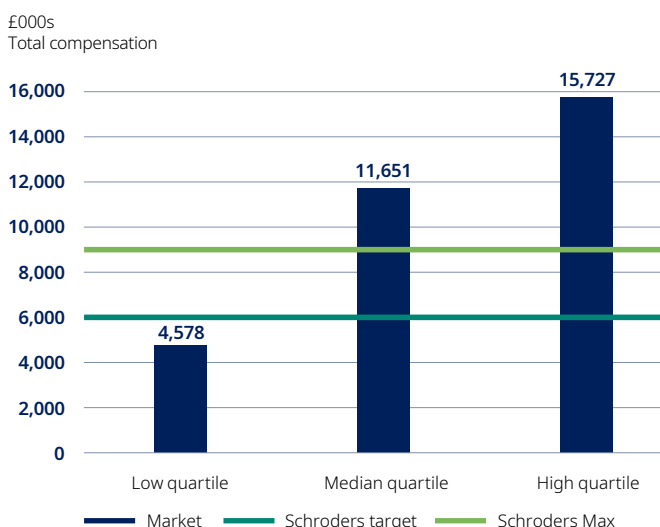
Listening to the employee voice

Maintaining a strong alignment between the way in which we create value for our stakeholders and our remuneration principles, which then apply to executive Director and wider pay arrangements, is an important and conscious priority for the Committee. The Committee considered the new policy for executive Directors in the context of wider workforce remuneration policies and outcomes. Our focus on workforce engagement also allows employee views to be heard directly by the Committee. For example, employee representatives speak directly to our Senior Independent Director, Ian King, who chairs the Global Employee Forum and is also a Remuneration Committee member. This direct feedback loop is complemented by a number of wider communication channels where remuneration matters are shared and feedback is sought from employees. In 2022, this included holding a live Q&A session on our workforce diversity and pay gap report; our Group Chief Executive and Chief Financial Officer answering questions on remuneration as part of the annual results presentation to employees; and our Chair (who attends Remuneration Committee meetings) and Group Chief Executive fielding remuneration-related questions during smaller-group "Inside Schroders Live" sessions held throughout the year. Overall the Committee was comfortable that our current approach of linking remuneration principles to our purpose and considering executive Director remuneration alongside workforce remuneration remains appropriate.

Considering market competitiveness

The Committee considered the executive Director pay policy in the context of key competitors' practice, most of whom are headquartered outside the UK (particularly in the US), and many not publicly listed so not subject to the same disclosure requirements as Schroders. Benchmarking data sourced independently from McLagan showed our pay levels for each executive Director remained conservative versus peers. While not wholly comfortable from a market for talent perspective, on balance the Committee determined it would not make any changes at this time and rather keep the matter under review.

Market competitiveness:¹ Group Chief Executive



¹ Shows Schroders' policy against 2021 competitor outcomes, noting most peers do not operate under total compensation maximum thresholds.

Feedback from our shareholders

Findings of our desktop review of current policy and market context were shared with key shareholders through a consultation process. I would like to thank all those who engaged with us; your feedback and support was highly valuable and allowed us to test and validate our initial conclusion that the current policy provides an effective framework through which to reward our executives.

Policy review conclusion: no material changes proposed

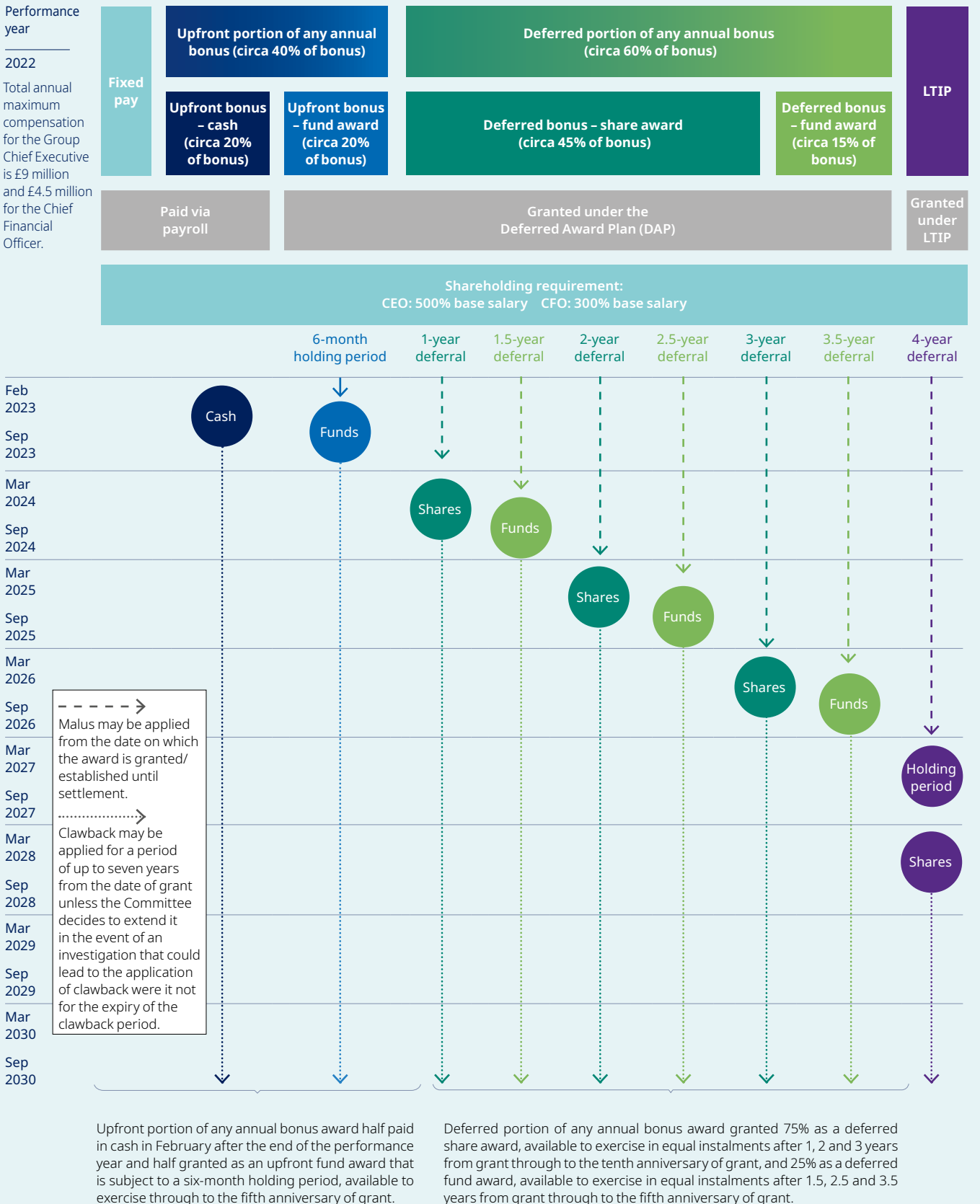
Based on the review findings, we believe the current policy provides an effective framework through which to reward executive Directors for the long-term sustainable success of the Group. As such, the policy included in this Directors' Remuneration report and being put to binding shareholder vote is largely unchanged from the existing policy. The following pages illustrate how this policy aligns with our strategic purpose and maps out its component parts, including significant deferral and longer-term alignment.



How our approach to remuneration supports the way we create value for our stakeholders

How we create value for our stakeholders	Our remuneration principles	Our executive Director remuneration approach
	<p>Aligned with clients</p> <p>A significant proportion of variable remuneration for higher-earning employees and material risk takers is granted as fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients. This includes the executive Directors, other members of the GMC and other key employees such as senior fund managers.</p>	<ul style="list-style-type: none"> ✓ Three- and five-year client investment performance included in the annual bonus scorecard ✓ Circa 35% of bonus paid in fund awards
	<p>Aligned with shareholders</p> <p>A significant proportion of variable remuneration for higher-earning employees and material risk takers is granted in the form of deferred awards over Schroders shares, thereby aligning the interests of employees and shareholders. Executive Directors and other members of the GMC are required, over time, to acquire and retain a significant holding of Schroders shares or rights to shares.</p>	<ul style="list-style-type: none"> ✓ Circa 45% of bonus paid in shares ✓ Stretching shareholding requirements ✓ Requirement to maintain a level of shareholding for two years on stepping down
	<p>Aligned with financial performance</p> <p>Our ratio of total costs to net income through the market cycle guides the total spend on remuneration each year. This is recommended by the Committee to the Board.</p> <p>Designed to promote the long-term, sustainable success of the Group</p> <p>Performance against net zero and sustainability goals forms part of the annual compensation review for those with roles able to influence our investment and business operations, including the executive Directors, other members of the GMC, fund managers, ESG investment team members, facilities managers and procurement staff.</p>	<ul style="list-style-type: none"> ✓ Financial metrics comprise 70% of annual bonus scorecard ✓ 70% of LTIP awards based on long-term financial performance ✓ Annual bonus scorecard includes sustainability-aligned metrics in both the financial and non-financial scorecard elements ✓ LTIP includes 30% weighting on an investment-focused climate-related metric, linked to our long-term commitment to protecting our planet
	<p>Competitive</p> <p>Employees receive a competitive remuneration package, which is reviewed annually and benchmarked by reference to the external market. This allows us to attract, retain and motivate highly talented people, regardless of gender, age, race, sexual orientation, disability, religion, socio-economic background or other diversity facet.</p> <p>Designed to encourage retention</p> <p>Deferred variable remuneration does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.</p>	<ul style="list-style-type: none"> ✓ Competitiveness considered by reference to total compensation for comparable roles at other large international asset management firms ✓ Benchmarking forms a point of reference, not a primary factor in remuneration decisions ✓ Circa 60% of variable pay deferred over a three- to three and a half-year period ✓ LTIP subject to four-year deferral and one-year holding period

Illustration of our executive Directors remuneration policy






2023 implementation








While the proposed remuneration policy remains largely unchanged, the Committee identified a few areas where the policy implementation is being updated to further improve alignment to our strategic priorities and respond to shareholder feedback. These changes reflect three key business drivers/context:

- i. **Changes to income statement reporting** – during our half year results presentation, we announced the reformatting of our consolidated income statement to present operating profit from our business segments as a more relevant way to understand the performance of the Group’s operating activities. Our approach to measuring profit performance for the purposes of the bonus scorecard will also be updated to reference operating profit (rather than profit before tax and exceptional items) to align to our wider reporting.
- ii. **Sustainability being a heightened and critical priority for our long-term success** – our emphasis on being a leader in sustainability for our clients and investee companies has featured heavily in our strategic reporting over recent years. Given our firm view that delivering on sustainability is an important driver of long-term performance, we believe it should be clearly reflected within both our short- and long-term executive compensation elements in a clear, quantitative and asset/investment focused way. In that context we are proposing to add proportion of Article 8 and 9 funds as a financial ESG measure in the bonus scorecard while evolving our LTIP climate metric introduced last year to reflect our portfolio-based commitment to achieving net zero. These are described in more detail below.
- iii. **Responding to shareholder feedback regarding our EPS measurement approach in our LTIP** – certain shareholders fed back that they considered our approach to measuring EPS versus a composite index as opaque. We are therefore proposing a move to measuring EPS performance against annualised growth targets, providing a clear and transparent measurement approach which is aligned to market norms. This also ensures a focus on delivering absolute returns to shareholders, even in volatile markets.









Element	Approach	2023 implementation and changes
Salaries	<ul style="list-style-type: none"> Reviewed annually. For the executive Directors salaries are adjusted infrequently. Current salaries remain low versus peer data. 	<ul style="list-style-type: none"> Neither executive Director will receive an increase in 2023. This means the most recent increase for the executive Directors was in 2014.
Annual bonus	<ul style="list-style-type: none"> The Committee determines executive Director bonuses based on a scorecard across a range of metrics. Financial performance factors make up 70% of the scorecard and the remaining 30% is based on a combination of non-financial factors. In setting the metrics and target ranges, the Committee takes into account the Board-approved budget, market expectations, prior year achievement, strategic priorities and the wider economic landscape. The Committee may apply discretion to adjust annual bonus awards to the extent it judges appropriate to align to the results achieved, overall stakeholder experience and/or in light of unexpected or unforeseen circumstances. Upfront fund awards and deferred share and fund awards are granted under the DAP, which shareholders approved at the 2020 AGM. 	<ul style="list-style-type: none"> Updated profit metric from “profit before tax and exceptional items” to “operating profit” to align with the firm’s refreshed financial disclosure approach. Profit measurement approach has been simplified, from two profit target ranges (versus budget and prior year) to a single measure that takes into account budget and prior year. This ensures target ranges appropriately take into account strategic changes in the business such as recent acquisitions and capital allocation approach. Targets for 2023 are commercially sensitive and will be disclosed in full retrospectively. Introduction of a new, ESG-related financial measure: proportion of Articles 8 and 9 funds. This reflects the importance of sustainability to our strategy, providing a client-focused and externally defined measure with targets aligned to our long-term sustainability leadership strategy.
LTIP awards	<ul style="list-style-type: none"> Awards are granted annually, based on performance in the preceding year. Awards vest subject to a four-year performance period, plus an additional one-year holding period post vesting. The Committee may apply discretion to adjust vesting to the extent it judges appropriate to align the results to the overall stakeholder experience. Awards are granted under the LTIP rules approved by shareholders in 2020. 	<ul style="list-style-type: none"> The Committee decided to grant share-based LTIP awards with same value as in recent years: £600k for the Group Chief Executive and £400k for the Chief Financial Officer. This reflects performance in 2022. Awards will be granted in March 2023, with performance conditions updated as follows: <ul style="list-style-type: none"> EPS range measured against absolute growth targets. Increased stretch in net new business target range which will now include flows from joint ventures and associates in line with our strategic long-term key performance indicator (see page 8); and Shift of climate measure towards portfolio temperature score with 30% weighting, marking our transition to an investment-focused metric aligned to our net zero ambitions and aligned to our central KPI (see page 1).

-  Build closer relationships with end clients
-  Grow Asset Management
-  Expand Private Assets and Alternatives

2023 annual bonus performance scorecard

Performance measure and weighting	Link to strategy			
Financial (70% weighting)				
Operating profit (30%)	The Group's primary measure of financial performance as reported to stakeholders.			
Client investment performance over three years (10%) and five years (10%)	Helping our clients achieve their long-term financial goals is central to our purpose and represents a core output of our business.			
Annual net new business (10%) (excluding joint ventures and associates)	Net new business is essential to our success and a key driver of both AUM and revenues.			
Proportion of Article 8 and 9 funds (10%)	Client-focused, financial metric reflective of our commitment to growing our sustainable offering and establishing and maintaining our position as a sustainability leader.			
Non-financial (30% weighting)				
Strategic progress Sustainability People and talent Risk and governance Personal goals	All fundamental to the Group's long-term success, the Committee sets targets to robustly assess each of these measures.			

2023 LTIP performance scorecard

Performance measure	Weighting	Threshold (25% vesting*)	Maximum (100% vesting*)	Link to strategy
Operating earnings per share (EPS)	35%	4% per annum	10% per annum	  
Cumulative net new business (NNB) (including joint ventures and associates)	35%	£25bn	£50bn	  
Portfolio temperature score	30%	5% decrease in portfolio temperature score	10% decrease in portfolio temperature score	 
		Leadership CDP rating on climate change for all four years		

* Straight line vesting between points.



These updates are designed to improve alignment with the Group's strategic priorities and respond to feedback from shareholders



Focus on: ESG target setting in annual bonus

Proportion of Article 8 and 9 funds

As noted above, 10% of the annual bonus will be based on the proportion of Article 8 and 9 funds. This measure was chosen as an externally-defined proxy for the extent to which our product range offered to clients has sustainable characteristics.

The targets set reflect our strategic priority of being a leader in sustainability, building on our achievements to date. As such, targets will require significant outperformance compared to current active asset manager norms, while also recognising the desire to still offer some products for clients who do not seek any particular sustainability-related investment goals.

Looking forward, we are aware categorisation of “sustainable” funds is a fast evolving area. The recently issued FCA consultation, additional guidance and consultations from ESMA and wider European regulators, as well as product focused sustainability regulation across the U.S. and Asia, all point towards a continued shift in regulatory approach and expectations. We will continue to closely monitor these developments with a view that the scorecard measurement approach will need to continue to evolve in future years to be as robust and wide reaching as possible. To the extent changes in externally defined methodology impact the measure during 2023, the Committee would seek to make appropriate adjustments to update the target range to ensure they are equivalently stretching as when set. The regulatory requirements that apply to the sale of our products, for example through intermediaries, are designed to mitigate against sales practices that inappropriately favour particular products, such as “sustainable” funds.



Focus on: ESG target setting in LTIP

Portfolio temperature score

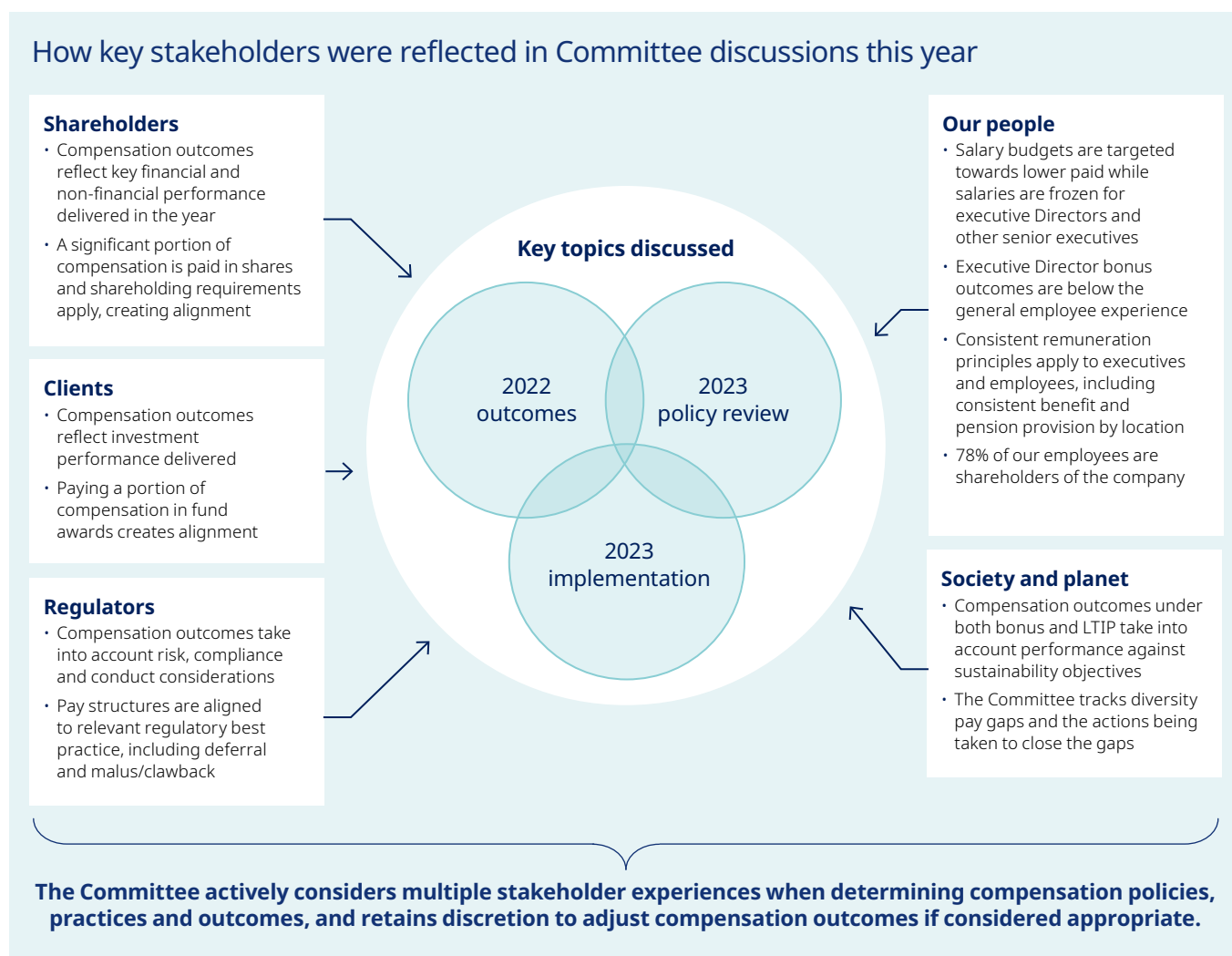
The portfolio temperature score tracks our progress towards our net zero ambitions. Introduced as a central, strategic KPI this year (see page 1), this provides the Committee with an opportunity to transition to an AUM-related climate metric in the LTIP. In setting targets for the new climate metric, the Committee took into consideration Schroders' disclosed net zero ambitions and interim target to align portfolios to a 2.2°C pathway by 2030 as validated by the SBTi. The specifics of the targets set and the calculation methodology are as follows:

- To achieve target vesting, a reduction of 7.5% in portfolio temperature score must be achieved by 2026, as measured by a four-quarter average.
- The target range (threshold to maximum) has been set taking into account the anticipated trajectory to deliver our net zero ambitions. Maximum vesting requires a 10% reduction over a four-year period, which equates to us being broadly one year ahead of schedule in meeting the 2030 target.
- The use of a four-quarter average reflects the importance of identifying and measuring an underlying trend in performance, and not letting market movements (which impact our portfolio balance on a month-by-month basis) inadvertently impact the outcome against this measure.

The Committee acknowledges that practice for climate reporting continues to evolve and is pleased to be able to take this step towards a portfolio-aligned, externally referenced, quantitative metric. We also acknowledge performance against the target range risks being sensitive to any changes in externally defined calculation methodologies. As such, the Committee will monitor the LTIP measurement approach to ensure performance conditions remain as stretching as they were originally intended. In particular, the Committee will review any change in asset classes in-scope of the calculation at the beginning and end of the performance period as well as any material external reporting methodology changes to assess how they impact outcomes, including the ability to update the target range if relevant.

Stakeholder experience and executive Director pay – alignment highlights

Overall, considering the experience of multiple and varied stakeholders has been a consistent theme for the Committee this year. This was relevant as we evaluated remuneration outcomes for executive Directors and the wider workforce in 2022, as well as in our review of the Directors' remuneration policy and its implementation for 2023. The inter-connectivity between our stakeholder groups and the decisions we made was reflected in the holistic nature of our discussions.



Priorities in 2023

In 2023, we look forward to ongoing dialogue with our stakeholders to ensure the Committee is able to continue to deliver the firm's strategy in a manner which considers all interests. While no fundamental changes to remuneration approach across the firm are expected, the Committee expects to focus on acquisition integration and alignment, performance management, diversity pay gaps and talent retention in a competitive and volatile market.

Shareholder voting at AGM

Shareholders will be asked to vote on two remuneration resolutions at the AGM this year: an advisory vote on our annual report on remuneration and a binding vote on our refreshed (but largely unchanged) Directors' remuneration policy. We welcome feedback from our shareholders and look forward to receiving your support on both resolutions at the forthcoming AGM.

Matthew Westerman

Chair of the Remuneration Committee

1 March 2023

Navigating this report

Annual report on remuneration

This report from the Chair of the Remuneration Committee, together with the remuneration governance section on pages 90-91 and the notes on pages 99-107, constitute the annual report on remuneration, on which shareholders will have an advisory vote at the AGM. Where required and indicated, this information has been audited by EY.

Directors' remuneration policy

Presented in full on pages 92-98, this section will be put to a binding shareholder vote at the AGM.

Remuneration governance

Responsibilities of the Remuneration Committee

The responsibilities of the Committee include:

- Reviewing the Group's remuneration strategy and recommending the Directors' remuneration policy to the Board
- Determining the remuneration of the Group Chair and the executive Directors within the policy approved by shareholders
- Determining the level and structure of remuneration for other senior executives and the Group Company Secretary; reviewing the remuneration of the Chief Risk Officer and Group Head of Internal Audit; monitoring the level and structure of remuneration for other Material Risk Takers; and overseeing remuneration more broadly across the Group
- Recommending to the Board the annual spend on fixed and variable remuneration

- Reviewing the design and operation of share-based remuneration, other deferred remuneration plans and employee carried interest-sharing arrangements
- Overseeing any major change in the employee benefits structure throughout the Group
- Reviewing remuneration disclosures and compliance with relevant requirements
- Receiving and considering feedback from shareholders and representative shareholder bodies

The Committee's terms of reference are available on our website at www.schroders.com/tor

Remuneration Committee independence

All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on page 52-55.

Key areas of focus during the year

The table below summarises the key areas considered by the Committee at each of its meetings during 2022. Remuneration packages for new hires and severance arrangements for roles subject to the Committee's oversight, and regulatory developments, were reviewed at each meeting as required, as were updates from the Conduct Assessment Group.

Meeting date	Key issues considered
January	<ul style="list-style-type: none"> • Compensation outcomes for 2021
7 February	<ul style="list-style-type: none"> • Compensation outcomes for 2021 • Provisional 2018 LTIP vesting • Performance conditions for 2022 LTIP grants • Executive Director bonus scorecard for 2022 • Remuneration disclosures
28 February	<ul style="list-style-type: none"> • Executive Director bonus scorecard for 2022
June	<ul style="list-style-type: none"> • Shareholder and voting agency feedback on remuneration • Latest trends and regulatory requirements, including alignment to corporate responsibility commitments • Investment Firms Prudential Regime remuneration implementation • 2023 Directors' remuneration policy review • Firm-wide remuneration priorities for 2022/2023 • Remuneration implications of proposed share structure changes • Committee terms of reference review • Review of advisers to the Committee
September	<ul style="list-style-type: none"> • 2023 Directors' remuneration policy review
October	<ul style="list-style-type: none"> • Compensation review planning for 2022 • Update on 2022 bonus scorecard performance • 2023 Directors' remuneration policy review • Regulatory matters, including Material Risk Takers framework, compensation structure and annual internal audit of remuneration • GMC shareholding levels • Approval of deferred remuneration grants for sustained high performance and potential
December	<ul style="list-style-type: none"> • Provisional compensation outcomes for 2022, including bonus and salary approach, control function input, sustainability of earnings, diversity and competitiveness • Update on 2022 bonus scorecard performance • 2023 LTIP performance scorecard measures and targets • Draft 2019 LTIP vesting • Group Risk Adjustment framework

Internal advisers

At the invitation of the Committee Chair, the Group Chair, Group Chief Executive and Chief Financial Officer attended seven meetings. The executive Directors left the meetings where/when relevant to avoid any conflicts of interest. The Chief Risk Officer, General Counsel, and Group Head of Internal Audit advised the Committee on matters that could influence remuneration decisions and were available to attend meetings if required. The Global Head of Human Resources and Head of Reward, Wellbeing and Inclusion attended meetings to provide advice and support to the Committee. The Global Head of Sustainable Investment also attended meetings to provide expert input on the topic of sustainability measurement. The Committee also received regular updates from the Conduct Assessment Group, comprised of the Control Function Heads, to ensure the firm is taking account of compliance and conduct risk considerations as part of the firm's compensation processes. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration.

External advisers

The Committee appointed PricewaterhouseCoopers LLP (PwC) and McLagan (Aon) Limited (McLagan) to provide advice on executive Director pay during 2022. Advisers were selected on the recommendation of the Global Head of Human Resources. The Committee assesses the performance of its advisers, the associated fees and the quality of advice provided annually, to ensure that the advice is independent of any support provided to management.

PwC attended seven meetings as independent Remuneration Committee advisers. A fixed fee structure has operated since appointment to cover standard services, with any additional items charged on a time/cost basis. The total fees paid for advice to the Committee during 2022 on executive Director pay totalled £145,000.

PwC also provides professional services in the ordinary course of business, including HR consulting services and advice to management on remuneration design and its regulatory implications, tax, social security, governance, operational and technical issues, as well as other professional services to the Group including tax, consulting, regulatory and fund audit compliance and support for corporate acquisitions. The Committee monitors adviser independence, noting advice received is predominantly based on objective data trends/facts. PwC are asked to leave discussions when sensitive strategic context is being discussed, noting their advisory role for a number of our competitors.

The Committee utilised McLagan data on market conditions and competitive rates of pay, as McLagan provides remuneration benchmarking data covering a wide cross section of the Group's competitors, including firms that are not publicly listed and so are not required to publish the remuneration of their directors. The total fees paid for advice to the Committee during 2022 on executive Director pay totalled £3,265. The Committee is satisfied that the advice received from McLagan was independent and objective, as it was factual and not judgemental. McLagan is part of Aon plc, which also provides advice and services to the Group in relation to pension benefit valuations and pension actuarial advice. McLagan's fees were charged on the basis of a fixed fee for the preparation of reports setting out the information requested.

Evaluating the performance of the Committee

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process. The findings relating to the Committee were discussed with the Committee Chairman. The feedback highlighted in particular the diligence and effort of the Committee in the policy year.

Compliance with the 2018 UK Corporate Governance Code (the Code)

Code requirements	How the Committee has addressed the requirement
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	<ul style="list-style-type: none"> Prospective disclosure of bonus and LTIP metrics (pages 86—88) Full retrospective disclosure of financial targets and non-financial factors (pages 78—81) Review of shareholder feedback and guidance and engagement with shareholders (pages 83—86)
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	<ul style="list-style-type: none"> Executive Directors incentivised via annual bonus with deferral and LTIP (page 85) Clear disclosure of rationale and operation of each element (see page 92—93)
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	<ul style="list-style-type: none"> Defined maximum limit for annual total remuneration (page 85) Significant deferral, providing alignment to clients and shareholders (page 85) Committee discretion to adjust formulaic bonus or LTIP outcomes (pages 78 and 81) Extensive malus and clawback provisions (page 94)
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy	<ul style="list-style-type: none"> Scenario charts and key Committee discretions outlined (see page 95) Regular Committee review of likely bonus scorecard outcomes (page 90)
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	<ul style="list-style-type: none"> Annual bonus and LTIP performance measures reviewed annually against strategic priorities (pages 78—81) Significant deferral, providing alignment to clients and shareholders (page 85) Extensive malus and clawback provisions (page 94)
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy	<ul style="list-style-type: none"> Remuneration principles aligned to our purpose (page 84) Executive Director remuneration considered in the context of employee outcomes (page 76) Commitment to fair pay for performance across the workforce (page 81 of the 2021 Directors Remuneration Report) Inclusion of non-financial metrics in both executive Director annual bonus and LTIP scorecards (pages 79—80, 87—88)

Directors' remuneration policy



The Committee aims to ensure remuneration policies and practices support Schroders' long-term strategy while supporting effective risk management and alignment with key stakeholders

The new Directors' remuneration policy proposed by the Committee and the Board is set out on pages 92 to 98. Shareholders will be asked to approve the new policy at the 2023 AGM on 27 April. This policy will take effect for Directors from the date it is approved and is expected to apply for three years.

In 2022, the Remuneration Committee and Board reviewed our remuneration principles and approach for executive Directors. In undertaking this review, it was determined that the current policy continues to provide an effective framework through which to reward executives for the long-term, sustainable success of the Group. In that context, it is proposed to retain the policy as approved at the 2020 AGM with nearly 98% votes in favour, with minor amendments, predominantly to reflect regulatory requirements and investor preferences that have emerged since the last policy was approved.

Remuneration policy for the executive Directors

The table below sets out the policy for each component of remuneration for the executive Directors. The remuneration policy for non-executive Directors is set out on page 96.

Component, purpose and link to strategy	Operation and maximum opportunity
<p>Fixed pay</p> <p>Base salary To help recruit, reward and retain talent of the calibre and experience required to develop and deliver the Group's strategy. Takes account of the employee's role and responsibilities, skills and experience, and ongoing contribution.</p> <p>Benefits and allowances Supports employee health and wellbeing and reflects local market practice.</p> <p>Retirement benefits Enables and encourages provision for retirement and reflects local market practice.</p>	<p>We aim to pay executive Directors base salaries that are competitive with other large international asset management firms, both public and private. There is no policy maximum for salary within the set total compensation maximum for each executive Director, however, if salaries for the executive Directors are increased, the percentage increase will not normally exceed the average annualised increase across the wider workforce. Larger increases may be awarded when Directors' salaries have fallen significantly below international competitors. Base salary is normally paid monthly in cash via payroll.</p> <p>Executive Directors receive flexible access to a range of benefits in kind on the same basis as other London-based employees. Directors are covered by the Group's Directors' and Officers' Liability Insurance. Executive Directors may also benefit from private use of a car and driver and/or security support, if deemed necessary. The cost of providing benefits varies according to a range of factors, such as insurance premium rates, so no formal maximum exists.</p> <p>Benefits include the ability to participate in the Share Incentive Plan (SIP) on the same basis as other eligible employees. The value of any SIP matching shares awarded to the executive Directors during the year is included within the value reported for benefits and allowances. SIP participation for the executive Directors is subject to the same statutory maximum limits as for other eligible employees, currently £1,800 per tax year in partnership shares (or 10% of income if lower) and a maximum ratio of 2:1 for matching shares.</p> <p>Additional benefits may be provided if required, for example to support international relocation.</p> <p>Executive Directors may participate in pension arrangements, or receive cash in lieu, on the same basis as other London-based employees, being 16% of pensionable salary plus a contribution to match employee contributions up to a further 2%. There is flexibility and choice over the balance between employer pension contributions and cash in lieu.</p>
<p>Maximum total remuneration</p> <p>To provide shareholders with clarity on the maximum total remuneration that each executive Director might be awarded each year.</p>	<p>The Committee has defined a maximum limit for the total remuneration of each executive Director each year, based on the aggregate value of: fixed remuneration paid in the year; annual bonus awarded in respect of the year; and the grant-date market value of shares under the LTIP award granted following the financial year end. This will not exceed £9 million for the Group Chief Executive and £4.5 million for the Chief Financial Officer.</p>
<p>Shareholding requirements</p> <p>To align the interests of executive Directors with those of shareholders.</p>	<p>The personal shareholding policy for the Group Chief Executive requires the retention of shares or rights to shares equivalent to at least 500% of base salary. For the other executive Directors, the requirement is at least 300% of base salary.</p> <p>On stepping down, executive Directors are required to maintain for a period of two years a holding of shares or interests in shares equal in number to that which applied under the personal shareholding policy while they were an executive Director, or the number actually held on stepping down if lower. Executives would normally be required to sign a commitment to adhere to this requirement as part of stepping down.</p>

Component, purpose and link to strategy	Operation and maximum opportunity
<p>Variable pay</p> <p>Annual bonus award To incentivise and reward the achievement of financial, non-financial and personal objectives for the year, which are consistent with the Group's multi-year strategy.</p> <p>Bonus deferral enhances alignment of interests with those of shareholders and clients, and provides an incentive to stay at Schroders.</p> <p>Long Term Incentive Plan (LTIP) To incentivise and reward the achievement of the Group's long-term strategic priorities.</p>	<p>In setting executive Directors' bonuses, the Committee operates an annual bonus scorecard. Financial performance factors will make up at least 70% of the scorecard each year. The remainder, no more than 30% of the scorecard, will be based on a combination of non-financial factors. For threshold performance, 25% of the maximum opportunity is payable.</p> <p>Annual bonus awards for the executive Directors operate such that:</p> <ul style="list-style-type: none"> • the proportion of bonus that is deferred is initially fixed at 60% • the amount of the bonus that is deferred is reduced to reflect any LTIP award, such that, at a minimum, 60% of overall variable pay is deferred • the deferred portion of the annual bonus is granted 75% as share awards and 25% as fund awards • the remainder of the bonus is paid in cash and/or upfront fund awards • deferred bonus awards are normally made under the Deferred Award Plan (DAP), which was reapproved by shareholders at the 2020 AGM <p>Share awards accrue additional shares equivalent to dividends paid on a compound basis until the share award is exercised. If dividend equivalents cannot be awarded due to regulations, the number of shares to be awarded may be based on a share price discounted by reference to an expected dividend yield over the vesting period. Fund awards are conditional rights to receive a cash sum based on the value of a notional investment in a range of Schroders funds.</p> <p>For deferred awards, the deferral period is normally at least three years, with vesting in three equal instalments from the first anniversary of grant. Malus and clawback terms apply to the entire annual bonus award (see page 94).</p> <p>The DAP plan rules allow awards to be used as part of recruitment, in which case the Committee can set a different vesting period to better align with the awards that the recruit is forfeiting.</p> <p>LTIP awards are share-based awards typically granted to executive Directors in March each year. Annual LTIP awards can be up to four times base salary for any individual. If dividend equivalents cannot be awarded due to regulations, the number of shares to be awarded may be based on a share price discounted by reference to an expected dividend yield over the vesting period.</p> <p>LTIP awards normally have a four-year performance period. The Committee determines the performance conditions for each award and uses its judgement to set challenging criteria that are consistent with the Group's strategy, at least half of which will be financially based. 25% of the award will vest if threshold performance is achieved, rising to 100% vesting at maximum performance.</p> <p>On vesting, awards may be subject to an additional holding period, during which the underlying shares and notional fund units cannot be sold. The total of the performance period and the holding period will not be less than five years. Malus and clawback terms apply (see page 94).</p> <p>The plan rules allow LTIP awards to be used as part of recruitment, in which case the Committee can set a different vesting period and performance conditions to better align with the awards that the recruit is forfeiting.</p>

Notes to the policy table

In approving the application of this policy to the executive Directors, authority is given for the Group to honour any commitments entered into with current or former Directors prior to the approval and implementation of the policy (such as payment of pension or the grandfathering of past awards), provided that such commitments complied with any applicable remuneration policy in effect at the time they were entered into. Any remuneration commitment made prior to an individual becoming a Director and not in anticipation of their appointment to the Board may be honoured, even where it is not consistent with the Directors' remuneration policy in place at the time it is fulfilled. For these purposes, commitments include the satisfaction of past awards of variable remuneration, the terms of which are set at the time the award is granted.

The rules of the DAP and the LTIP were submitted to shareholders for approval at the 2020 AGM. There are various discretions afforded to the Committee in these incentive plans, such as the treatment of leavers, the discretion to override formulaic LTIP outcomes, discretion to adjust the structure of awards in the event a participant is internationally mobile to avoid unfavourable legal, regulatory or tax outcomes for participants or the Group, or in the event of a variation of the Company's share capital or other corporate event. At the Committee's discretion, share-based awards may be settled in cash, but this would only be used in exceptional circumstances, for instance in a jurisdiction where settlement in shares would create an adverse outcome for the Group or award holder. The terms of awards may be amended in accordance with the relevant plan rules, for example to take account of legal, tax and regulatory changes. The general application of each plan is subject to variation in some jurisdictions to reflect local restrictions, regulation and practice. If there is a takeover or delisting of the Company, DAP awards will normally vest in full. The extent to which LTIP awards vest in these circumstances will be determined by the Committee based on (i) its estimate of the extent to which the relevant performance conditions would have been satisfied over the original performance period and (ii) the proportion of the performance period that has elapsed.

Remuneration report

Directors' remuneration policy continued

Performance conditions and approach to target setting

At the beginning of each performance year, the Committee sets scorecard metrics and targets for the annual bonus and LTIP scorecards, taking into account the Board-approved budget, market expectations, prior-year financial outcomes, strategic priorities and wider economic landscape. Metrics are chosen to reflect Schroders' strategy and broader stakeholder experience and will generally include the key measures of progress and success as set out in the strategic and annual reports. Non-financial factors may include (but not limited to) measures relating to strategic progress, sustainability, people and talent, risk and conduct and each executive Director's individual objectives for the year.

The Committee may amend performance conditions if an event occurs that causes it to consider that it is appropriate to do so, provided that the amended performance condition is, in the opinion of the Committee, no more or less difficult to satisfy than it was originally intended to be. To avoid overly formulaic outcomes for both the annual bonus and LTIP, the Committee has the discretion to alter the scorecard outcome (including to nil) to the extent it judges the outcomes do not align with results achieved. This discretion includes if any member of the Group has suffered a material failure of risk management or if the Committee judges that the unadjusted outcome from the performance conditions does not reflect underlying performance of the Group, any member of the Group, any business unit or the participant. Any such adjustment would be disclosed in the relevant Annual report on remuneration.

Malus and clawback policy

The policy sets out a range of circumstances in which malus and/or clawback may be applied. For executive Directors this includes:

- Fraud, misconduct or misbehaviour by the participant
- Material error by the participant
- Significant failure of risk management
- Failure to meet appropriate standards of fitness or propriety
- Regulatory sanction or serious reputational damage where the conduct of the participant significantly contributed
- Material downturn in financial performance, including corporate failure
- Material financial misstatement for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case
- Material error or misrepresentation for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case
- The Group has received a reduction notice in relation to a buyout award
- An award has vested/been settled, or is capable of vesting/being settled, to a greater extent than would otherwise have been the case, as a result of erroneous or misleading data
- An award received in breach of regulatory requirements or where the financial sustainability of the Group or any Member of the Group would be adversely affected
- Significant increase in the economic/regulatory capital base of the Group or any part of the Group
- Participation in or responsibility for conduct resulting in material losses (malus trigger only)
- Breach of any of the policies or codes to which the individual is subject (malus trigger only)
- Participation in or responsibility for an event resulting in material adverse reputational damage for the Group (malus trigger only)
- The Group has suffered regulatory sanctions to which the participant's conduct contributed (malus trigger only)
- Any other circumstances that may justify it, including local regulatory obligations

Malus may be applied from the date on which the award is granted/ established until settlement. Clawback may be applied for a period of up to seven years from the date of grant unless the Committee decides to extend it in the event of an investigation that could lead to the application of clawback were it not for the expiry of the clawback period. To ensure enforceability, all DAP participants accept their awards, confirming adherence to the DAP rules and Group malus and clawback policy. The executive Directors' contracts also explicitly provide for clawback.

Considerations when setting policy and the Committee's decision-making process

In recommending the Directors' remuneration policy to the Board and to shareholders, the Committee intends that policies and practices support Schroders' long-term strategy and sustainable growth, while supporting effective risk management so as not to encourage excessive or inappropriate risk-taking. The Group's remuneration policies and practices take account of legislation, regulation, corporate governance standards, best practice and guidance issued by regulators, shareholders and shareholder representative bodies.

Reward policies comply with the relevant provisions of the FCA's Remuneration Codes, the Remuneration Part of the PRA Rulebook and the UK Corporate Governance Code. The Committee continues to believe the policy addresses Provision 40 of the corporate governance code in terms of clarity, simplicity, risk, predictability, proportionality, and alignment to Schroders' culture as set out on page 91.

The responsibilities of the Committee are set out in its terms of reference and summarised on page 90. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration. The Committee assesses the performance of its external advisers annually, to ensure that the advice provided is independent of any support provided to management (see page 91). In determining the remuneration of the General Counsel, Global Head of Human Resources, Chief Risk Officer and Head of Internal Audit, the Committee intends that remuneration is appropriate based on the achievement of objectives linked to their functions and that any conflicts of interest are identified and managed.

Remuneration policy changes

As set out above, the Committee has decided not to make any substantive changes to the policy, and maintain the policy approved at the 2020 AGM. Some minor changes have been made to align with regulatory requirements and best practice, for example:

- Extension of the clawback period for variable pay awards to align with the latest regulatory requirements and also explicitly reference failure to meet standards of fitness and propriety.
- Incorporation of the ability for the Committee to adjust the grant-date share price for LTIP and DAP to reflect loss of dividend yield over the vesting period in the event that dividend equivalents cannot be awarded due to regulatory requirements.
- Clarification on the circumstances when a bonus buyout may be considered.
- Clarification that fixed pay may be subject to mitigation upon termination.

The Committee has made some changes to the implementation of the policy, reflecting shareholder feedback and to ensure continued alignment with Schroders' strategy. The key changes to the implementation are set out in the Committee Chair's Remuneration overview on pages 86-88.

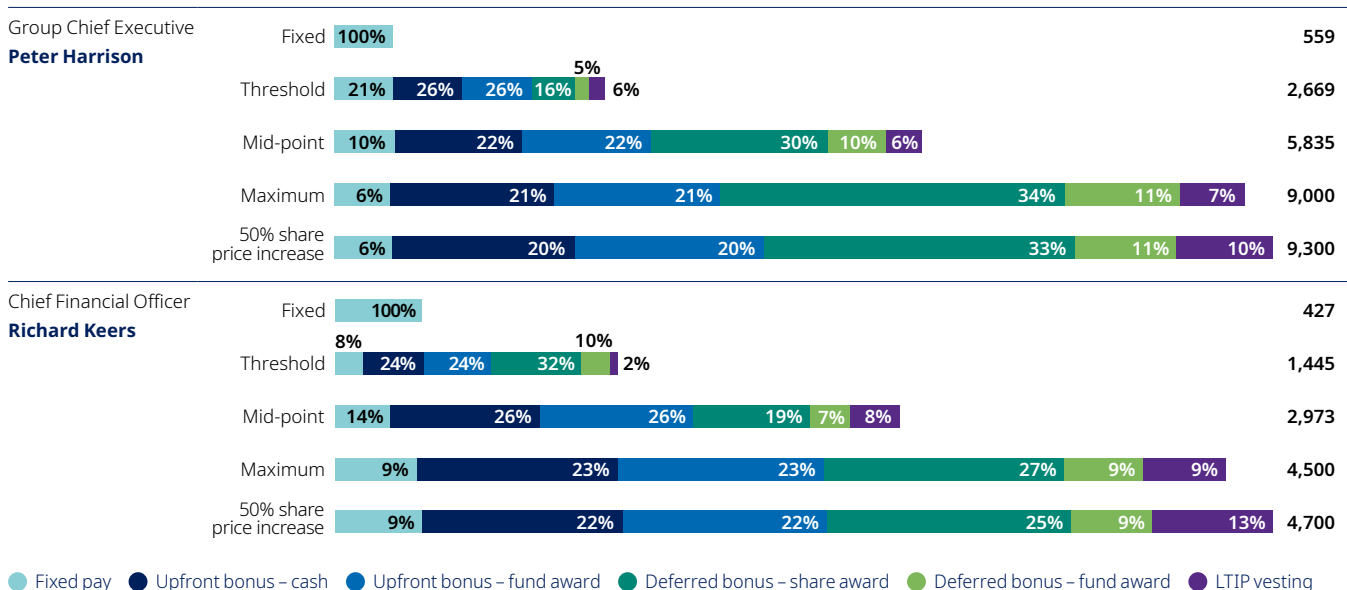
Executive Directors' remuneration policy illustration

The diagram on page 85 illustrates the structure of the executive Directors' remuneration, including the timing of when they receive each component of their total remuneration.

The potential value of each component of remuneration for the executive Directors is illustrated below. These scenario charts show, for each of the executive Directors, the relative split of fixed components of remuneration, annual bonus awards and LTIP awards, in accordance with the proposed Directors' remuneration policy.

Executive Directors' remuneration policy illustration

(£'000)



● Fixed pay ● Upfront bonus – cash ● Upfront bonus – fund award ● Deferred bonus – share award ● Deferred bonus – fund award ● LTIP vesting

Fixed pay

Fixed pay consists of base salary, benefits and allowances and retirement benefits. Base salary is the annual salary effective from 1 March 2023. Benefits and allowances and retirement benefits are the actual amounts received in respect of 2022, as shown in the single total remuneration figure table on page 100.

£'000	Base salary	Benefits and allowances	Retirement benefits	Total fixed pay
Peter Harrison	500	14	45	559
Richard Keers	375	7	45	427

	Threshold	Mid-point	Maximum
Annual bonus award	The amount payable if all the threshold targets in the annual bonus scorecard are met, which is 25% of the maximum scenario.	The mid-point of the threshold and maximum scenarios.	The maximum payable if all the maximum targets for each metric in the annual bonus scorecard are met.
	In all three scenarios the annual bonus award is partly paid in cash, partly granted as an upfront fund award and partly subject to deferral into share and fund awards, as outlined in the policy.		
LTIP	The face value of the March 2023 award, assuming 25% vesting.	The mid-point of the threshold and maximum scenarios.	The face value of the March 2023 award, assuming 100% vesting.

The maximum scenario above includes the face value of the March 2023 LTIP award, assuming 100% vesting. If the Schroders share price increased between the date of grant and date of vesting of the LTIP award, the remuneration value disclosed in the single total remuneration figure table would be higher. For example, share price growth of 50% on the LTIP award would increase maximum total remuneration values to £9.3 million and £4.7 million respectively, calculated by uplifting the face value at grant of the LTIP shares to be granted in March 2023 by 50%.

Remuneration report

Directors' remuneration policy continued

Current approach to remuneration for the wider workforce

Schroders applies the same remuneration principles across the Group and, where appropriate from a market and commercial perspective, there is consistency in the structures that apply. Base salaries, benefits and pension are reviewed in the context of local market practice and requirements. All permanent employees are eligible for an annual bonus. Bonuses are fully discretionary and based on performance against a number of financial and non-financial factors, which may change year-to-year to reflect the priorities of the Group, business and individual, while taking into consideration alignment with Schroders' values. Individuals in receipt of larger bonuses are subject to a graduated level of deferral up to 50%. Individuals identified as Material Risk Takers under the remuneration regulations applicable to Schroders are subject to deferral in line with those requirements. Bonuses for these individuals are typically delivered in a mixture of cash, shares, and funds. Additional deferred awards with a five-year vesting period are used very selectively each year to reward individuals with sustained high performance and potential. Some employees participate in carried interest plans and other long-term incentive structures designed for particular areas of the business. Currently only the executive Directors participate in the LTIP as outlined in the policy.

The Committee discusses key remuneration topics for the wider workforce throughout the year, including the annual bonus pool and resulting pay outcomes, the budget and allocation approach for salary increases, gender and ethnicity pay gaps, regulatory compensation matters and ad hoc proposals requiring the Committee's review and approval under their terms of reference. The Committee does not set fixed ratios for Directors' pay relative to other employees as it believes this would restrict flexibility in aligning reward and performance appropriately. To help aid the decision making of the Committee and Board, feedback from employees is gathered by management and the Board in a range of ways through the year, including via the Global Employee Forum, chaired by our Senior Independent Director, Ian King – who is also a Remuneration Committee member, regular employee engagement surveys and town hall meetings.

Directors' service contracts and letters of appointment

Each of the executive Directors has a rolling service contract with a mutual notice period of six months. Each of the non-executive Directors has a letter of appointment with a mutual notice period of six months. Letters of appointment and service contracts are available for shareholders to view at the Company's registered office on business days between the hours of 9am and 5pm and will be available at each AGM.

Remuneration policy for the non-executive Directors

The table below sets out the remuneration policy for non-executive Directors, who only receive fixed pay and benefits.

Component	Policy and operation	
Fixed pay	<p>Fees To reflect the skills, experience and time required to undertake the role.</p>	<p>Fees for the Chair are determined by the Committee, and fees for other non-executive Directors are determined by the Board, in each case based on market information for comparable asset managers and other financial services groups and the constituent companies of the FTSE 100 Index. Non-executive Directors do not participate in decisions concerning their own fees. Fees are usually reviewed biennially.</p>
	<p>Benefits To enable the non-executive Directors to undertake their roles.</p>	<p>Non-executive Directors' benefits are principally expenses incurred in connection with the Group's business and reflect business needs. Non-executive Directors may receive private use of a driver, car parking, meals, travel costs and tax on reimbursed expenses deemed taxable by HMRC. Non-executive Directors do not participate in post-employment or retirement benefits, or in any of the Group's incentive arrangements.</p>

New non-executive Directors receive fees and benefits in line with the policy for other non-executive Directors. When recruiting new non-executive Directors, the Board's policy is that letters of appointment will have a mutual notice period of six months.

Recruitment of new Directors

The table below summarises the remuneration policy when hiring new executive Directors.

Component	Policy and operation
Overall approach	On appointment, the Committee aims to pay executive Directors remuneration that is appropriate in level and structure to attract, motivate, retain and reward Directors of the quality required to run the Group successfully, while avoiding paying more than is necessary.
Maximum total remuneration	On appointment of any new executive Directors to the Board, the Committee will consider the appropriate maximum total remuneration value for the role, within the parameters of the current policy.
Notice periods	The Group's general policy is that each executive Director will have a rolling contract of employment with mutual notice periods of six months. The Committee will consider the appropriate notice period when appointing any new executive Director. If necessary to secure a new hire, a notice period of up to 12 months may be offered. When recruiting new executive Directors, the Committee's policy is that contracts will not contain any provision for compensation upon early termination.
Base salary	Base salary is likely to be set at a similar level as for other executive Directors, provided this is justifiable by reference to the candidate's skills and experience, the anticipated role scope, taking into account external market rates for roles with similar responsibility, remuneration in their previous roles and wider internal relativities.
Other fixed pay	Benefits and allowances, retirement benefits and SIP participation will be provided to new executive Directors on a similar basis as those available to other employees. If the Group hires a new executive Director internationally then relocation support may be offered in the relevant location, on a similar basis to that which might be offered for other employees. This may include support such as temporary accommodation, assistance finding new accommodation, transportation of household goods, school search for children moving internationally with the Director, tax advice and assistance preparing tax returns and other allowances/support provided to other employees.
Annual bonus award	New executive Directors would be eligible to be considered for annual bonus awards in the same way as existing Directors. Consideration may be given to making an award to compensate for any variable pay opportunity foregone from a previous employer as a result of joining Schroders if considered essential to secure the candidate, as detailed in the 'Buyout awards' section below. In line with the requirements of the PRA and FCA remuneration rules, any bonus buyout will be limited to the individual's first year of service, subject to the Group's deferral arrangement and any performance requirements determined by the Committee.
LTIP	New executive Directors would be eligible to be considered for LTIP awards in the same way as existing Directors.
Legal fees	The Group may pay reasonable fees for a new executive Director to obtain independent legal advice in relation to their appointment, including any tax due thereon.
Buyout awards	Where a candidate will forfeit remuneration as a result of leaving their current employer or joining Schroders, the Group may mitigate that loss by making one-off awards as a term of their appointment. The Committee will take reasonable steps (within the terms of the Group's incentive plans) so that any buyout awards are aligned in amount and terms with the remuneration being forfeited. Malus and clawback terms will apply to any such awards. Any buyout awards are not included in the maximum total remuneration section above.
Appointments outside the UK	If a new executive Director is based outside the UK, the Committee will adapt the terms of the Directors' remuneration policy to comply with local requirements and so the executive Director can participate in arrangements that are in line with the wider workforce in that jurisdiction.
Grandfathering	Any remuneration commitment made prior to an individual becoming a Director and not in anticipation of their appointment to the Board will be honoured, even where it is not consistent with the Directors' remuneration policy in place at the time it is fulfilled.

Remuneration report

Directors' remuneration policy continued

Policy on termination arrangements

The table below sets out the remuneration policy on termination of a Director.

Component	Policy and operation
Overall approach	When an executive Director leaves the Group, the Committee will review the circumstances and apply the treatment that it believes is appropriate. Any payments will be determined in accordance with the Directors' remuneration policy, as well as the terms of the Directors' service contract and the rules of any applicable incentive plans. There are no contractual provisions for non-executive Directors to receive compensation upon termination.
Fixed pay	Base salary, benefits and allowances, and retirement benefits for executive Directors, and fees for non-executive Directors, will continue to be paid through the notice period. The Committee also has the discretion to make a payment in lieu of notice to executive Directors, normally based on salary only. Certain benefits (for example medical or life insurance) may continue until the end of the normal cover period and others may be extended to post-termination where appropriate, for example repatriation for globally mobile individuals or assistance with tax return services. The treatment of shares acquired or awarded under the SIP will be in accordance with the plan rules. Payment may be subject to mitigation.
Annual bonus award	Departing executive Directors do not have a contractual entitlement to an annual bonus award. If a departing Director works during the notice period in support of the Group's strategic priorities as set out in the annual bonus scorecard and supports an effective transition of responsibilities, or leaves due to death, ill health, injury or disability, the Committee may recommend to the Board that a discretionary payment be made to reflect the Director's contribution during the proportion of the financial year worked. Any such payment will normally be subject to the same deferral arrangements as an annual bonus award, provided this is permitted and effective under applicable law and regulations, and except in the case of death, ill health, injury or disability when at the Committee's discretion payment may be fully in cash.
DAP awards	The treatment of awards under the DAP will be in accordance with the relevant plan rules. The normal treatment is that unvested awards are forfeited. In certain circumstances, such as death, ill health or injury, or otherwise at the Committee's discretion (which might be used in circumstances such as retirement with the agreement of the Company or leaving by mutual agreement), those rules permit participants to retain some or all of their unvested awards following the termination of their employment. Any unvested awards that are retained vest on their normal vesting date, or vest immediately in the case of death, or ill health, injury or disability at the Committee's discretion.
LTIP awards	The treatment of awards under the LTIP will be in accordance with the relevant plan rules. The normal treatment is that unvested awards are forfeited. In certain circumstances, such as death, ill health or injury, or otherwise at the Committee's discretion (which might be used in circumstances such as retirement with the agreement of the Company or leaving by mutual agreement), the award normally still vests after the performance period, subject to the performance conditions and holding period, with the proportion that vests reduced pro rata for the portion of the performance period that has elapsed. Vesting may be accelerated in the case of death, or ill health, injury or disability at the Committee's discretion, with the proportion that vests determined by estimating the extent to which the performance conditions will be met.
Restrictive covenants	Executive Directors' service contracts include restrictions prohibiting the solicitation of Schroders' clients or employees for a period of 12 months after leaving employment, against which any period spent on notice or garden leave is offset. If the Committee uses its discretion to permit a departing Director to retain unvested DAP or LTIP awards, the unvested portions that the leaver is allowed to retain normally remain at risk of forfeiture for a specified period if they join a competitor or solicit Schroders' clients or employees before the award vests. The same applies if a retiring executive Director is allowed to retain portions of their unvested awards and then takes up an executive role at another publicly listed company within 12 months.
Shareholding requirements	On stepping down, executive Directors are required to maintain for a period of two years a holding of shares or interests in shares equal in number to that which applied under the personal shareholding policy while they were an executive Director, or the number actually held on stepping down if lower. Executives would normally be required to sign a commitment to adhere to this requirement as part of stepping down.
Legal fees	The Group may pay reasonable fees for a departing Director to obtain independent legal advice in relation to their termination arrangements and nominal consideration for agreement to any contractual terms protecting the Company's rights following termination. If the value of either of these exceeds £10,000 it will be disclosed in the annual report on remuneration.
Retirement gifts	The Board may choose to make a retirement gift to a departing Director. If the value of any such gift exceeds £10,000 it will be disclosed in the annual report on remuneration.
Settlement agreements	The Committee may agree additional exit payments where such payments are made in good faith to discharge an existing legal obligation, as damages for breach of such obligation, in settlement or compromise of any claim or potential claim arising on termination of a Director's office or employment or to strengthen the Group's rights post-termination. This may include the provision of outplacement support. If the value of any such payment exceeds £10,000 it will be disclosed in the annual report on remuneration.
Other payments	Other payments to former Directors that do not exceed £10,000 will not be disclosed in the annual report on remuneration. Payments can also be made where an amendment to the policy authorising the Company to make the payment has been approved by shareholders.
Change of control	Outstanding awards will be treated in line with the provisions under which they were granted. If there is a takeover or delisting of the Company, DAP awards will normally vest in full. The extent to which LTIP awards vest in these circumstances will be determined by the Committee based on (i) its estimate of the extent to which the relevant performance conditions would have been satisfied over the original performance period and (ii) the proportion of the performance period that has elapsed.

Notes to the annual report on remuneration

The notes set out on pages 99—107 supplement the information set out in the main narrative on pages 76—89, combining both statutory and voluntary disclosures.

Annual bonus award allocations across the Group

The table below compares the annual bonus award allocations for performance years 2022 and 2021, split between portions paid in cash and upfront fund awards and amounts deferred into share awards and fund awards. The amounts shown are on the basis of the amounts awarded and communicated to employees as annual bonuses in respect of performance each year, rather than the costs charged to each year's income statement.

	2022	2021
Total compensation ratio	46%	46%
	£m	£m
Annual bonus awards:		
paid in cash	221.1	234.8
granted in upfront fund awards	29.3	38.9
deferred into share awards	54.4	73.7
deferred into fund awards	46.5	64.9
Total annual bonus awards	351.3	412.3
Share in Success Award ¹	n/a	23.6
Proportion of total annual bonuses that are deferred	29%	34%
Number of bonus-eligible employees	5,999	4,939
Mean annual bonus award per bonus-eligible employee	£58,554	£83,470
Median annual bonus award per bonus-eligible employee	£13,300	£19,865
Group Chief Executive's bonus as a % of total annual bonuses	1.1%	1.8%
Aggregate bonuses to executive Directors as a % of total annual bonuses	1.6%	2.7%

1. One-off, all-employee share award worth 5% of salary granted in December 2021; excluded from the mean and median bonus calculations shown above.

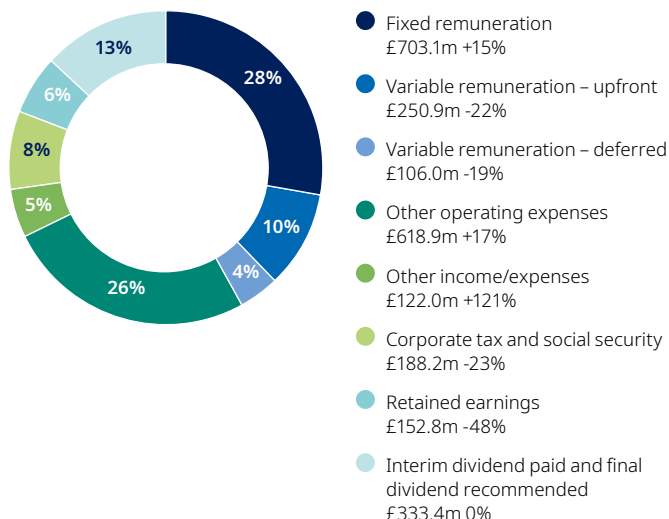
The employee mean and median figures represent the bonus value across all bonus-eligible employees each year. As such, part of the difference in value year-on-year is due to differences in population, from new hires and leavers, as well as higher or lower bonus awards for individual employees who were employed by Schroders in both years.

You can find more information about our current global workforce, along with the publication of our voluntary global gender pay gap, by visiting our website at www.schroders.com/wdr

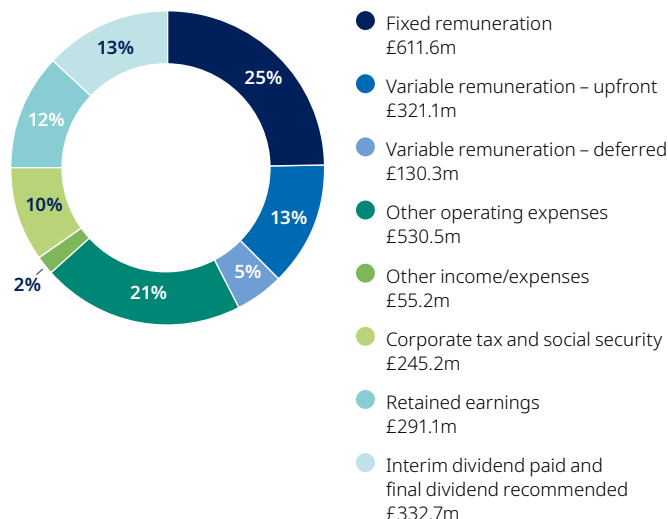
Relative spend on pay

The charts below illustrate the relative spend on pay for 2022 compared with 2021. The values are taken from the financial statements and show how remuneration costs compare with shareholder distributions, taxes arising and earnings retained, to illustrate how net operating income is utilised.

2022



2021



Remuneration report

Notes to the annual report on remuneration continued

Single total remuneration figure for each executive Director (audited)

The total remuneration of each of the executive Directors for the years ended 31 December 2022 and 31 December 2021 is set out in the table below.

2022 (£'000)	Base salary ¹	Benefits and allowances ²	Retirement benefits ³	Total fixed pay	Annual bonus award ⁴	LTIP vested ⁵	Total variable pay	Total remuneration
Peter Harrison	500	14	45	559	3,842	295	4,137	4,696
Richard Keers	375	7	45	427	1,726	197	1,923	2,350
Total	875	21	90	986	5,568	492	6,060	7,046

2021 (£'000)	Base salary ¹	Benefits and allowances ²	Retirement benefits ³	Total fixed pay	Annual bonus award ⁴	LTIP vested ⁵	Total variable pay	Total remuneration
Peter Harrison	500	10	43	553	7,612	269	7,881	8,434
Richard Keers	375	10	45	430	3,395	180	3,575	4,005
Total	875	20	88	983	11,007	449	11,456	12,439

The methodology for determining the single total remuneration figure is set out in the footnotes below. A chart illustrating the figures above can be found on page 85.

1. Represents the value of salary earned and paid during the financial year.
2. Includes one or more of: private healthcare, life assurance, permanent total disability insurance, Share Incentive Plan matching shares and private use of a company car and driver.
3. Represents the aggregate of contributions to defined contribution (DC) pension arrangements and cash in lieu of pension for Peter Harrison, and cash in lieu of pension for Richard Keers. The table below shows how the retirement benefits figures above are comprised for each Director.
4. Pages 78–80 sets out the basis on which annual bonus awards for 2022 were determined. The table below breaks down the annual bonus awards for 2022 into cash paid through the payroll in February 2023 and the upfront fund awards, deferred fund awards and deferred share awards that will be granted in March 2023.
5. Represents the estimated value that is expected to vest on 1 March 2023 from LTIP awards granted on 11 March 2019, using the average closing mid-market share price over the three months ended 31 December 2022 and the percentage expected to vest. The comparative value for 2021 represents the actual value that vested on 3 March 2022 from LTIP awards granted on 5 March 2018. The LTIP vested values disclosed last year were estimates, as the Annual Report and Accounts was finalised prior to the vesting date. Page 81 sets out the performance achieved and how vesting will be determined, with further detail on page 101. Page 101 also shows how the value above has been calculated, including how much of the value is attributable to share price movement during the period from grant to vesting. Page 104 sets out information on LTIP awards granted to the executive Directors during 2022. Pages 86–88 sets out information on LTIP awards to be granted to the executive Directors in March 2023.

Executive Director arrangements – additional detail

Retirement benefits – additional detail (audited)

The following table shows details of retirement benefits provided to executive Directors for the years ended 31 December 2022 and 31 December 2021. For the executive Directors, the sum of employer contributions and cash in lieu each year is reflected in the single total remuneration figures above. Employer contributions represent contributions paid into DC pension arrangements during the year and exclude any contributions made by the Directors. There has been no defined benefit (DB) pension accrual since 30 April 2011.

£'000	2022 employer contributions	2022 cash in lieu of pension ¹	2022 retirement benefits total	2021 employer contributions	2021 cash in lieu of pension ¹	2021 retirement benefits total	Accrued DB pension at 31 December 2022	Normal retirement age ²
Peter Harrison	3	42	45	3	40	43	–	60
Richard Keers	–	45	45	–	45	45	–	60

1. Peter Harrison received a combination of employer contributions to the Group's DC pension arrangement and cash in lieu of pension contributions, and Richard Keers received cash in lieu of pension contributions.
2. Normal retirement age is the earliest age at which a Director can elect to draw their pension under the rules of the Schroders Retirement Benefits Scheme without the need to seek the consent of the Company or the pension scheme trustee.

Variable pay awards – additional detail (audited)

The table below sets out details of how the 2022 annual bonus award for each executive Director was structured along with the face value of the LTIP award granted during 2023 (see page 86) and the resulting percentage of variable pay deferred across annual bonus and LTIP combined.

2022 (£'000)	Upfront cash bonus award	DAP award			Total DAP award	Total annual bonus award	Percentage deferred	LTIP award granted during 2023	Percentage of total variable pay deferred
		Upfront fund award	Deferred share award	Deferred fund award					
Peter Harrison	888	888	1,550	516	2,954	3,842	54%	600	60%
Richard Keers	425	425	657	219	1,301	1,726	51%	400	60%

In calculating the value of each executive Director's annual bonus award that is deferred, the amount of the bonus that is deferred is reduced to reflect the LTIP award granted during the year, subject to a minimum 60% of total variable pay being deferred.

Upfront fund awards normally cannot be exercised for six months from grant but are not at risk of forfeiture if the holder resigns and leaves the Group. Deferred share awards normally require the holder to remain in employment for three years following grant to vest in full and are available to exercise in three equal instalments 1, 2 and 3 years from grant. Deferred fund awards normally require the holder to remain in employment for 3.5 years following grant to vest in full and are available to exercise in three equal instalments 1.5, 2.5 and 3.5 years from grant.

LTIP award vesting – additional detail (audited)

The LTIP awards granted on 11 March 2019, covering the 2019 to 2022 performance period, are expected to vest on 1 March 2023. The criteria for determining the extent of vesting and outcome achieved are set out below.

Performance measure	Weighting	Performance achieved	Vesting %
EPS¹ If the growth in adjusted EPS in the fourth year compared with the year prior to grant exceeds the defined composite index by: <ul style="list-style-type: none"> • less than 20% no vesting • equal to 20% 12.5% vests • between 20—40% straight-line basis • 40% or greater 50% vests 	50%	Four-year growth in the composite index: 15.9% (see below) Schroders four-year EPS growth: -0.2% • Performance below the composite index: no vesting of this part of the award	0%
NNB² cumulative over the four-year performance period: <ul style="list-style-type: none"> • less than £15 billion no vesting • equal to £15 billion 12.5% vests • between £15–25 billion straight-line basis • £25 billion or greater 50% vests 	50%	Four-year cumulative NNB: £99.4 billion • Performance above maximum target: full vesting of this part of the award	50%
Total expected to vest in relation to 2019 to 2022 performance			50%

1. EPS excluding revenue and costs relating to acquisitions classified as exceptionals but including any other exceptionals.

2. NNB excluding joint ventures and associates.

The Audit and Risk Committee independently reviews key estimates made by management that impact the financial statements to ensure these are reasonable. This is reflected in the LTIP vesting calculations.

The composite index against which EPS performance was measured for these awards was set at the time they were granted. The table below sets out the make-up of that composite index and its growth over the four-year performance period:

Index	Weighting	Growth over the four-year performance period
MSCI All Countries Asia Pacific	17.5%	23.4%
MSCI All Countries World	15.0%	53.8%
MSCI Emerging Markets	7.5%	15.5%
MSCI Europe	5.0%	36.4%
FTSE All Share	5.0%	27.6%
Bloomberg Barclays Global Aggregate	50.0%	-1.3%
Composite index (calculated as a weighted average)		15.9%

The estimated value expected to vest on 1 March 2023 from LTIP awards granted on 11 March 2019 is shown in the table below. This is calculated based on the average closing mid-market share price over the three months ended 31 December 2022 and the expected vesting percentage shown in the table above. Awards are over ordinary shares.

Individual	Grant-date face value of LTIP award £'000	Proportion expected to vest in relation to 2019–2022 performance	Value of shares expected to vest (£'000)				Number of shares expected to vest
			Face value at time of grant	Impact of dividend equivalents since grant ¹	Impact of share price movement since grant	Total estimated value vesting	
Peter Harrison	600	50%	300	–	(5)	295	69,447
Richard Keers	400	50%	200	–	(3)	197	46,297

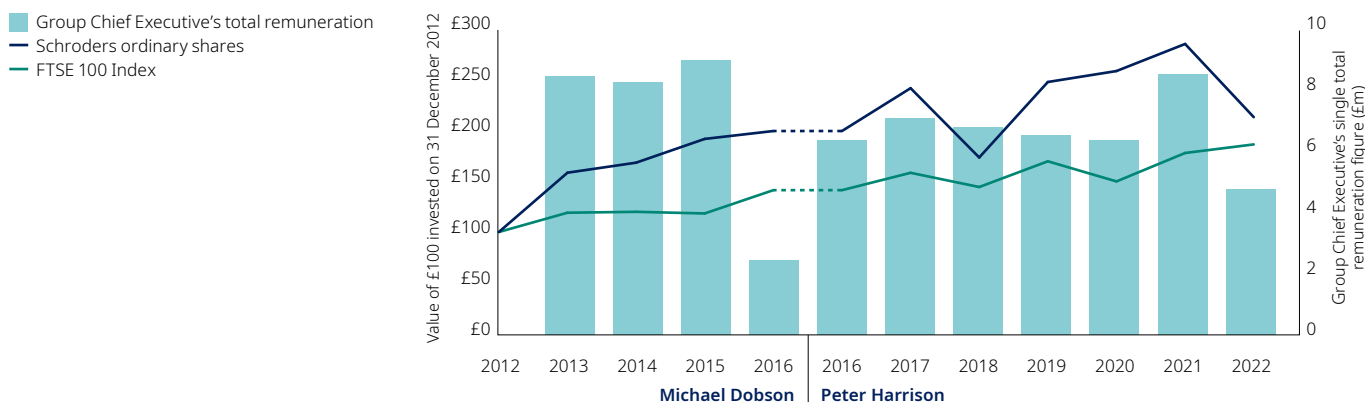
1. The LTIP rules under which these awards were granted do not allow for awards to accrue additional value equivalent to dividends on the underlying shares.

Remuneration report

Notes to the annual report on remuneration continued

The Group Chief Executive's total remuneration over the past ten years

The chart below illustrates the Group Chief Executive's single total remuneration figure over the past ten years and compares it to the total shareholder return of Schroders shares and the FTSE 100 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



Single total remuneration figure (£'000)	8,414	8,155	8,905	2,451	6,311	7,059	6,735	6,453	6,321	8,434	4,696
Annual bonus award (outcome as a % of maximum, or actual award as a % of ten-year highest bonus) ^{1, 2, 3}	81%	87%	100%	25%	70%	82%	78%	72%	69%	97%	49%
LTIP (vesting as a % of maximum) ⁴	100%	50%	50%	50%	50%	n/a	0%	50%	50%	50%	50%

- From performance year 2020, this represents the Group Chief Executive's actual annual bonus award as a percentage of the maximum annual bonus award for the year. For performance years prior to 2020, each annual bonus award is shown as a percentage of the highest bonus award over the past ten years, as no maximum annual bonus opportunity was in place.
- The 2016 remuneration for Michael Dobson reflects the actual remuneration that he received for the portion of 2016 that he served as Chief Executive.
- Peter Harrison was appointed Group Chief Executive on 3 April 2016. The 2016 remuneration value above reflects his full-year single total remuneration figure.
- The first LTIP award vested on 5 March 2014 based on the four-year performance period ended on 31 December 2013 and so is shown under 2013 in the table. 2017 shows as 'n/a' as Peter Harrison did not receive an LTIP award in 2014 and so had no LTIP due to vest based on performance to the end of 2017.

UK pay ratios

The rules that require this disclosure to be made set out three possible methodologies that companies can adopt, termed Options A, B and C. The Group has adopted Option A as this is the most robust methodology, requiring the Group to calculate the pay and benefits of all its UK employees for the relevant financial year in order to identify the total remuneration at the upper quartile, at the median and at the lower quartile. We have based the calculation of these total remuneration quartiles on salaries as at 31 December 2022 plus any annual bonus award in respect of 2022 and any other incentive awards granted during 2022. In calculating these ratios, salary and any annual bonus award or other incentive awards for employees who work part-time have been pro-rated up to a full-time equivalent. We have not included taxable travel benefits, such as the reimbursement of occasional travel home from work that was covered by the Group's travel and expenses policy but did not qualify as tax-free under HMRC rules on taxable benefits. No other assumptions or statistical modelling were required.

The table below compares the Group Chief Executive's single total remuneration figure for 2022 to the remuneration of the Group's UK workforce as at 31 December 2022, along with the comparative figures for the previous year. The CEO pay ratio has decreased this year. This reflects a difference in the structure of the Group Chief Executive's overall pay versus typical employees, with a larger proportion variable, based on business performance each year. For 2022, the percentage decrease in bonus for the Group Chief Executive is below the lower quartile, median and average percentage change applying to all employees. The Group is focused on pay fairness across the workforce and the concept of offering greater certainty in remuneration to junior and lower paid employees in the form of proportionally higher fixed pay is consistent with the pay and reward policies for the Group's UK and global employees as a whole.

Method	Pay ratio to lower quartile UK employee	Pay ratio to median UK employee	Pay ratio to upper quartile UK employee	Lower quartile UK employee		Median UK employee		Upper quartile UK employee		
				Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary	
2022	Option A	74:1	46:1	28:1	63,067	49,702	101,409	75,000	167,622	110,000
2021	Option A	134:1	84:1	49:1	63,093	47,000	100,761	69,433	173,941	100,000
2020	Option A	110:1	70:1	42:1	57,205	45,000	89,541	58,000	150,310	122,500
2019	Option A	117:1	72:1	42:1	55,400	50,000	89,743	68,000	154,667	85,000

Comparing Director and wider workforce pay

The Committee considers executive Director pay structures and outcomes in the context of wider workforce pay. The table below compares percentage change in base salary/fees, benefits and annual bonus awards for the Directors with the average change across employees of the Group as a whole for the past three performance years. The outcome for employees of Schroders plc is also included to satisfy the statutory requirement but is shown as not applicable given the legal entity does not itself have any employees. The values shown for the executive Directors are based on those shown in the single total remuneration figure table on page 100 and those for non-executive Directors are based on the table on page 106. The employee mean and median figures in this table represent the change experienced for individual employees who were employed by Schroders in both years.

	2022			2021			2020				
	Base salary/ fee	Benefits	Bonus	Base salary/ fee	Benefits	Bonus	Base salary/ fee	Benefits	Bonus		
Executive Directors											
Peter Harrison	0%	+38%	-50%	+0%	+16%	+40%	+0%	-45%	-4%		
Richard Keers	0%	-26%	-49%	+0%	+49%	+41%	+0%	-3%	+2%		
Non-executive Directors											
Dame Elizabeth Corley ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Michael Dobson	-67%	-11%	n/a	+0%	-9%	n/a	+0%	-35%	n/a		
Sir Damon Buffini	-13%	n/a	n/a	+0%	n/a	n/a	+20%	n/a	n/a		
Rhian Davies	0%	0%	n/a	+0%	+0%	n/a	+13%	n/a	n/a		
Paul Edgecliffe-Johnson	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Claire Fitzalan Howard	0%	0%	n/a	+51%	+0%	n/a	n/a	n/a	n/a		
Rakhi Goss-Custard	0%	-50%	n/a	+0%	+0%	n/a	+0%	n/a	n/a		
Ian King ¹	+2%	0%	n/a	+0%	+0%	n/a	+0%	n/a	n/a		
Leonie Schroder	0%	n/a	n/a	+0%	-100%	n/a	+24%	n/a	n/a		
Deborah Waterhouse ¹	+8%	0%	n/a	+0%	+0%	n/a	+47%	n/a	n/a		
Matthew Westerman ¹	+14%	n/a	n/a	+43%	n/a	n/a	n/a	n/a	n/a		
Employees											
Employees of Schroders plc	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Employees of the Group ^{2,3,4}			Excl. Share in Success Award	Incl. Share in Success Award		Excl. Share in Success Award	Incl. Share in Success Award				
Mean	+10%	+8%	-10%	-22%	+9%	+5%	+49%	+78%	+4%	+2%	+7%
Median	+5%	+6%	-17%	-28%	+2%	+3%	+34%	+62%	+2%	+3%	+0%

- The fee increases shown reflect the timing of appointment to the Board and/or appointment to roles on Board Committees, as well as a change to the Senior Independent Director fee, as set out on page 106.
- For base salary, employees of the Group are those who were in employment between 31 December 2021 and 31 December 2022 and represents the salary increase over this period. Salary adjustments agreed as part of the 2022 compensation review will be effective in 2023.
- For benefits, the mean percentage change for employees of the Group is a per capita figure for those who were in employment for all of the two years under review and represents the average change in benefits value during the year, while the median is the median percentage change of individual employees within the same population.
- For bonus, the mean and median percentage change for employees of the Group is the mean and the median respectively of the individual year-on-year percentage change in bonus for employees who were in employment and bonus-eligible for all of 2021 and 2022. More commentary on the annual bonus award for each executive Director can be found on pages 78—81.

Shareholder voting on remuneration

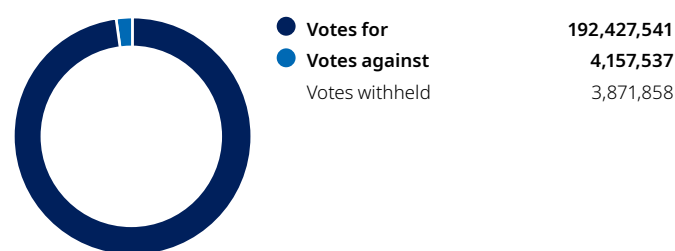
The following votes were cast in respect of the Directors' remuneration report at our 2022 AGM and the Directors' remuneration policy at our 2020 AGM.

To approve the Remuneration report at the 2022 AGM



	Votes for	Votes against
2022 AGM	97%	3%

To approve the Director's remuneration policy at the 2020 AGM



	Votes for	Votes against
2020 AGM	98%	2%

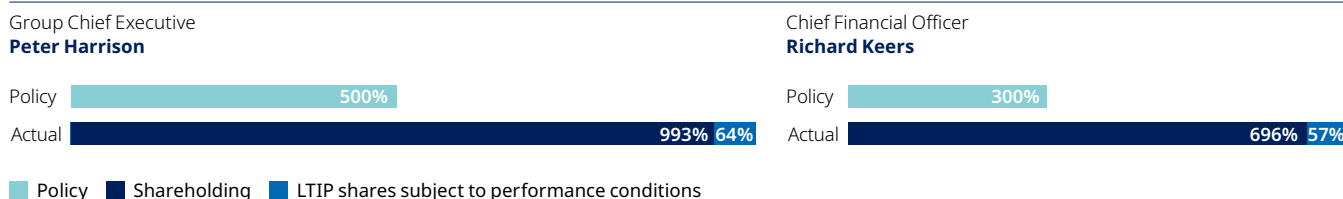
Remuneration report

Notes to the annual report on remuneration continued

Executive Director alignment to shareholders (audited)

To align the interests of senior management with those of shareholders, the executive Directors and the other members of the GMC are required, over time, to acquire and retain a holding of Schroders shares or rights to shares. The required shareholdings are 500% of base salary for the Group Chief Executive and 300% of base salary for the Chief Financial Officer. Shares that count towards this policy include the estimated after-tax value of unvested deferred share awards under the DAP or previous incentive plans (shown as "Other unvested share awards" on page 105) and of vested DAP or LTIP awards (shown as "Vested but unexercised share awards" on page 105) but do not include unvested LTIP awards as these rights to shares are subject to performance conditions. Both executive Directors have shareholdings well in excess of the level required under our personal shareholding policy.

Value of shareholding versus shareholding policy (% of salary)



The above illustration includes LTIP awards expected to vest on 1 March 2023 (see page 101) and DAP deferred share awards to be granted in respect of performance in 2022 (see page 100).

Directors' rights under fund and share awards

DAP and LTIP granted during 2022 (audited)

The following awards under the DAP were granted to Directors on 7 March 2022 in respect of deferred bonuses for performance during 2021. No further performance conditions need to be met for awards to vest. An upfront fund award cannot be exercised for six months from the date of grant but is not normally subject to forfeiture if the holder leaves the Group. Deferred share awards normally require the participant to remain in employment with the Group for three years after the date of grant to vest in full, or 3.5 years for a deferred fund award. DAP fund awards are conditional rights to receive a cash sum with an initial value equal to the value of bonus being deferred, granted as nil-cost options. That value is notionally invested in a range of Schroders funds and so the actual amount paid when the award is exercised is the initial amount plus or minus returns on those notional investments. DAP share awards are conditional rights to receive Schroders shares, granted as nil-cost options. These awards were included in the 2021 single total remuneration figures disclosed last year and form part of the prior year value shown in this year's single total remuneration figures on page 100. They are also shown in the tables of Directors' rights under fund and share awards on page 105.

Individual	Basis of DAP award granted	Face value at grant (£'000)				Share price at grant	Number of shares	Performance conditions
		Upfront fund awards	Deferred share awards	Deferred fund awards	Total DAP award			
Peter Harrison	Deferral of bonus awarded for performance in 2021	1,560	3,369	1,123	6,052	28.78	117,067	Awarded for performance in 2021. No further performance conditions apply
Richard Keers		704	1,490	497	2,691	28.78	51,782	

The following awards under the LTIP were granted to Directors on 7 March 2022 as nil-cost options. They are also reflected in the table of Directors' rights under share awards on page 105.

Individual	Basis of LTIP award granted	Face value at grant (£'000)	Vesting maximum as % of face value	% of face value that would vest at threshold ¹	Share price at grant	Number of shares	End of performance period
Peter Harrison	A specified face value of shares on the date of grant	600	100	25	28.78	20,847	31 December 2025
Richard Keers		400	100	25	28.78	13,898	31 December 2025

1. Percentage of face value that would vest if performance under both the EPS and NNB performance measures was at the threshold level to achieve non-zero vesting.

All DAP share awards and LTIP awards were granted over ordinary shares. The number of shares under each DAP share award and LTIP award is determined by dividing the grant-date face value by the mid-market closing share price on the last trading day prior to the date of grant. Vesting of LTIP awards granted during 2022 are subject to performance conditions which include 20% based on achievement of a long-term climate metric with targets as follows: threshold (25% vesting) requiring 92% of global electricity from renewable sources and maximum (100% vesting) requiring 100% of global electricity from renewable sources, while maintaining leadership CDP rating on climate change for all four years of the performance period. The remaining 80% is split evenly between net new business and EPS, which were subject to the same targets as applied to the awards expected to vest following the end of 2022, as described on page 81, save that the composite index for the measurement of EPS performance for the 2022 awards was as follows: MSCI All Countries Asia Pacific (15%), MSCI All Countries World (15%), MSCI Emerging Markets (10%), MSCI Europe (5%), FTSE All Share (5%), Bloomberg Barclays Global Aggregate (50%).

Annual bonus and LTIP awards (including bonus awards delivered via the DAP) are subject to the Group malus and clawback policy.

Directors' rights under fund awards (audited)

Directors had the following fund award rights under the Group's incentive plans, based on the award values at grant:

		Unvested fund awards £'000	Vested fund awards £'000	Total £'000
Peter Harrison	At 31 December 2021	2,512	–	2,512
	Granted	1,123	1,560	2,683
	Vested	(1,426)	1,426	–
	Exercised	–	(2,986)	(2,986)
	At 31 December 2022	2,209	–	2,209
Richard Keers	At 31 December 2021	1,053	478	1,531
	Granted	497	704	1,201
	Vested	(594)	594	–
	Exercised	–	(1,550)	(1,550)
	At 31 December 2022	956	226	1,182

Directors' rights under share awards (audited)

Directors had the following shares rights under the Group's incentive plans. These are in the form of nil-cost options shown based on the number of shares in each case.

		Unvested LTIP awards ¹	Other unvested share awards ²	Vested but unexercised share awards	Total
Peter Harrison (Ordinary shares)	At 31 December 2021	41,538	152,263	34,541	228,342
	Granted	20,847	117,067	–	137,914
	Dividend-equivalent accrual	–	8,291	4,456	12,747
	Corporate transaction ³	217,064	974,447	567,454	1,758,965
	Vested	(8,963)	(78,035)	86,998	–
	Lapsed where LTIP conditions were not met	(8,963)	–	–	(8,963)
	Exercised	–	–	(640,726)	(640,726)
	At 31 December 2022	261,523	1,174,033	52,723	1,448,279
Richard Keers (Ordinary shares)	At 31 December 2021	27,692	64,504	–	92,196
	Granted	13,898	51,782	–	65,680
	Dividend-equivalent accrual	–	3,620	1,422	5,042
	Corporate transaction ³	144,707	425,378	196,161	766,246
	Vested	(5,976)	(32,780)	38,756	–
	Lapsed where LTIP conditions were not met	(5,975)	–	–	(5,975)
	Exercised	–	–	–	–
	At 31 December 2022	174,346	512,504	236,339	923,189

1. These awards will only vest to the extent that the relevant performance conditions are met. Includes LTIP awards granted on 11 March 2019, which were unvested as at 31 December 2022. These awards are expected to partially vest on 1 March 2023 and any balance will lapse.

2. No performance conditions apply for these awards.

3. Share enfranchisement, bonus issue and subdivision of shares that occurred on 20 September 2022. The value of the award remained unchanged.

During 2022, the aggregate gain on nil-cost options for the Directors, which were settled in shares, was as follows:

- Prior to the corporate transaction on 20 September 2022, Peter Harrison received £283,000 from exercising nil-cost options over 9,769 ordinary shares, granted as an element of his 2017 LTIP award. After this time, he received £2,864,000 from exercising nil-cost options over 630,957 shares being an element of his annual bonus awards for performance years 2019, 2020 and 2021.

Remuneration report

Notes to the annual report on remuneration continued

Non-executive Directors' remuneration (audited)

In July 2022, the Board agreed that the annual fees paid to the Senior Independent Director would increase to £25,000 with effect from 1 August 2022. This brings the fee into line with both the median fee paid within FTSE 100 financial services companies and the fee paid to Chairs of plc board committees. The fees for the other non-executive Directors were not changed. Fees are usually reviewed biennially.

	£
Chair	625,000
Board member	80,000
Senior Independent Director	25,000
Audit and Risk Committee Chair ¹	25,000
Audit and Risk Committee member	20,000
Nominations Committee Chair	nil
Nominations Committee member	nil
Remuneration Committee Chair ¹	25,000
Remuneration Committee member	20,000

1. In addition to the Committee membership fee.

The total remuneration of each of the non-executive Directors for the years ended 31 December 2022 and 31 December 2021 is set out in the table below:

£'000	2022						2021					
	Basic fee	Committee Chair	Committee member	SID	Taxable benefits	Total	Basic fee	Committee Chair	Committee member	SID	Taxable benefits	Total
Dame Elizabeth Corley	448	-	-	-	1	449	27	-	-	-	-	27
Michael Dobson	204	-	-	-	9	213	625	-	-	-	10	635
Sir Damon Buffini	80	8	20	-	-	108	80	25	20	-	-	125
Rhian Davies	80	25	40	-	1	146	80	25	40	-	1	146
Paul Edgecliffe-Johnson	40	-	10	-	1	51	-	-	-	-	-	-
Claire Fitzalan Howard	80	-	-	-	1	81	80	-	-	-	1	81
Rakhi Goss-Custard	80	-	20	-	1	101	80	-	20	-	2	102
Ian King	80	-	20	22	1	123	80	-	20	20	1	121
Leonie Schroder	80	-	-	-	-	80	80	-	-	-	-	80
Deborah Waterhouse	80	-	28	-	1	109	80	-	20	-	1	101
Matthew Westerman	80	17	40	-	-	137	80	-	40	-	-	120

The fees shown in each Director's case reflect the portion of 2022 and 2021 that they each served in their respective roles.

- Michael Dobson stepped down as Chairman at the 2022 Annual General Meeting. Dame Elizabeth Corley, who was appointed to the Board as non-executive Director and Chair designate on 1 September 2021, succeeded Michael Dobson as Chair at the conclusion of the Company's 2022 Annual General Meeting.
- Paul Edgecliffe-Johnson was appointed to the Board with effect from 1 July 2022, with fees set at the same level as for other non-executive Directors.
- Matthew Westerman was appointed Chair of the Remuneration Committee during the year, succeeding Sir Damon Buffini who remained a member of the Committee.
- Deborah Waterhouse joined the Remuneration Committee from 1 August 2022.

The benefits for Michael Dobson comprised private healthcare and medical benefits for him and his family, life assurance, travel expenses and occasional private use of a company car and driver. Benefits for Dame Elizabeth Corley, Rhian Davies, Claire Fitzalan Howard, Rakhi Goss-Custard, Ian King and Deborah Waterhouse comprised travel expenses.

Directors' share interests (audited)

The Directors and their connected persons had the following interests in shares in the Company.

	Number of shares at 31 December 2022	
	Ordinary shares of 20 pence each	
Executive Directors		
Peter Harrison	60,536	
Richard Keers	6,405	
Non-executive Directors		
Dame Elizabeth Corley	65,294	
Sir Damon Buffini	25,000	
Rhian Davies	5,000	
Paul Edgecliffe-Johnson	5,000	
Claire Fitzalan Howard ¹	625,859,426	
Rakhi Goss-Custard	3,935	
Ian King	13,205	
Leonie Schroder ¹	671,881,802	
Deborah Waterhouse	–	
Matthew Westerman	11,764	

	Number of shares at 28 April 2022	
	Ordinary shares of £1 each	Non-voting ordinary shares of £1 each
Former Directors		
Michael Dobson ²	4,965	196,165

1. The interests of Claire Fitzalan Howard and Leonie Schroder include their personal holdings and the beneficial interests held by them and their connected persons in their capacity as members of a class of potential beneficiaries under certain settlements made by members of the Schroder family.
2. The interests of Michael Dobson refer to the position as at 28 April 2022, the date he stepped down as a Director of the Company.

Between 31 December 2022 and 1 March 2023, the only movements in the Directors' share interests were the acquisition under the Share Incentive Plan of 107 ordinary shares by Peter Harrison and 107 ordinary shares by Richard Keers.

Directors' service contracts and letters of appointment

Each of the executive Directors has a rolling service contract with a mutual notice period of six months. Each of the non-executive Directors has a letter of appointment with a mutual notice period of six months. Letters of appointment and service contracts are available for shareholders to view at the Company's registered office on business days between the hours of 9am and 5pm and will be available at each AGM.

Payments for loss of office and payments to former Directors (audited)

No payments for loss of office were paid to Directors or former Directors during 2022. No payments were made to former Directors during 2022.

Further remuneration disclosures

The remuneration disclosures required under the Capital Requirements Directive are incorporated into the Group's Pillar 3 disclosures and are available at <https://www.schroders.com/en/investor-relations/shareholders-and-governance/disclosures/pillar-3-disclosures/>. Other regulatory remuneration disclosures can be found at www.schroders.com/en/investor-relations/shareholders-and-governance/disclosures/remuneration-disclosures/.

By order of the Board

Matthew Westerman

Chair of the Remuneration Committee

1 March 2023

Directors' report

The information contained in the sections of this Annual Report and Accounts identified below forms part of this Directors' report:

- Strategic report
- Board of Directors
- Corporate governance report, including the Nominations Committee report and the Audit and Risk Committee report
- The Statement of Directors' responsibilities.

Share capital

Since 20 September 2022, the Company's share capital comprises 1,612,071,525 ordinary shares of 20 pence each, which have a premium listing on the London Stock Exchange. No shares are held in treasury.

Between 1 January 2022 and 20 September 2022; 226,022,400 ordinary shares of £1 each (80% of the total issued share capital) and 56,505,600 non-voting ordinary shares of £1 each (20% of the total issued share capital) were in issue. No shares were held in treasury. The Company completed the simplification of its dual share class structure on 20 September 2022 whereby it:

- enfranchised 56,505,600 non-voting ordinary shares of £1 each by re-designating them into 56,505,600 ordinary shares of £1 each with full voting rights;
- issued 39,886,305 ordinary shares of £1 each to existing holders of ordinary shares by way of a bonus issue (representing three additional ordinary shares for every 17 ordinary shares held by ordinary shareholders); and
- subsequently sub-divided the Company's total resulting 322,414,305 ordinary shares of £1 each into 1,612,071,525 ordinary shares of 20 pence each.

Following the simplification of the dual share class structure, there are no non-voting ordinary shares in issue.

Under the terms of the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust, ordinary shares are held in trust on behalf of employee share plan participants. The trustees of these trusts may exercise the voting rights in any way they think fit. In doing so, they may consider the financial and non-financial interests of the beneficiaries and their dependants. As at 28 February 2023, being the latest practicable date before the publication of this Annual Report and Accounts, the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust together held 59,743,982 ordinary shares.

Under the terms of the Share Incentive Plan, as at 28 February 2023, 6,121,780 ordinary shares were held in trust on behalf of plan participants. At the participants' direction, the trustees can exercise the voting rights over ordinary shares in respect of participant share entitlements.

There are no restrictions on the transfer of the Company's shares save for:

- restrictions imposed by laws and regulations;
- restrictions on the transfer of shares imposed under the Company's Articles of Association or under Part 22 of the UK Companies Act 2006, in either case after a failure to supply information required to be disclosed following service of a request under section 793 of the UK Companies Act 2006; and
- restrictions on the transfer of shares held under certain employee share plans while they remain subject to the plan.

The Company is not aware of any agreement between shareholders that may restrict the transfer of securities or voting rights.

Principal Shareholder Group

The history of Schroders began in 1804 when JH Schroder became a partner in J.F. Schröder & Co, a London-based firm founded by his brother JF Schroder. It has evolved since then into the company today known as Schroders plc. Throughout that time, the Schroder family have maintained a significant interest in the business, which the Company believes has been a significant benefit to it. Today, the interests of some members of the Schroder family (being certain descendants of the late Helmut Schroder and, in some cases, their spouse or former spouse) are spread across a number of parties, who are collectively known as the Principal Shareholder Group.

The Principal Shareholder Group is comprised of a number of private trustee companies (and investment companies controlled by those trustee companies), a number of Schroder family individuals, and a Schroder family charity which, directly or indirectly, are Shareholders in the Company.

The Principal Shareholder Group currently holds 694,947,871 Ordinary Shares (43.11% of the issued Ordinary Shares) in the Company. This is comprised as follows:

- 647,627,870 of the Ordinary Shares (40.17%) are owned directly or indirectly by four private trustee companies which act as the trustees of various trusts settled by the Schroder family and investment companies wholly owned by the private trust companies. The trustee companies are Vincitas Limited, Veritas Limited, Alster Limited and Treva Limited. Flavida Limited and Fervida Limited are protector companies which act as protectors of certain of those trusts, and therefore also form part of the Principal Shareholder Group.
- 28,688,354 of the Ordinary Shares (1.78%) are owned directly or indirectly by certain trustee and investment companies following the execution of the estate of Bruno Lionel Schroder (deceased). The trustee companies are Lionel Trustees I Limited and Lionel Trustees II Limited. The investment companies are MEB Investments Limited, CRH Investments Limited and JMF Investments Limited, which are controlled by those trustee companies.
- 16,333,518 of the Ordinary Shares (1.01%) are personally held, directly or indirectly, by certain Schroder family individuals (who are direct descendants of the late Helmut Schroder or, in some cases, a spouse or former spouse of such direct descendants).
- 2,298,129 of the Ordinary Shares (0.14%) are owned by the Schroder Charity Trust, a family charity.

Relationship Agreement

As the Principal Shareholder Group is presumed to be acting in concert, it is required to enter into a binding agreement with the Company to comply with certain independence provisions as set out under the Listing Rules. On 14 November 2014, the Company entered into such an agreement (the Relationship Agreement) with members of the Principal Shareholder Group holding ordinary shares at that time. Additional persons who have since become members of the Principal Shareholder Group holding ordinary shares have adhered to the Relationship Agreement.

The Company's Group provides private banking and wealth management services to certain members of the Principal Shareholder Group. These arrangements are conducted at arm's length and on normal commercial terms.

In accordance with Listing Rule 9.8.4(14), the Board confirms that for the year ended 31 December 2022:

- the Company has complied with the independence provisions included in the Relationship Agreement; and
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

Substantial shareholdings

The table below shows the notifiable holdings of major shareholders in the voting rights of the Company, as at 31 December 2022, as disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules.

On 6 January 2023, Blackrock Inc., notified the Company that their holding had increased to 5.00% of voting rights held. There have been no other changes to these notifications or additional notifications as at the date of the report.

Shareholder	% of voting rights held
Vincitas Limited ¹	23.62
Veritas Limited ¹	15.22
Flavida Limited ¹	23.72
Fervida Limited ¹	16.27
Lindsell Train Limited ²	9.958
Harris Associates L.P. ²	5.02
HSBC Holdings Limited ^{2,3}	3.45
Sir Michael Kadoorie ^{2,4}	3.44

1. Vincitas Limited, Veritas Limited, Flavida Limited and Fervida Limited are party to the Relationship Agreement. Flavida Limited and Fervida Limited are protector companies and have made notifications as protectors of certain settlements, which include the holdings of Vincitas Limited and Veritas Limited
2. Lindsell Train Limited, Harris Associates L.P., HSBC Holdings Limited and Sir Michael Kadoorie are not parties to the Relationship Agreement.
3. HSBC Holdings Limited is acting as a Corporate Director for the underlying client.
4. Shares are held through Orchid Equity Limited.

Dividends

It is our policy to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%. The payout ratio is determined as the total dividend per share in respect of the year, divided by the Group's basic operating earnings per share. In line with this policy the Board recommends a final dividend of 15.0 pence per share (2021: 14.9 pence per share), which if approved by shareholders at the AGM, will be paid on 4 May 2023 to shareholders on the register of members at close of business on 24 March 2023. It means a total dividend for the year of 21.5 pence per share (2021: 21.4 pence per share), representing a payout ratio of 57% (2021: 50%).

In setting the dividend, the Board has regard to overall Group strategy, capital requirements, liquidity and profitability. This approach enables the Group to maintain sufficient surplus capital to take advantage of future investment opportunities while providing financial security to withstand possible risk scenarios and periods of economic downturn.

The distributable profits of Schroders plc are £2.7 billion (2021: £2.8 billion). The Group's ability to pay dividends is, however, restricted by the need to hold regulatory capital and to maintain sufficient operating capital to support its ongoing business activities. Operating capital requirements include co-investments with clients and seed capital investments in our funds to support new investment strategies.

There are certain circumstances that could adversely impact the Group's ability to pay dividends in line with the policy. These include a combination of significantly increase in the ratio of total costs to net income. After deducting the regulatory capital requirement and regulatory capital buffer, there continues to be sufficient capital to maintain our current dividend level for at least three years before taking account of any future profits.

The Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust have waived their rights to dividends paid on both the ordinary and non-voting ordinary shares in respect of 2022 and future periods. See notes 6 and 20 to the financial statements.

2023 Annual General Meeting

The 2023 AGM will be held on Thursday, 27 April 2023 at 11.30am. All resolutions are voted on separately and the final voting results will be published as soon as practicable after the meeting. Together with the rest of the Board, the Chairs of the Nominations, Audit and Risk, and Remuneration Committees will be present to answer questions.

Rule 9 Waiver and authority to purchase own shares

At the General Meeting held on 15 August 2022, the Company was authorised by shareholders to purchase up to 161,207,153 ordinary shares. Renewal of this authority will be sought at the 2023 AGM. Exercise of this authority would be subject to prior PRA consent.

As a consequence of any buyback of shares, it is likely that the Principal Shareholder Group's aggregate shareholding in the Company would passively increase from the current 43.11%. If this were to happen, under the Takeover Code the Principal Shareholder Group would be required to make a mandatory cash offer for the whole Company. Accordingly, a waiver has been obtained from the Takeover Panel of this obligation if the aggregate shareholding of the Principal Shareholder Group were to increase as a result of any buyback of shares. This waiver is conditional on approval by the Independent Shareholders of the Waiver Resolution at the 2023 AGM.

In addition, as a result of the dilution of its aggregate shareholding following the simplification, the Principal Shareholder Group is permitted prior to 20 September 2023 to acquire, in aggregate, 1% holding of ordinary shares without being required to make a mandatory cash offer for the whole Company under the Takeover Code. Members of the Principal Shareholder Group announced on 29 December 2022 that they (through nominees) had entered into a forward purchase contract with UBS Switzerland AG with the intention of exercising this "1% Bounceback" right from 30 December 2022 up until 15 August 2023. The earliest that members of the Principal Shareholder Group will acquire ordinary shares under this arrangement is 19 March 2023. If this right were to be exercised in full (without the Company carrying out any purchases under the Buyback Authority) then the Principal Shareholder Group's holding of ordinary shares would increase to 44.11%.

Importantly, the waiver and the use of the 1% Bounceback will not in themselves permit the Principal Shareholder Group's holding of ordinary shares to increase above the 47.93% holding of voting ordinary shares held prior to the simplification of the Company's dual share class structure without triggering a mandatory cash offer for the whole Company.

Members of the Principal Shareholder Group are supportive long-term shareholders and intend to retain a substantial shareholding in the Company over the long term. The Board expects to seek renewal of the Buyback Authority (and the associated Waiver Resolution) annually until such time as the Principal Shareholder Group's holding of ordinary shares has returned to the level of 47.93%.

Directors' report

continued

Employment practices

Details of the Company's employment practices, including diversity and employee engagement, can be found in the Strategic report on pages 30 and 31.

Workforce Diversity

We are proud to have published our Workforce Diversity and Gender Pay Gap Report and we will be releasing our 2022 report in Q1 2023. This demonstrates our commitment to progress towards a more diverse workforce. We have an equal split of male and female representation at Board level, 17% of our Board identify as ethnic minorities and we comply with the recommendations of the Parker Review. We also introduced Board-approved ethnicity targets in 2021, including a 16% target for employees in the UK by the end of 2023 which we have met a year early. Our Board sets and reviews these targets on an annual basis, as well as reviewing the succession plans for all our critical roles globally. These are also reviewed from a gender and ethnicity perspective.

Details of the gender diversity of our Board and senior management are set out below.

Gender diversity

Schroders plc Directors



Subsidiary Directors



All employees



Senior management



Total senior management



● Female ● Male

Corporate sustainability

The Directors have considered climate-related matters including the risks of climate change when preparing the Company's accounts.

Decarbonising our operations

We are committed to minimising the environmental impact of our operations and to delivering continuous improvement in our environmental performance. We are doing this by decreasing energy demand, increasing energy efficiency and switching to low carbon electricity sources. Our office energy efficiency measures include equipment and lighting upgrades, and adjusting temperature set points and plant run times.

The below table provides details on our total operational greenhouse gas emissions (GHG) and energy data, and is in line with the Streamlined Energy and Reporting (SECR) requirements. For a more detailed summary of our climate change strategy and both our operational emissions and emissions associated with our investments, please refer to our Climate Report at www.schroders.com/TCFD.

Greenhouse gas emissions (tCO ₂ e)	2022	2021	2019 (base year)
Total Scope 1 emissions	789	1,980	1,110
Total Scope 2 emissions (location-based)	3,711	3,908	5,718
Total Scope 2 emissions (market-based)	717	1,063	3,255
Total Scope 1 and 2 emissions (location-based)	4,500	5,888	6,828
Of which UK Scope 1 and 2 (location-based)	2,767	3,824	4,621
Total Scope 1 and 2 emissions (market-based)	1,506	3,043	4,365
Of which UK Scope 1 and 2 (market-based)	809	1,723	2,408
Total Scope 3 operational emissions¹	117,417	96,421	115,048
Metrics			
Scope 1 and 2 emissions (tCO₂e) per employee	0.73	1.04	1.27
Global energy consumption (kWh)			
Total energy consumption	19,258,182	20,952,475	26,265,797
Of which UK energy consumption	13,410,123	13,206,057	18,495,195

We report our GHG emissions inventory using the GHG Protocol Corporate Standard, the GHG protocol Scope 3 calculation guidance, the GHG Protocol Value Chain (Scope 3) Standard and the Global GHG Accounting and Reporting Standard for the Financial Services Industry which was developed by the Partnership for Carbon Accounting Financials (PCAF).

The financial control boundary approach has been applied to our GHG inventory, which follows our accounting consolidation approach. No category of emissions has been excluded from this boundary.

1. We have re-stated our supplier emissions (category 1: Purchased goods and services, category 2: Capital goods and category 4: Upstream transportation and distribution) from 2019 to 2021 due to material updates that were made to the emissions factors published by Defra.

Indemnities and insurance

At the 2007 AGM, shareholders authorised the Company to provide indemnities to, and to fund defence costs for, Directors in certain circumstances. All Directors, at the time shareholder approval was received, were granted specific deeds of indemnity and any Director appointed subsequently has been granted such an indemnity. This means that, on their appointment, new Directors are granted an indemnity as defined in the Companies Act 2006 in respect of any third-party liabilities that they may incur as a result of their service on the Board. All Directors' indemnities were in place during the financial year and remain in force.

Directors' and Officers' Liability Insurance is maintained by the Company for all Directors.

Under the Trust Deed and Rules of the Schroders Retirement Benefit Scheme (the Scheme), the Company provides a qualifying pension scheme indemnity in line with the Companies Act 2006. The indemnity covers each director of the trustee company that acts as trustee of the Scheme. The provisions have been in force during the financial year.

As part of the integration of Cazenove Capital, the Cazenove Capital Management Limited Pension Scheme was merged with the Schroders Retirement Benefits Scheme, with effect from 31 December 2014. Pursuant to that merger, a qualifying pension scheme indemnity (as defined in section 235 of the Companies Act 2006) provided by Schroders plc for the benefit of the directors of Cazenove Capital Management Pension Trustee Limited, a subsidiary of the Company at that time, was put in place at that time and remains in force. This indemnity covers, to the extent permitted by law, certain losses or liabilities incurred by the directors of Cazenove Capital Management Pension Trustee Limited in connection with that company's activities as trustee of the Cazenove Capital Management Limited Pension Scheme.

Directors' Conflicts of Interest and Recusal Policy

The Company has procedures in place to identify, authorise and manage conflicts of interest, including of Directors of the Company. They have operated effectively during the year. In circumstances where a potential conflict arises, the Board (excluding the Director concerned) will consider the situation and either authorise the arrangement in accordance with the Companies Act 2006 and the Company's Articles of Association, or take other appropriate action.

All potential conflicts authorised by the Board are recorded in a conflicts register, which is maintained by the Group Company Secretary and reviewed by the Board on an annual basis. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Change of control

The Company does not consider that it has any significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid that are required to be disclosed pursuant to paragraph 13(2) (j) of Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) other than as disclosed below.

Under the Group's Revolving Credit Facility Agreement, if a change of control of the Company occurs, the lenders are not obliged to provide further funding under the facility. The Company and lenders have up to 30 days to agree the continued use of the facility. If there is no agreement, repayment of the facility and accrued interest may be requested by the lenders with not less than 10 days' notice.

Under the Amended and Restated Framework Agreement (Framework Agreement) with Lloyds Banking Group plc (LBG) signed on 3 October 2019 in relation to the strategic partnership announced on 23 October 2018, on a change of control of the Company to: (1) either a material competitor of an LBG business or (2) an entity or person on, or controlled by an entity or person on, a recognised sanctions list or located in a specified jurisdiction, LBG may terminate the Framework Agreement.

Such termination provisions provide for LBG and the Company to return to the status quo prior to establishing the strategic partnership in relation to shareholdings in subsidiary entities, with any implementing transactions conducted at specified valuations.

The Company entered into an amended Shareholders Agreement with Greencoat management shareholders on 10 April 2022, with respect to their respective shareholdings in Greencoat Capital Holdings Limited. On a change of control of the Company, to a person who does not form part of the "Principal Shareholder Group", the management shareholders have the right to sell their shares to Schroder International Holdings Limited, a subsidiary of the Company.

Directors' and employees' employment contracts do not normally provide for compensation for loss of office or employment as a result of a change of control. However, the provisions of the Company's employee share schemes may cause awards granted to employees under such schemes to vest on a change of control.

Political donations

No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year (2021: nil) and there is no intention to make or incur any in the current year.

Directors' report

continued

UK Listing Authority Listing Rules (LR) – compliance with LR 9.8.4C

The majority of the disclosures required under LR 9.8.4 are not applicable to Schroders. The table below sets out the location of the disclosures for those requirements that are applicable:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(5) Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.	See page 82
(12) Details of any arrangements under which a shareholder has waived or agreed to waive any dividends.	See pages 109, 128 and 153
(13) Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	See pages 109, 128 and 153
(14) A statement made by the Board that the Company has entered into an agreement under LR 9.2.2A, that the Company has, and, as far as it is aware, the other parties to the agreement have, complied with the provisions in the agreement.	See pages 108 and 109

By order of the Board.

Graham Staples
Company Secretary

1 March 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated financial statements in accordance with applicable law and regulations.

The Companies Act 2006, being the applicable law in the UK, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently.
- make estimates and judgements that are reasonable and prudent.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosure where compliance with the specific requirements of UK-adopted international accounting standards is insufficient to enable users to understand the impact of a particular transaction, other events or conditions on the Company or Group's financial position or financial performance.
- state whether the financial statements comply with UK adopted international accounting standards, subject to any material departure disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company or Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by the Disclosure and Transparency Rules of the FCA to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company and the Group.

The Directors are responsible for keeping proper books of accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement

Each of the Directors, whose name and functions are listed in the Board of Directors section of this Annual Report and Accounts, confirms that, to the best of each person's knowledge and belief:

- The consolidated financial statements, prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group.

- The Directors' report contained in this Annual Report and Accounts which comprises the sections described on page 108, includes a fair review of the development and performance of the business and the position of the Company and the Group and a description of the principal risks and uncertainties that they face.
- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.
- The Directors have taken all the steps that ought to have been taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In addition, each of the Directors considers that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the audited financial information on the website at schroders.com.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Forward-looking statements

This Annual Report and Accounts and the Schroders website may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Company and the Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'foresee', 'targets', 'plans', 'believes', 'expects', 'confident', 'aims', 'will have', 'will be', 'will ensure', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this Annual Report and Accounts. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts should be construed as a forecast, estimate or projection of future financial performance.



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Consolidated financial statements

Consolidated income statement
for the year ended 31 December 2022

	Notes	2022 £m	2021 ¹ £m
Revenue		2,891.7	2,959.5
Cost of sales		(530.3)	(556.4)
Net operating revenue	2	2,361.4	2,403.1
<i>Of which: Performance fees</i>		43.0	94.4
<i>Net carried interest income</i>		16.5	31.9
Net operating revenue excluding performance-based revenues		2,301.9	2,276.8
Share of profit of associates and joint ventures	9	77.6	88.2
Other operating income		36.5	28.7
Net operating income		2,475.5	2,520.0
Operating expenses	3	(1,752.5)	(1,679.0)
Operating profit		723.0	841.0
Central costs	3	(48.8)	(53.6)
Net (loss)/gain on financial instruments and other income		(6.7)	43.9
Interest income/(expense)		5.8	(2.0)
Acquisition costs and related items	3	(86.4)	(65.2)
Profit before tax		586.9	764.1
Tax	4(a)	(100.7)	(140.3)
Profit after tax²		486.2	623.8
Earnings per share³			
Basic	5	30.4p	38.7p
Diluted	5	29.9p	38.1p
Operating earnings per share			
Basic	5	37.4p	43.0p
Diluted	5	36.7p	42.2p

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Profit after tax²		486.2	623.8
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		148.6	(19.0)
Net loss on financial assets at fair value through other comprehensive income		(1.5)	(2.8)
Net gain on financial assets at fair value through other comprehensive income held by associates	9	–	0.1
Tax on items taken directly to other comprehensive income	4(b)	(0.2)	1.1
		146.9	(20.6)
Items that will not be reclassified to the income statement:			
Net actuarial (loss)/gain on defined benefit pension schemes	23	(66.0)	27.6
Tax on items taken directly to other comprehensive income	4(b)	16.5	(6.7)
		(49.5)	20.9
Other comprehensive income for the year, net of tax²		97.4	0.3
Total comprehensive income for the year²		583.6	624.1

1. The 2021 comparatives have been re-presented (see note (g) presentational changes on page 168).

2. Non-controlling interest is presented in the statement of changes in equity.

3. Earnings per share has been restated following the simplification of the Company's dual share class structure (see note 19).

Consolidated financial statements

Consolidated statement of financial position

at 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Cash and cash equivalents		4,440.3	4,207.3
Trade and other receivables	7	896.5	1,000.9
Financial assets	8	2,670.3	3,132.3
Associates and joint ventures	9	497.7	466.7
Property, plant and equipment	10, 11	524.1	560.0
Goodwill and intangible assets	12	1,929.5	1,168.5
Deferred tax	13	185.8	145.0
Retirement benefit scheme surplus	23	136.3	197.9
		11,280.5	10,878.6
Assets backing unit-linked liabilities			
Cash and cash equivalents		605.0	911.7
Financial assets		9,449.1	12,551.4
	14	10,054.1	13,463.1
Total assets		21,334.6	24,341.7
Liabilities			
Trade and other payables	15	1,049.5	1,115.0
Financial liabilities	8	5,140.1	4,793.6
Current tax		73.1	52.2
Lease liabilities	11	361.0	373.8
Provisions	16	25.4	26.8
Deferred tax	13	138.9	80.4
Retirement benefit scheme deficits		12.8	11.1
		6,800.8	6,452.9
Unit-linked liabilities	14	10,054.1	13,463.1
Total liabilities		16,854.9	19,916.0
Net assets		4,479.7	4,425.7
Total equity¹		4,479.7	4,425.7

1. Non-controlling interest is presented in the statement of changes in equity.

The financial statements were approved by the Board of Directors on 1 March 2023 and signed on its behalf by:

Richard Keers

Director

Consolidated financial statements

Consolidated statement of changes in equity
for the year ended 31 December 2022

Notes	Attributable to owners of the parent							Non-controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m		
At 1 January 2022	282.5	124.2	(150.2)	144.6	183.4	3,701.4	4,285.9	139.8	4,425.7
Profit for the year	-	-	-	-	71.5	408.2	479.7	6.5	486.2
Other comprehensive income ¹	-	-	-	146.6	-	(51.2)	95.4	2.0	97.4
Total comprehensive income for the year	-	-	-	146.6	71.5	357.0	575.1	8.5	583.6
Own shares purchased	20	-	(120.2)	-	-	-	(120.2)	-	(120.2)
Share-based payments	24	-	-	-	-	68.2	68.2	-	68.2
Tax in respect of share schemes	4(c)	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Other movements ²		-	-	-	-	(113.3)	(113.3)	(15.2)	(128.5)
Bonus issue	19	39.9	(39.9)	-	-	(4.3)	(4.3)	-	(4.3)
Dividends	6	-	-	-	-	(332.1)	(332.1)	(9.3)	(341.4)
Transactions with shareholders		39.9	(39.9)	(120.2)	-	-	(384.9)	(505.1)	(24.5)
Transfers		-	-	85.3	-	(51.3)	(34.0)	-	-
At 31 December 2022		322.4	84.3	(185.1)	291.2	203.6	3,639.5	4,355.9	123.8

Notes	Attributable to owners of the parent							Non-controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m		
At 1 January 2021	282.5	124.2	(159.8)	165.6	133.6	3,456.7	4,002.8	83.1	4,085.9
Profit for the year	-	-	-	-	79.3	532.6	611.9	11.9	623.8
Other comprehensive income ¹	-	-	-	(21.0)	0.1	19.2	(1.7)	2.0	0.3
Total comprehensive income for the year	-	-	-	(21.0)	79.4	551.8	610.2	13.9	624.1
Own shares purchased	20	-	(75.3)	-	-	-	(75.3)	-	(75.3)
Share-based payments	24	-	-	-	-	89.5	89.5	-	89.5
Tax in respect of share schemes	4(c)	-	-	-	-	4.7	4.7	-	4.7
Other movements ²		-	-	-	-	(27.4)	(27.4)	52.6	25.2
Dividends	6	-	-	-	-	(318.6)	(318.6)	(9.8)	(328.4)
Transactions with shareholders		-	-	(75.3)	-	-	(251.8)	(327.1)	42.8
Transfers		-	-	84.9	-	(29.6)	(55.3)	-	-
At 31 December 2021		282.5	124.2	(150.2)	144.6	183.4	3,701.4	139.8	4,425.7

1. Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange gain/(loss) on the translation of foreign operations net of hedging. Other comprehensive income reported in the associates and joint ventures reserve represents post-tax fair value movements on financial assets at fair value through other comprehensive income. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial (loss)/gain on the Group's retirement benefit schemes and post-tax fair value movements on financial assets at fair value through other comprehensive income.
2. Other movements principally comprise amounts relating to financial liabilities in respect of options to purchase the remaining non-controlling interest in certain subsidiaries (see note 8).

Consolidated financial statements

Consolidated cash flow statement for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Net cash from operating activities¹	21	972.8	1,234.2
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(607.5)	(18.7)
Net acquisition of property, plant and equipment and software		(104.3)	(89.4)
Acquisition of financial assets		(1,734.7)	(1,946.0)
Disposal of financial assets		1,820.4	2,123.9
Non-banking interest received		7.3	12.5
Distributions received from associates and joint ventures		15.0	35.1
Net cash (used in)/from investing activities		(603.8)	117.4
Cash flows from financing activities			
Purchase of subsidiary shares from non-controlling interest holders		(13.6)	(32.4)
Cash from non-controlling interest holders		-	54.5
Lease payments	11	(51.3)	(47.5)
Acquisition of own shares	20	(120.2)	(75.3)
Dividends paid	6	(341.4)	(328.4)
Other		(6.8)	(0.6)
Net cash used in financing activities		(533.3)	(429.7)
Net (decrease)/increase in cash and cash equivalents		(164.3)	921.9
Opening cash and cash equivalents		5,119.0	4,215.9
Net (decrease)/increase in cash and cash equivalents		(164.3)	921.9
Effect of exchange rate changes		90.6	(18.8)
Closing cash and cash equivalents		5,045.3	5,119.0
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		4,409.8	4,075.5
Cash held in consolidated pooled investment vehicles		30.5	131.8
Cash and cash equivalents presented within assets		4,440.3	4,207.3
Cash and cash equivalents presented within assets backing unit-linked liabilities		605.0	911.7
Closing cash and cash equivalents		5,045.3	5,119.0

1. Includes Wealth Management interest income received of £75.3 million (2021: £11.3 million) and interest paid of £38.4 million (2021: £0.2 million).

1. Segmental reporting

(a) Operating segments

The Group has two operating segments: Asset Management and Wealth Management. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive. The segmental reporting note has been re-presented to reflect the changes made to the income statement (see presentational changes on page 168) and to present the results of Schroders Personal Wealth (SPW) within share of profit of associates and joint ventures using the equity accounting method. The results of SPW were previously consolidated on a proportional basis within the Wealth Management segment for the purpose of segmental reporting. This new presentation reflects changes to the basis on which the Group monitors the performance of the business.

Operating expenses represent the costs incurred in running the Asset Management and Wealth Management segments and include an allocation of costs between the individual business segments on a basis that aligns the charge with the resources employed by the Group in respect of particular business functions. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure. Operating expenses exclude items related to acquisitions and central management activities (see note 3). The reconciliation of operating profit to profit before tax is available on the income statement.

	Asset Management £m	Wealth Management £m	Total £m
Year ended 31 December 2022			
Revenue	2,441.9	449.8	2,891.7
Cost of sales	(474.8)	(55.5)	(530.3)
Net operating revenue	1,967.1	394.3	2,361.4
<i>Of which: Performance fees</i>	<i>42.6</i>	<i>0.4</i>	<i>43.0</i>
<i>Net carried interest income</i>	<i>16.5</i>	<i>-</i>	<i>16.5</i>
<i>Net operating revenue excluding performance-based revenues</i>	<i>1,908.0</i>	<i>393.9</i>	<i>2,301.9</i>
Share of profit of associates and joint ventures	73.6	4.0	77.6
Other operating income	28.0	8.5	36.5
Net operating income	2,068.7	406.8	2,475.5
Operating expenses	(1,475.6)	(276.9)	(1,752.5)
Operating profit	593.1	129.9	723.0
	Asset Management £m	Wealth Management £m	Total £m
Year ended 31 December 2021¹			
Revenue	2,582.5	377.0	2,959.5
Cost of sales	(539.4)	(17.0)	(556.4)
Net operating revenue	2,043.1	360.0	2,403.1
<i>Of which: Performance fees</i>	<i>94.2</i>	<i>0.2</i>	<i>94.4</i>
<i>Net carried interest income</i>	<i>31.9</i>	<i>-</i>	<i>31.9</i>
<i>Net operating revenue excluding performance-based revenues</i>	<i>1,917.0</i>	<i>359.8</i>	<i>2,276.8</i>
Share of profit of associates and joint ventures	73.9	14.3	88.2
Other operating income	20.5	8.2	28.7
Net operating income	2,137.5	382.5	2,520.0
Operating expenses	(1,424.8)	(254.2)	(1,679.0)
Operating profit	712.7	128.3	841.0

1. The 2021 comparatives have been re-presented (see note (g) presentational changes on page 168).

Segment assets and liabilities are not presented as such information is not presented on a regular basis to the Group's chief operating decision maker.

Notes to the accounts

continued

1. Segmental reporting continued

(b) Geographical information

The Group's non-current assets¹ are located in the following countries:

	2022 £m	2021 £m
United Kingdom	2,115.9	1,468.5
China	244.8	199.6
Switzerland	205.3	184.5
United States	116.6	106.9
France	79.4	78.4
India	45.3	34.4
Singapore	37.8	39.2
Other	111.1	89.1
Total	2,956.2	2,200.6

1. Comprises the following non-current assets: property, plant and equipment, goodwill and intangible assets, associates and joint ventures and prepayments.

2. Net operating revenue

Revenue

The Group's primary source of revenue is fee income from investment management activities performed within both the Asset Management and Wealth Management segments. Fee income includes management fees, performance fees, carried interest and other fees. Revenue also includes interest income earned within the Wealth Management segment.

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Performance fees and carried interest are earned from certain arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised where it is highly probable that a significant reversal will not occur in future periods. Performance fees are typically earned over one year and are recognised at the end of the performance period. Carried interest is earned over a longer time frame and is recognised when certain performance hurdles are met and the service has been provided. This may result in the recognition of revenue before the contractual crystallisation date.

Other fees principally comprise revenues for other services, which typically vary according to the volume of transactions. Other fees are recognised as the relevant service is provided and it is probable that the fee will be collected.

Within Wealth Management, earning a net interest margin is a core activity and interest is therefore recognised within revenue. Interest income is earned as a result of placing loans and deposits with other financial institutions, advancing loans and overdrafts to clients, and holding debt and other fixed income securities. Interest income is recognised as it is earned using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

Cost of sales

Fee expenses incurred by the Group that relate directly to revenue are presented as cost of sales. These expenses include commissions, external fund manager fees and distribution fees payable to financial institutions, investment platform providers and financial advisers that distribute the Group's products.

Fee expense is generally based on an agreed percentage of the valuation of AUM and is recognised in the income statement as the service is received.

Cost of sales also includes the cost of financial obligations arising from carried interest. Amounts payable in respect of carried interest are determined based on the proportion of carried interest income that is payable to third parties.

Wealth Management pays interest to clients on deposits taken. Within Wealth Management, earning a net interest margin is a core activity. Interest payable in respect of these activities is therefore recorded separately from finance costs arising elsewhere in the business and is reported as part of cost of sales. Interest is recognised using the effective interest method (see above).

2. Net operating revenue continued

(a) Net operating revenue by segment is presented below:

	Asset Management £m	Wealth Management £m	Total £m
Year ended 31 December 2022			
Management fees	2,334.5	335.2	2,669.7
Performance fees	42.6	0.4	43.0
Carried interest	32.3	-	32.3
Other fees	32.5	38.9	71.4
Wealth Management interest income	-	75.3	75.3
Revenue	2,441.9	449.8	2,891.7
Fee expense	(459.0)	(17.1)	(476.1)
Cost of financial obligations in respect of carried interest	(15.8)	-	(15.8)
Wealth Management interest expense	-	(38.4)	(38.4)
Cost of sales	(474.8)	(55.5)	(530.3)
Net operating revenue	1,967.1	394.3	2,361.4
Year ended 31 December 2021¹			
Management fees	2,388.6	329.1	2,717.7
Performance fees	94.2	0.2	94.4
Carried interest	71.5	-	71.5
Other fees	28.2	36.4	64.6
Wealth Management interest income	-	11.3	11.3
Revenue	2,582.5	377.0	2,959.5
Fee expense	(499.8)	(16.8)	(516.6)
Cost of financial obligations in respect of carried interest	(39.6)	-	(39.6)
Wealth Management interest expense	-	(0.2)	(0.2)
Cost of sales	(539.4)	(17.0)	(556.4)
Net operating revenue	2,043.1	360.0	2,403.1

1. The 2021 comparatives have been re-presented (see note (g) presentational changes on page 168).

Notes to the accounts

continued

2. Net operating revenue continued

(b) Net operating revenue is presented below by region based on the location of clients:

	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Total £m
Year ended 31 December 2022					
Management fees	882.9	814.1	608.9	363.8	2,669.7
Performance fees	6.5	15.4	8.2	12.9	43.0
Carried interest	–	32.3	–	–	32.3
Other fees	37.5	25.9	8.0	–	71.4
Wealth Management interest income	65.7	8.1	1.5	–	75.3
Revenue	992.6	895.8	626.6	376.7	2,891.7
Fee expense	(58.5)	(196.2)	(169.1)	(52.3)	(476.1)
Cost of financial obligations in respect of carried interest	–	(15.8)	–	–	(15.8)
Wealth Management interest expense	(38.3)	–	(0.1)	–	(38.4)
Cost of sales	(96.8)	(212.0)	(169.2)	(52.3)	(530.3)
Net operating revenue	895.8	683.8	457.4	324.4	2,361.4

	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Total £m
Year ended 31 December 2021¹					
Management fees	833.3	869.0	643.3	372.1	2,717.7
Performance fees	8.2	32.0	28.9	25.3	94.4
Carried interest	–	71.5	–	–	71.5
Other fees	30.8	23.2	10.4	0.2	64.6
Wealth Management interest income	10.3	0.9	0.1	–	11.3
Revenue	882.6	996.6	682.7	397.6	2,959.5
Fee expense	(66.3)	(215.5)	(181.7)	(53.1)	(516.6)
Cost of financial obligations in respect of carried interest	–	(39.6)	–	–	(39.6)
Wealth Management interest expense	(0.2)	–	–	–	(0.2)
Cost of sales	(66.5)	(255.1)	(181.7)	(53.1)	(556.4)
Net operating revenue	816.1	741.5	501.0	344.5	2,403.1

1. The 2021 comparatives have been re-presented (see note (g) presentational changes on page 168).

Estimates and judgements - revenue

The principle estimates and judgements for revenue relate to carried interest. Carried interest represents the Group's contractual right to a share of the profits of 122 private asset investment vehicles (2021: 113 vehicles), if certain performance hurdles are met. It is recognised when the relevant services have been provided and it is highly probable that a significant reversal will not occur.

The amount of carried interest that will ultimately be received by the Group is dependent on the cash flows realised by the respective investment vehicles when the underlying investments are successfully disposed of. The resultant cash flows are assessed against the applicable performance hurdle, which is dependent on the capital invested and the timing and quantum of distributions. For accounting purposes, the outcome is discounted to determine the present value of the carried interest to be recognised. The actual amount receivable at maturity will depend on the realised value and may differ from the projected value.

The Group estimates the cash flows that will be received by the investment vehicles with reference to the current fair value of the underlying investments. Judgement is applied to determine certain assumptions used in the estimate. Those assumptions principally relate to the future growth and the timing of distributions. No future growth is assumed, reflecting the uncertainty of future investment returns. The timing of distributions to clients is based on individual investment managers' expectations as to the realisation of cash flows from the successful disposal of the underlying securities.

The Group assesses the maturity of the respective investment vehicles by reference to the percentage of committed capital invested and original capital returned to clients. This helps the Group to understand whether a significant risk of reversal exists and to determine whether the revenue should be recognised or further constrained in accordance with the accounting standards.

2. Net operating revenue continued

Estimates and judgements – cost of sales

The principle estimates and judgements for cost of sales relate to carried interest. The crystallisation of associated financial obligations in respect of carried interest (carried interest payable, see note 8) is contingent on the Group receiving the related revenue. The areas of estimates and judgements are the same as those used to determine the present value of the carried interest receivable, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £3.1 million (2021: £3.6 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £2.1 million/£2.0 million (2021: £3.0 million/£4.2 million) and this amount would be lower than the corresponding increase/reduction in revenue.

3. Total expenses

Total expenses represent the Group's administrative expenses including compensation costs. They are recognised as the services are received. Certain costs, such as depreciation of property, plant and equipment and amortisation of intangible assets, are expensed evenly over the useful life of the asset, or relevant contract.

Expenses comprise operating expenses, central costs and acquisition costs and related items. Operating expenses are those costs incurred through the operating activities of the Group's operating segments; Asset Management and Wealth Management. Central costs are those arising from capital and treasury management activities, corporate development and strategy activities and the costs associated with the governance and corporate management of the Group. Acquisition costs and related items include deal costs associated with corporate transactions and costs associated with the integration of acquired businesses and amortisation of acquired intangible assets.

The biggest component of the Group's total expenses is the cost of employee benefits, as shown below. Other costs primarily consist of accommodation, information technology, marketing and outsourcing costs. Compensation costs are managed to a target total compensation ratio of between 45% and 49%. Targeting a compensation ratio range provides some flexibility to manage the overall cost base in response to market conditions.

Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses. The Group makes some performance awards to employees that are deferred over a specified vesting period. Such awards are expensed to the income statement over the performance and vesting periods. The Group holds investments that are linked to these performance awards in order to hedge the related exposure. Gains and losses on these investments are netted against the relevant costs in the income statement but are presented separately below.

Further detail on other employee benefits can be found elsewhere within these financial statements, see note 23 for pension costs and note 24 for compensation that is awarded in Schroders plc shares.

(a) Group cost components

Year ended 31 December	2022 £m	2021 £m
Operating expenses	1,752.5	1,679.0
Central costs	48.8	53.6
Acquisition costs and related items	86.4	65.2
Total expenses	1,887.7	1,797.8

(b) Employee benefits expense and number of employees

Year ended 31 December	2022 £m	2021 £m
Salaries, wages and other remuneration	1,001.1	1,034.6
Social security costs	88.2	104.9
Pension costs	66.1	57.4
Employee benefits expense	1,155.4	1,196.9
Net loss/(gain) on financial instruments held to hedge deferred cash awards	11.7	(22.2)
Employee benefits expense – net of hedging	1,167.1	1,174.7

The employee benefits expense net of hedging includes £19.7 million (2021: £6.6 million) that is presented within acquisition costs and related items.

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3. Total expenses continued

(b) Employee benefits expense and number of employees continued

Information about the compensation of key management personnel can be found in note 25. Details of the amounts payable to Directors along with the number of Directors who exercised share options in the year is provided in the Remuneration report on pages 76 to 107.

The monthly average number of employees of the Company and its subsidiary undertakings during the year was:

	2022 Number	2021 Number
Full-time employees	5,934	5,358
Contract and temporary employees	262	292
	6,196	5,650
Employed as follows:		
Asset Management	4,909	4,419
Wealth Management	1,258	1,202
Central	29	29
	6,196	5,650

(c) Audit and other services

Year ended 31 December	2022 £m	2021 £m
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	0.7	0.7
Fees payable to the auditor and its associates for other services:		
Audit of the Company's subsidiaries	4.7	4.0
Audit-related assurance services	1.3	1.1
Other assurance services	0.7	0.7
	7.4	6.5

4. Tax expense

The Group is headquartered in the UK and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the income statement (see part (a)) and relate to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income or expenses are recognised in a different period for tax and accounting purposes or when there are specific treatments applicable relating to items such as acquisitions (deferred tax – see note 13). Some current and deferred taxes are recorded through other comprehensive income (see part (b)), or directly to equity where the tax arises from changes in the value of remuneration settled as shares (see part (c)).

(a) Analysis of tax charge reported in the income statement

Year ended 31 December	2022 £m	2021 £m
UK current year charge	71.6	71.1
Rest of the world current year charge	74.7	104.4
Prior year adjustments	1.8	33.6
Total current tax	148.1	209.1
Origination and reversal of temporary differences	(29.8)	(31.2)
Prior year adjustments	(3.0)	(34.4)
Effect of changes in corporation tax rates	(14.6)	(3.2)
Total deferred tax	(47.4)	(68.8)
Tax charge reported in the income statement	100.7	140.3

(b) Analysis of tax (credit)/charge reported in other comprehensive income

Year ended 31 December	2022 £m	2021 £m
Deferred tax (credit)/charge on actuarial gains and losses on defined benefit pension schemes	(12.6)	5.2
Deferred tax charge/(credit) on other movements through other comprehensive income	0.1	(1.0)
Deferred tax – effect of changes in corporation tax rates	(3.8)	1.4
Tax (credit)/charge reported in other comprehensive income	(16.3)	5.6

4. Tax expense continued

(c) Analysis of tax charge/(credit) reported in equity

Year ended 31 December	2022 £m	2021 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(1.5)	(3.7)
Deferred tax charge/(credit) on Deferred Award Plan and other share-based remuneration	5.7	(0.8)
Deferred tax – effect of changes in corporation tax rates	(0.8)	(0.2)
Tax charge/(credit) reported in equity	3.4	(4.7)

(d) Factors affecting tax charge for the year

The UK standard rate of corporation tax for 2022 is 19% (2021: standard rate of 19%). The tax charge for the year is higher (2021: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	2022 £m	2021 £m
Profit before tax	586.9	764.1
Less share of profit of associates and joint ventures after amortisation	(71.5)	(79.3)
Profit before tax of Group entities	515.4	684.8
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	97.9	130.1
Effects of:		
Different statutory tax rates of overseas jurisdictions	(0.4)	6.7
Permanent differences including non-taxable income and non-deductible expenses	7.7	6.9
Net movement in temporary differences for which no deferred tax is recognised	11.3	0.6
Deferred tax adjustments in respect of changes in corporation tax rates	(14.6)	(3.2)
Prior year adjustments	(1.2)	(0.8)
Tax charge reported in the income statement	100.7	140.3

Estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. Liabilities relating to open and judgemental matters, including those in relation to deferred taxes, are based on the Group's assessment of the most likely outcome based on the information available. As a result, certain tax amounts are based on estimates using factors that are relevant to the specific judgement. The Group engages constructively and transparently with tax authorities with a view to early resolution of any uncertain tax matters. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. Such estimates are based on assumptions made on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances, including local tax laws. There was no individual judgemental component of the tax expense that was material to the Group results when taking into account the likely range of potential outcomes (2021: none).

5. Earnings per share

This key performance indicator shows the portion of the Group's profit after tax that is attributable to each share issued by the Company, excluding own shares held by the Group. The calculation is based on the weighted average number of shares in issue during the year. The diluted figure recalculates that number as if all share options that would be expected to be exercised, as they have value to the option holder, had been exercised in the year. Shares that may be issued are not taken into account if the impact does not reduce earnings per share.

Reconciliation of the figures used in calculating basic and diluted earnings per share:

Year ended 31 December	2022 Number Millions	2021 Number Millions ¹
Weighted average number of shares used in the calculation of basic earnings per share	1,576.6	1,580.1
Effect of dilutive potential shares – share options	27.4	27.0
Effect of dilutive potential shares – contingently issuable shares	0.4	0.4
Weighted average number of shares used in the calculation of diluted earnings per share	1,604.4	1,607.5

1. The 2021 comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

Profit after tax attributable to non-controlling interest was £6.5 million (2021: £11.9 million).

Operating earnings per share calculations are based on operating profit after tax of £599.4 million (2021: £693.6 million) less non-controlling operating earnings of £10.4 million (2021: £14.7 million).

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6. Dividends

Dividends are distributions of profit to holders of the Group's share capital, usually announced with the Group's half-year and annual results. Dividends are recognised only when they are paid or approved by shareholders. The reduction in equity in the year therefore comprises the prior year final dividend and the current year interim dividend.

	2023		2022		2021	
	£m	Pence per share	£m	Pence per share ¹	£m	Pence per share ¹
Prior year final dividend paid			231.5	14.9	217.3	13.9
Interim dividend paid			100.6	6.5	101.3	6.5
Total dividends paid			332.1	21.4	318.6	20.4
Current year final dividend recommended	232.8	15.0				

1. Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 19).

Dividends of £12.6 million (2021: £9.1 million) on shares held by employee benefit trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2022 final dividend of 15.0 pence per share (2021 restated final dividend: 14.9 pence), amounting to £232.8 million (2021 final dividend: £231.5 million). The dividend will be paid on 4 May 2023 to shareholders on the register at 24 March 2023 and will be accounted for in 2023.

The Group paid £9.3 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2022 (2021: £9.8 million), resulting in total dividends paid of £341.4 million (2021: £328.4 million).

7. Trade and other receivables

Trade and other receivables includes prepayments and deposits with banks in the form of bullion as well as amounts the Group is due to receive from third parties in the normal course of business. Trade and other receivables, other than deposits with banks in the form of bullion, are recorded initially at fair value and subsequently at amortised cost (see note 8). Prepayments arise where the Group pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense is recognised in the income statement. Accrued income, other than amounts relating to carried interest, represents unbilled revenue and is not dependent on future performance. Amounts due from third parties also include settlement accounts for transactions undertaken on behalf of funds and investors. Deposits with banks in the form of bullion are recorded at fair value.

	2022			2021		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other receivables held at amortised cost:						
Fee debtors	–	91.2	91.2	–	76.8	76.8
Settlement accounts	–	103.9	103.9	–	285.3	285.3
Accrued income	95.4	395.4	490.8	67.5	426.9	494.4
Prepayments	4.9	71.7	76.6	5.4	62.6	68.0
Other receivables	5.8	112.7	118.5	10.5	25.6	36.1
Current tax	–	12.9	12.9	–	37.8	37.8
	106.1	787.8	893.9	83.4	915.0	998.4
Trade and other receivables held at fair value:						
Deposits with banks in the form of bullion	–	2.6	2.6	–	2.5	2.5
Total trade and other receivables	106.1	790.4	896.5	83.4	917.5	1,000.9

The fair value of trade and other receivables held at amortised cost approximates their carrying value. Deposits with banks in the form of bullion are categorised as level 1 in the fair value hierarchy. Refer to note 8 for details on the fair value hierarchy.

Estimates and judgements – carried interest receivable

Accrued income includes £110.9 million of receivables in respect of carried interest (2021: £100.0 million). This income is due over a number of years and only when contractually agreed performance levels are exceeded. The income received may vary as a result of the actual experience, including future investment returns, differing from that assumed. Further information regarding the estimates and judgements applied is set out in note 2.

8. Financial assets and liabilities

Financial assets

The Group holds financial assets including loans and advances to clients and banks, equities, debt securities, pooled investment vehicles and derivatives to support its Group capital strategies, activities within the Wealth Management banking book and client facilitation (see note 17).

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial fair value to the maturity value on a systematic basis using the effective interest rate, taking account of repayment dates and initial expected premiums or discounts.

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. The carrying value of amortised cost financial assets is adjusted for impairment under the expected credit loss (ECL) model. Movements in the ECL provision are recognised in other operating income in the income statement (see note 18).

Financial assets at FVOCI

Financial assets are held at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows and to sell assets. This classification applies to certain debt securities within the Group's Wealth Management entities. Impairment is recognised for debt securities classified as FVOCI under the ECL model. Movements in the ECL provision are recognised in other operating income in the income statement (see note 18). Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income. Cumulative gains and losses are transferred to the income statement if the investment is sold or otherwise realised. Interest earned on FVOCI assets is recognised using the effective interest method and recorded as interest in the income statement.

Financial assets at FVTPL

All other financial assets are held at FVTPL. Net gains and losses are presented in the income statement based on the substance of the transaction. Net gains and losses on co-investments are presented within other operating income; net gains and losses on the Group's investment and seed capital are presented within net (loss)/gain on financial instruments and other income; and net gains and losses on investments that are held to hedge deferred employee cash awards are presented within operating expenses (see note 3). This separate presentation provides more relevant information about the applicable components of the Group's income statement.

Financial liabilities

The Group's financial liabilities principally comprise deposits by Wealth Management clients and banking counterparties. They also include derivatives to support its Group capital strategies, activities within the Wealth Management banking book and client facilitation. Financial liabilities also arise from obligations in respect of carried interest, contingent consideration and other liabilities arising from acquisitions completed by the Group, and third party interests in consolidated funds.

The Group initially records all financial liabilities at fair value. These are subsequently held at amortised cost or fair value.

Financial liabilities at amortised cost

The majority of the Group's financial liabilities are measured at amortised cost and the classification typically applies to the Group's Wealth Management client accounts, banking deposits and trade payables.

Financial liabilities at FVTPL

Financial liabilities are measured at FVTPL when this measurement reduces an accounting mismatch or when otherwise required by the accounting standards. This classification typically applies to financial obligations in respect of carried interest, third party interests in consolidated funds (see basis of preparation on page 167) and contingent consideration.

Net gains and losses are presented in the income statement based on the substance of the instrument. Net gains and losses on financial obligations in respect of carried interest are presented within cost of sales; and net gains and losses on contingent consideration are presented within acquisition costs and related items. This separate presentation provides more relevant information about the applicable components of the Group's income statement.

Liabilities to purchase subsidiary shares

Financial liabilities in relation to equity transactions arise on certain acquisitions where the Group has a liability to purchase the remaining interest in a subsidiary that is not wholly owned by the Group (see basis of preparation on page 167).

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8. Financial assets and liabilities continued

	2022				Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	
Financial assets at amortised cost:					
Loans and advances to banks	–	–	–	122.8	122.8
Loans and advances to clients	–	–	–	615.6	615.6
Debt securities	–	–	–	263.9	263.9
	–	–	–	1,002.3	1,002.3
Financial assets at FVOCI:					
Debt securities	588.4	3.5	–	–	591.9
	588.4	3.5	–	–	591.9
Financial assets at FVTPL:					
Debt securities	21.9	126.2	–	–	148.1
Pooled investment vehicles	462.4	60.2	179.6	–	702.2
Equities	190.8	0.5	11.6	–	202.9
Derivative contracts (see note 17)	5.9	17.0	–	–	22.9
	681.0	203.9	191.2	–	1,076.1
Total financial assets	1,269.4	207.4	191.2	1,002.3	2,670.3
Financial liabilities at amortised cost:					
Client accounts	–	–	–	4,532.8	4,532.8
Deposits by banks	–	–	–	59.4	59.4
Other financial liabilities	–	–	–	3.7	3.7
	–	–	–	4,595.9	4,595.9
Financial liabilities at FVTPL:					
Derivative contracts (see note 17)	3.7	24.6	–	–	28.3
Other financial liabilities	205.8	–	91.4	–	297.2
	209.5	24.6	91.4	–	325.5
Liabilities to purchase subsidiary shares	–	–	218.7	–	218.7
Total financial liabilities	209.5	24.6	310.1	4,595.9	5,140.1

8. Financial assets and liabilities continued

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	153.0	153.0
Loans and advances to clients	-	-	-	614.0	614.0
Debt securities	-	-	-	109.9	109.9
	-	-	-	876.9	876.9
Financial assets at FVOCI:					
Debt securities	405.7	4.2	-	-	409.9
	405.7	4.2	-	-	409.9
Financial assets at FVTPL:					
Debt securities	185.5	231.1	4.0	-	420.6
Pooled investment vehicles	603.9	38.0	135.1	-	777.0
Equities	557.8	4.1	8.2	-	570.1
Derivative contracts (see note 17)	28.5	49.3	-	-	77.8
	1,375.7	322.5	147.3	-	1,845.5
Total financial assets	1,781.4	326.7	147.3	876.9	3,132.3
Financial liabilities at amortised cost:					
Client accounts	-	-	-	3,748.3	3,748.3
Deposits by banks	-	-	-	69.9	69.9
Other financial liabilities	-	-	-	4.4	4.4
	-	-	-	3,822.6	3,822.6
Financial liabilities at FVTPL:					
Derivative contracts (see note 17)	29.8	58.5	-	-	88.3
Other financial liabilities	733.0	-	149.7	-	882.7
	762.8	58.5	149.7	-	971.0
Total financial liabilities	762.8	58.5	149.7	3,822.6	4,793.6

The Group has recognised a net loss on financial instruments at fair value through profit and loss of £10.9 million (2021: gain of £18.7 million). A net loss on financial instruments at fair value through other comprehensive income of £0.1 million (2021: gain of £1.8 million) has been transferred to the income statement.

For the maturity profiles of client accounts, deposits by banks and derivative contracts see notes 17 and 18.

The fair value of financial assets and liabilities at amortised cost approximates their carrying value. No financial assets or liabilities were transferred between levels during 2022 (2021: none).

	2022		2021	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
Current	1,928.5	4,827.7	2,435.5	4,660.9
Non-current	741.8	312.4	696.8	132.7
	2,670.3	5,140.1	3,132.3	4,793.6

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8. Financial assets and liabilities continued

Movements in financial assets and liabilities categorised as level 3 during the year were:

	2022			2021	
	Financial assets at FVTPL £m	Financial liabilities at FVTPL £m	Liabilities to purchase subsidiary shares £m	Financial assets at FVTPL £m	Financial liabilities at FVTPL £m
At 1 January	147.3	88.9	60.8	138.3	143.7
Exchange translation adjustments	13.2	8.1	7.5	(3.8)	(2.7)
Net gain or loss recognised in the income statement	(0.8)	18.1	-	42.4	59.0
Additions	48.2	2.2	173.0	29.3	1.1
Disposals and settlements	(16.7)	(25.9)	(21.4)	(58.9)	(51.4)
Remeasurements	-	-	(1.2)	-	-
At 31 December	191.2	91.4	218.7	147.3	149.7

Estimates and judgements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may be derived from readily available sources or may require some estimation. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below. The fair value levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities, government debt and exchange-traded derivatives.
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities and asset and mortgage backed securities. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used.
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs that are not based on observable market data. The Group's level 3 financial assets principally comprise holdings in pooled investment vehicles, including private equity funds, and holdings in property investment vehicles that operate hotel businesses. The pooled investment vehicles are measured in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 using the valuation technique that is most suitable to the applicable investment. The property investment vehicles are valued based on the expected future cash flows that could be generated from the underlying hotel businesses. Given the application of different valuation techniques, and as the investments are not homogenous in nature, there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value. The Group's financial liabilities categorised as level 3 principally consist of third party liabilities related to carried interest arrangements, obligations arising from contingent consideration and other liabilities to purchase the remaining interest in acquired subsidiaries. Information about the estimates and judgements made in determining the fair value of carried interest payable is set out in note 2. Liabilities in respect of options to purchase the remaining interest in certain subsidiaries require judgement in determining the appropriate assumptions to be applied in the estimation of the fair value. The amount that will ultimately be paid in relation to an option is dependent on the future earnings of the subsidiary and may be subject to a cap over the enterprise value. In estimating the liability, the assumptions principally relate to the future earnings of the business and the rate applied to discount the liability back to present value. The future earnings of the applicable subsidiaries are estimated using different methodologies and consequently there is no one assumption that is individually material to the valuation. Discount rates between 11% and 13% have been used to discount these liabilities. An increase/decrease in the discount rate of two percentage points would decrease/increase the financial liability by £19 million/£17 million. The remaining level 3 liabilities are measured using different valuation methodologies and assumptions, and there are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

9. Associates and joint ventures

Associates are entities in which the Group has an investment and over which it has significant influence, but not control, through participation in the financial and operating policy decisions. Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. In both cases, the Group initially records the investment at the fair value of the purchase consideration, including purchase related costs. The Group's income statement reflects its share of the entity's profit or loss after tax and amortisation of intangible assets. The Group's statement of other comprehensive income records the Group's share of gains and losses arising from the entity's financial assets at FVOCI (see note 8). The statement of financial position subsequently records the Group's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The statement of changes in equity records the Group's share of other equity movements of the entity. At each reporting date, the Group applies judgement to determine whether there is any indication that the carrying value of associates and joint ventures may be impaired.

The associates and joint ventures reserve in the statement of changes in equity represents the Group's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss where permitted by the accounting standards (see note 8). Information about the Group's principal associates measured at fair value is disclosed within this note.

(a) Investments in associates and joint ventures accounted for using the equity method

	2022			2021		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	260.6	206.1	466.7	211.0	194.2	405.2
Exchange translation adjustments	7.4	0.4	7.8	6.1	(0.1)	6.0
Additions	1.7	1.6	3.3	1.1	5.9	7.0
Disposals	(0.3)	-	(0.3)	(0.8)	-	(0.8)
Profit for the year after tax ¹	72.7	(1.2)	71.5	72.3	7.0	79.3
Gains recognised in other comprehensive income	-	-	-	0.1	-	0.1
Distributions of profit	(37.3)	(14.0)	(51.3)	(29.2)	(0.9)	(30.1)
At 31 December	304.8	192.9	497.7	260.6	206.1	466.7

1. Share of profit of associates and joint ventures as presented on the face of the income statement excludes acquisition costs and related items net of tax of £6.1 million (2021: £8.9 million).

Information about the significant associates and joint ventures held by the Group at 31 December 2022 is shown below. The companies are unlisted.

Name of associate or joint venture	Nature of its business	Principal place of business	Class of share	Percentage owned by the Group
Scottish Widows Schroder Wealth Holdings Limited (SPW)	Wealth management	England	Ordinary shares	49.9%
Bank of Communications Schroder Fund Management Co. Ltd. (BoCom)	Investment management	China	Ordinary shares	30.0%
Axis Asset Management Company Limited (Axis)	Investment management	India	Ordinary shares	25.0%
A10 Capital Parent Company LLC (A10)	Real estate lending	US	Common units	19.3%

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9. Associates and joint ventures continued

(a) Investments in associates and joint ventures accounted for using the equity method continued

	2022						2021					
	SPW ¹ £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m	SPW ¹ £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m
Non-current assets	207.2	61.9	46.4	1,243.5	8.2	1,567.2	209.7	54.6	14.3	1,390.2	5.8	1,674.6
Current assets	119.1	885.9	109.1	219.3	25.8	1,359.2	157.3	756.2	96.2	176.9	22.5	1,209.1
Non-current liabilities	(22.5)	(0.4)	–	(1,246.8)	(1.2)	(1,270.9)	(23.2)	(1.1)	–	(1,404.0)	(1.5)	(1,429.8)
Current liabilities	(41.6)	(193.4)	(16.4)	(139.8)	(6.4)	(397.6)	(58.0)	(146.7)	(14.4)	(113.1)	(5.9)	(338.1)
Total equity	262.2	754.0	139.1	76.2	26.4	1,257.9	285.8	663.0	96.1	50.0	20.9	1,115.8
Group's share of net assets	130.8	226.2	34.8	14.7	9.1	415.6	142.6	198.9	24.0	9.6	7.7	382.8
Goodwill and intangible assets	55.2	–	10.5	1.4	17.4	84.5	58.1	–	10.4	1.3	17.2	87.0
Deferred tax liability	(2.4)	–	–	–	–	(2.4)	(3.1)	–	–	–	–	(3.1)
Carrying value held by the Group	183.6	226.2	45.3	16.1	26.5	497.7	197.6	198.9	34.4	10.9	24.9	466.7
Net income	125.8	359.2	98.9	63.7	28.3	675.9	135.1	355.2	79.4	66.5	29.0	665.2
Profit for the year	6.2	191.0	43.2	23.7	5.1	269.2	16.9	201.4	36.7	14.1	8.1	277.2
Other comprehensive income	–	–	–	–	–	–	–	–	–	0.3	–	0.3
Total comprehensive income	6.2	191.0	43.2	23.7	5.1	269.2	16.9	201.4	36.7	14.4	8.1	277.5
Group's share of profit for the year	3.1	57.3	10.8	4.6	1.8	77.6	8.4	60.4	9.2	2.7	2.8	83.5
Amortisation charge	(4.6)	–	–	–	(1.5)	(6.1)	(2.8)	–	–	–	(1.4)	(4.2)
Group's share of profit for the year after amortisation	(1.5)	57.3	10.8	4.6	0.3	71.5	5.6	60.4	9.2	2.7	1.4	79.3
Group's share of other comprehensive income	–	–	–	–	–	–	–	–	–	0.1	–	0.1
Group's share of total comprehensive income	(1.5)	57.3	10.8	4.6	0.3	71.5	5.6	60.4	9.2	2.8	1.4	79.4

1. SPW is a joint venture and has £81.6 million of cash and cash equivalents (2021: £114.8 million) within its current assets.

(b) Investments in associates measured at fair value

Where the Group holds units in pooled investment vehicles that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, the Group records such investments at fair value. Information about the Group's principal associates measured at fair value is shown below. The investments are recorded as financial assets within the statement of financial position.

	2022						
	ICBC (Europe) ECITS SICAV £m	Schroder Global Sustainable Growth Fund (Canada) £m	Schroder Indian Equity Fund £m	Schroder ISF Nordic Smaller Companies £m	Schroder Global Emerging Markets Fund £m	Schroder Global Equity Component Fund £m	Schroder Long Dated Corporate Bond £m
Current assets	22.0	16.2	28.0	30.4	628.8	107.8	180.7
Current liabilities	–	–	–	–	(1.9)	(0.2)	(0.9)
Total equity	22.0	16.2	28.0	30.4	626.9	107.6	179.8
Net income	–	0.7	0.1	0.2	8.1	0.4	7.0
Profit for the year	–	0.7	0.1	0.2	8.1	0.4	7.0
Total comprehensive income	–	0.7	0.1	0.2	8.1	0.4	7.0
Country of incorporation	UK	US	UK	Luxembourg	UK	UK	UK
Percentage owned by the Group	33%	29%	27%	23%	29%	29%	21%

9. Associates and joint ventures continued

(b) Investments in associates measured at fair value continued

	2021					
	Schroder ISF Smart Manufacturing £m	SSSF Wealth Management USD Balanced £m	Schroder Core Plus FIC FIA £m	ICBC (Europe) ECITS SICAV £m	Schroder QEP Global Active value £m	Schroder Advanced Beta Global Corporate Bond £m
Current assets	32.1	15.4	5.8	21.9	458.9	1,277.7
Current liabilities	-	-	-	-	-	(0.7)
Total equity	32.1	15.4	5.8	21.9	458.9	1,277.0
Net income	1.4	0.3	0.1	0.1	13.7	19.6
Profit for the year	1.4	0.3	0.1	0.1	13.7	19.6
Total comprehensive income	1.4	0.3	0.1	0.1	13.7	19.6
Country of incorporation	Luxembourg	Luxembourg	Brazil	Luxembourg	Luxembourg	UK
Percentage owned by the Group	29%	28%	28%	33%	27%	23%

10. Property, plant and equipment

The Group's property, plant and equipment provides the infrastructure to enable the Group to operate, and principally comprises leasehold improvements, freehold land and buildings, fixtures and fittings and computer equipment. Right-of-use assets in the form of leases are also included within property, plant and equipment (further detail is found in note 11). Assets are initially stated at cost, which includes expenditure associated with acquisition. The cost of the asset is recognised in the income statement as a depreciation charge on a straight-line basis over the estimated useful life, with the exception of land which is assumed to have an indefinite useful life.

	2022				2021			
	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost								
At 1 January	194.6	19.7	165.8	380.1	188.7	19.7	157.5	365.9
Exchange translation adjustments	5.1	-	4.6	9.7	(0.8)	-	(1.6)	(2.4)
Additions	7.6	-	12.1	19.7	11.2	-	14.8	26.0
Disposals	(0.3)	-	(13.5)	(13.8)	(4.5)	-	(4.9)	(9.4)
At 31 December	207.0	19.7	169.0	395.7	194.6	19.7	165.8	380.1
Accumulated depreciation								
At 1 January	(59.2)	(1.8)	(89.2)	(150.2)	(50.7)	(1.3)	(77.8)	(129.8)
Exchange translation adjustments	(2.5)	-	(3.0)	(5.5)	0.6	-	0.8	1.4
Depreciation charge	(14.3)	(0.4)	(21.3)	(36.0)	(13.6)	(0.5)	(17.1)	(31.2)
Disposals	0.3	-	1.5	1.8	4.5	-	4.9	9.4
At 31 December	(75.7)	(2.2)	(112.0)	(189.9)	(59.2)	(1.8)	(89.2)	(150.2)
Net book value at 31 December	131.3	17.5	57.0	205.8	135.4	17.9	76.6	229.9
Right-of-use assets (see note 11)				318.3				330.1
Property, plant and equipment net book value at 31 December				524.1				560.0

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11. Leases

The Group's lease arrangements primarily consist of operating leases relating to office space.

The Group initially records a lease liability in the statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that the Group would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right-of-use (ROU) asset is recorded at the value of the lease liability plus any directly related costs and estimated future dilapidation expense and is presented within property, plant and equipment (see note 10) on the balance sheet. Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease while the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

The Group considers whether the lease term should reflect options to extend or reduce the life of the lease. Relevant factors that could create an economic incentive to exercise the option are considered and the extensions/termination is included if it is reasonably certain to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option. Should this occur, the Group modifies the lease liability and associated ROU asset to reflect the revised remaining expected cashflows.

	2022		2021	
	Right-of-use assets £m	Lease liabilities £m	Right-of-use assets £m	Lease liabilities £m
At 1 January	330.1	373.8	354.8	397.2
Exchange translation adjustments	9.8	12.3	(1.8)	(1.2)
Additions and remeasurements of lease obligations	18.0	15.6	14.5	14.5
Lease payments	-	(51.3)	-	(47.5)
Depreciation charge	(39.6)	-	(37.4)	-
Interest expense	-	10.6	-	10.8
At 31 December	318.3	361.0	330.1	373.8

The depreciation charge and interest expense relating to leases are recorded within operating expenses (see note 3).

	2022 £m	2021 £m
Lease liabilities – current	39.2	31.2
Lease liabilities – non-current	321.8	342.6
	361.0	373.8

The Group's lease liabilities contractually mature in the following time periods:

	2022 £m	2021 £m
Less than 1 year	48.9	46.3
1 – 2 years	47.3	47.9
2 – 5 years	106.7	98.8
More than 5 years	235.2	267.9
	389.2	414.6
	438.1	460.9

12. Goodwill and intangible assets

Intangible assets (other than software) arise when the Group acquires a business and the fair value paid exceeds the fair value of the net tangible assets acquired. This premium reflects additional value that the Group determines to be attached to the business. Identifiable acquired intangible assets relating to business combinations include technology, contractual agreements to manage client assets and gain additional access to new or existing clients and geographies. Where such assets can be identified, they are classified as acquired intangible assets and amortised to the income statement within acquisition costs and related items on a straight line basis, primarily over seven years.

Consideration paid to acquire a business in excess of the acquisition date fair value of net tangible and identifiable intangible assets is known as goodwill. Goodwill is not charged to the income statement unless its value has diminished. The assessment of whether goodwill has become impaired is based on the expected future returns of the relevant cash-generating unit (CGU) as a whole.

Software purchased and developed for use in the business is also classified as an intangible asset. The cost of purchasing and developing software is taken to the income statement over time as an amortisation charge within operating expenses. The treatment is similar to property, plant and equipment, and the asset is normally amortised on a straight line basis over three to five years, but can have an estimated useful life of up to ten years.

	2022				2021			
	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost								
At 1 January	803.4	361.9	470.7	1,636.0	811.7	362.8	413.2	1,587.7
Exchange translation adjustments	36.1	15.7	4.7	56.5	(8.3)	(3.2)	(0.8)	(12.3)
Additions	400.2	332.4	97.6	830.2	-	2.3	63.4	65.7
Disposals	-	-	-	-	-	-	(5.1)	(5.1)
At 31 December	1,239.7	710.0	573.0	2,522.7	803.4	361.9	470.7	1,636.0
Accumulated amortisation								
At 1 January	-	(252.8)	(214.7)	(467.5)	-	(220.2)	(159.5)	(379.7)
Exchange translation adjustments	-	(8.9)	(3.5)	(12.4)	-	0.9	0.6	1.5
Amortisation charge	-	(47.1)	(66.2)	(113.3)	-	(33.5)	(60.7)	(94.2)
Disposals	-	-	-	-	-	-	4.9	4.9
At 31 December	-	(308.8)	(284.4)	(593.2)	-	(252.8)	(214.7)	(467.5)
Carrying amount at 31 December	1,239.7	401.2	288.6	1,929.5	803.4	109.1	256.0	1,168.5

The Group acquired £328.8 million of identifiable intangible assets as a result of business combinations during 2022 (2021: none). The Group acquired £3.6 million (2021: £2.3 million) of customer contracts through Benchmark Capital that were not considered to be business combinations.

Estimates and judgements

The Group estimates the fair value of identifiable intangible assets acquired at the acquisition date based on forecast profits, taking account of synergies, derived from existing contractual arrangements. This assessment involves judgement in determining assumptions relating to potential future revenues, profit margins, appropriate discount rates and the expected duration of client relationships. The difference between the fair value of the consideration and the value of the identifiable assets and liabilities acquired, including intangible assets, is accounted for as goodwill.

At each reporting date, the Group applies judgement to determine whether there is any indication that an acquired intangible asset may be impaired. If any indication exists, a full assessment is undertaken. Goodwill is assessed for impairment on an annual basis. If the assessment of goodwill or an acquired intangible asset determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions the Group has determined the lowest level CGU for Asset Management acquisitions is the segment. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £1,009.6 million (2021: £574.9 million) is allocated to Asset Management and £230.1 million (2021: £228.5 million) is allocated to Wealth Management, of which £68.2 million (2021: £68.1 million) relates to Benchmark Capital.

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12. Goodwill and intangible assets continued

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2021: 2%), a pre-tax discount rate of 12% (2021: 10%), expected flows and expected changes to revenue margins. The results of the calculations indicate that goodwill is not impaired.

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2021: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised in the income statement but may be reversed if relevant conditions improve.

13. Deferred tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded. A deferred tax asset represents a tax reduction that is expected to arise in a future period based on past transactions. A deferred tax liability represents taxes that will become payable in a future period as a result of current or prior year transactions.

Deferred tax liabilities also arise on certain acquisitions where the amortisation of the acquired intangible asset does not result in a tax deduction. The deferred tax liability is established on acquisition and is released to the income statement to match the intangible asset amortisation. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year-end date.

	2022						Total £m
	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Tax losses £m	Intangible assets on acquisition £m	Other net temporary differences £m	
At 1 January	11.8	101.3	(48.7)	48.2	(25.5)	(22.5)	64.6
Income statement credit/(charge)	4.2	(1.5)	(0.7)	14.8	8.4	7.6	32.8
Income statement credit/(charge) due to changes in tax rates	0.1	10.1	(0.2)	5.0	(0.6)	0.2	14.6
Credit/(charge) to other comprehensive income	-	-	12.6	-	-	(0.1)	12.5
Charge to statement of other comprehensive income due to changes in tax rates	-	-	3.9	-	-	(0.1)	3.8
Charge to equity	-	(5.7)	-	-	-	-	(5.7)
Credit to equity due to changes in tax rates	-	0.8	-	-	-	-	0.8
Business combinations	-	1.8	-	-	(79.9)	-	(78.1)
Exchange translation adjustments	(0.2)	4.1	-	0.3	(0.9)	(1.7)	1.6
At 31 December	15.9	110.9	(33.1)	68.3	(98.5)	(16.6)	46.9

	2021						Total £m
	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Tax losses £m	Intangible assets on acquisition £m	Other net temporary differences £m	
At 1 January	(4.6)	82.3	(31.2)	3.0	(27.7)	(20.4)	1.4
Income statement credit/(charge)	12.6	13.6	(0.5)	34.7	6.4	(1.2)	65.6
Income statement credit/(charge) due to changes in tax rates	3.8	4.9	(10.3)	10.4	(4.4)	(1.2)	3.2
(Charge)/credit to other comprehensive income	-	-	(5.2)	-	-	1.0	(4.2)
(Charge)/credit to statement of other comprehensive income due to changes in tax rates	-	-	(1.5)	-	-	0.1	(1.4)
Credit to equity	-	0.8	-	-	-	-	0.8
Credit to equity due to changes in tax rates	-	0.2	-	-	-	-	0.2
Exchange translation adjustments	-	(0.5)	-	0.1	0.2	(0.8)	(1.0)
At 31 December	11.8	101.3	(48.7)	48.2	(25.5)	(22.5)	64.6

13. Deferred tax continued

The UK corporation tax rate is currently 19%. The UK Chancellor announced in the March 2021 Budget that the rate will increase to 25% from April 2023. The rate increase was substantively enacted in May 2021 and the UK deferred tax balances have been revalued accordingly.

Included in the deferred tax asset is an asset relating to UK tax deductions for share-based remuneration which is dependent on the prices of the Company's ordinary shares at the time the awards are exercised.

A deferred tax asset of £9.7 million (2021: £6.5 million) relating to £41.2 million of realised and unrealised capital losses has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised.

A deferred tax asset of £26.5 million (2021: £13.3 million) relating to £111.5 million of other losses and other temporary differences have not been recognised as there is insufficient evidence that there will be sufficient taxable profits in the future against which these deferred tax assets could be utilised.

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2022 £m	2021 £m
Deferred tax assets	185.8	145.0
Deferred tax liabilities	(138.9)	(80.4)
	46.9	64.6

14. Unit-linked liabilities and assets backing unit-linked liabilities

The Group operates a unit-linked life assurance business through the wholly owned subsidiary Schroder Pension Management Limited (the Life Company). The Life Company provides investment products through a life assurance wrapper. The investment products do not provide cover for insurance risk and are therefore recognised and accounted for as financial instruments and presented as financial liabilities due to Life Company investors (policyholders) within unit-linked liabilities.

The investment product is almost identical to a unit trust. As it is a life assurance product, the contractual rights and obligations of the investments remain with the Group and the AUM is therefore included on the statement of financial position, together with the liability to investors. The Group earns fee income from managing the investment, which is included in revenue.

Financial assets and liabilities held by the Life Company are measured at FVTPL. Other balances include cash and receivables, which are measured at amortised cost (see note 8). The Life Company's assets are regarded as current assets as they represent the amount available to Life Company investors (or third party investors in consolidated funds) who are able to withdraw their funds on call, subject to certain restrictions in the case of illiquidity. Gains and losses from assets and liabilities held to cover investor obligations are attributable to investors in the Life Company or third party investors in the funds. As a result, any gain or loss is offset by a change in the obligation to investors.

	2022 £m	2021 £m
Financial liabilities due to Life Company investors	8,174.1	10,439.8
Financial liabilities due to third parties ¹	1,880.0	3,023.3
	10,054.1	13,463.1

1. In accordance with the accounting standards, the Group is deemed to hold a controlling interest in certain funds as a result of the investments held by the Life Company. This results in all of the assets and liabilities of those funds being consolidated within the statement of financial position and the third party interest in the fund being recorded as a financial liability due to third party investors.

The Group has no primary exposure to market risk, credit risk or liquidity risk in relation to the investments due to Life Company investors. The risks and rewards associated with its investments are borne by the investors in the Life Company's investment products or third party investors in the funds and not by the Life Company itself. Consequently, no further financial instrument risk disclosures are included.

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14. Unit-linked liabilities and assets backing unit-linked liabilities continued

Fair value measurements of Life Company financial assets and liabilities

Each of the Life Company's financial assets and liabilities has been categorised using a fair value hierarchy as shown below. These levels are based on the degree to which the fair value is observable and are defined in note 8.

	2022				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	2,385.3	1,731.3	–	–	4,116.6
Pooled investment vehicles	2,478.6	–	22.8	–	2,501.4
Equities	2,639.3	29.8	–	–	2,669.1
Derivative contracts	12.4	51.5	–	–	63.9
	7,515.6	1,812.6	22.8	–	9,351.0
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	605.0	605.0
Trade and other receivables	–	–	–	98.1	98.1
	–	–	–	703.1	703.1
Total assets backing unit-linked liabilities	7,515.6	1,812.6	22.8	703.1	10,054.1
Unit-linked liabilities	9,996.1	48.7	–	9.3	10,054.1
	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	2,130.6	1,547.2	–	–	3,677.8
Pooled investment vehicles	3,654.5	–	22.9	–	3,677.4
Equities	4,952.6	10.8	–	–	4,963.4
Derivative contracts	62.8	40.0	–	–	102.8
	10,800.5	1,598.0	22.9	–	12,421.4
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	911.7	911.7
Trade and other receivables	–	–	–	130.0	130.0
	–	–	–	1,041.7	1,041.7
Total assets backing unit-linked liabilities	10,800.5	1,598.0	22.9	1,041.7	13,463.1
Unit-linked liabilities	13,369.6	77.7	–	15.8	13,463.1

The fair value of financial instruments not held at fair value approximates their carrying value. No financial assets were transferred between levels during the year (2021: none).

14. Unit-linked liabilities and assets backing unit-linked liabilities continued

Estimates and judgements – fair value measurements

Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 8). Level 1 investments principally comprise quoted equities, investments in pooled investment vehicles, government debt and exchange-traded derivatives. Level 2 investments principally comprise debt securities such as commercial paper and certificates of deposit. Level 3 investments principally comprise investments in private equity funds. There are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

Movements in financial assets categorised as level 3 during the year were:

	2022 £m	2021 £m
At 1 January	22.9	28.1
Exchange translation adjustments	0.6	(1.1)
Net gain recognised in the income statement	5.6	10.4
Disposals	(6.3)	(14.5)
At 31 December	22.8	22.9

15. Trade and other payables

Trade and other payables includes amounts the Group is due to pay in the normal course of business, accruals and deferred income (being fees received in advance of services provided as well as deferred cash awards), and bullion deposits by customers. Trade and other payables, other than deferred cash awards and bullion deposits, are recorded initially at fair value and subsequently at amortised cost (see note 8). Amounts due to be paid by the Group in the normal course of business are made up of creditors and accruals. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred cash awards (being deferred employee remuneration payable in cash), and bullion deposits by customers are recorded at fair value.

	2022			2021		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables at amortised cost:						
Settlement accounts	-	96.6	96.6	-	138.2	138.2
Trade creditors	-	14.7	14.7	-	8.8	8.8
Social security	19.5	88.6	108.1	28.4	86.5	114.9
Accruals and deferred income	22.3	568.6	590.9	18.5	619.7	638.2
Other payables	-	24.3	24.3	-	14.7	14.7
	41.8	792.8	834.6	46.9	867.9	914.8
Trade and other payables at fair value:						
Deferred cash awards	52.8	159.5	212.3	80.6	117.4	198.0
Bullion deposits by customers	-	2.6	2.6	-	2.2	2.2
	52.8	162.1	214.9	80.6	119.6	200.2
Total trade and other payables	94.6	954.9	1,049.5	127.5	987.5	1,115.0

Notes to the accounts

continued

15. Trade and other payables continued

The fair value of trade and other payables held at amortised cost approximates their carrying value. The fair value of bullion deposits by customers is derived from level 1 inputs (see note 8). The fair value of deferred cash awards is derived from level 1 inputs, being equal to the fair value of the units in funds to which the employee award is linked.

The Group's trade and other payables contractually mature in the following time periods:

	2022 £m	2021 £m
Less than 1 year ¹	954.9	987.5
1 – 2 years	46.8	65.4
2 – 5 years	45.8	60.3
More than 5 years	2.0	1.8
	94.6	127.5
	1,049.5	1,115.0

1. Settlement accounts are generally settled within four working days (2021: four working days) and trade creditors have an average settlement period of 24 working days (2021: 20 working days).

16. Provisions and contingent liabilities

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and therefore usually require the use of estimates. They are recognised when three conditions are fulfilled: when the Group has a present obligation (legal or constructive) as a result of a past event; when it is probable that the Group will incur a loss in order to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. They are recorded at the Group's best estimate of the cost of settling the obligation. Any differences between those estimates and the amounts for which the Group actually becomes liable are taken to the income statement as additional charges where the Group has underestimated and credits where the Group has overestimated. Where the estimated timing and settlement is longer term, the amount is discounted using a rate reflecting specific risks associated with the provision.

Contingent liabilities are potential liabilities, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed where significant and are not included within the statement of financial position.

	Dilapidations £m	Legal, regulatory and other £m	Total £m
At 1 January 2022	15.2	11.6	26.8
Exchange translation adjustments	0.3	0.2	0.5
Provisions utilised	–	(2.1)	(2.1)
Provisions charged	0.3	1.6	1.9
Provisions released	–	(4.1)	(4.1)
Additions	2.4	–	2.4
At 31 December 2022	18.2	7.2	25.4

	Dilapidations £m	Legal, regulatory and other £m	Total £m
Current – 2022	1.0	2.5	3.5
Non-current – 2022	17.2	4.7	21.9
	18.2	7.2	25.4
Current – 2021	1.0	4.6	5.6
Non-current – 2021	14.2	7.0	21.2
	15.2	11.6	26.8

16. Provisions and contingent liabilities continued

The Group's provisions are expected to mature in the following time periods:

	2022 £m	2021 £m
Less than 1 year	3.5	5.6
1 – 2 years	5.7	8.2
2 – 5 years	2.7	0.8
More than 5 years	13.5	12.2
	21.9	21.2
	25.4	26.8

Dilapidation provisions associated with the Group's office leases have a weighted average maturity of 13 years (2021: 13 years).

Legal and regulatory obligations associated with the Group's business arise from past events that are estimated to crystallise mainly within two years (2021: two years). These matters are ongoing.

Estimates and judgements

The timing and amount of settlement of each legal claim or potential claim, regulatory matter and constructive obligation is uncertain. The Group applies judgement to determine whether a provision is required. The Group performs an assessment of the timing and amount of each event and reviews this assessment periodically. For some provisions there is greater certainty as the cash flows have largely been determined. Potential legal claims, regulatory related costs and other obligations to third parties arise as a consequence of normal business activity. They can arise from actual or alleged breaches of obligations and may be covered by the Group's insurance arrangements, but subject to insurance excess. In certain circumstances, legal and regulatory claims can arise despite there being no error or breach. The Group's risk management and compliance procedures are designed to mitigate, but are not able to eliminate, the risk of losses occurring. Where such claims and costs arise there is often uncertainty over whether a payment will be required and estimation is required in determining the quantum and timing of that payment. As a result, there is also uncertainty over the timing and amount of any insurance recovery, although this does not change the likelihood of insurance cover being available, where applicable. The Group makes periodic assessments of all cash flows, including taking external advice where appropriate, to determine an appropriate provision. Some matters may be settled through commercial negotiation as well as being covered in whole or in part by the Group's insurance arrangements. The Group has made provisions based on the reasonable expectation of likely outflows. The inherent uncertainty in such matters and the results of negotiations and insurance cover may result in different outcomes.

There are no key judgements or estimates that would result in any additional material provisions being recognised or any material contingent liabilities being disclosed in the financial statements (2021: none). The provisions included in the financial statements at 31 December 2022 are based on estimates of reasonable ranges of likely outcomes, applying assumptions regarding the probability of payments being due and the settlement value. The aggregate reasonable ranges have been assessed as not materially different to the carrying values.

17. Derivative contracts

(a) The Group's use of derivatives

The Group holds derivatives for risk management, client facilitation and within its consolidated structured entities to provide exposure to market returns. The Group most commonly uses forward foreign exchange contracts, where it agrees to buy or sell specified amounts of a named currency at a future date, allowing the Group to effectively fix exchange rates so that it can avoid unpredictable gains and losses on financial instruments in foreign currency assets and liabilities. The Group uses futures, total return swaps and credit default swaps to hedge market-related gains and losses on its seed capital investments where the purpose of investing is to help establish a new product rather than gain additional market exposure. Interest rate contracts are used to hedge exposures to fixed or floating rates of interest.

The Group designates certain derivatives as hedges of a net investment in a foreign operation. In these scenarios, and where relevant conditions are met, hedge accounting is applied and the Group formally documents the relationship between the derivative and any hedged item, its risk management objectives and its strategy for undertaking the various hedging transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of hedged items. In respect of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. The Group's net investment hedges are generally fully effective, but any ineffective portion that may arise is recognised in the income statement. On disposal of the foreign operation, together with the hedged gain or loss, the cumulative gain or loss on the hedging instrument is transferred to the income statement.

Notes to the accounts

continued

17. Derivative contracts continued

(a) The Group's use of derivatives continued

Risk management: the Group actively seeks to limit and manage its exposures to risk where that exposure is not desired by the Group. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By entering into derivative contracts, the Group is able to mitigate or eliminate such exposures. The principal risks that the Group faces through such use of derivative contracts is credit risk and liquidity risk.

Client facilitation: the Group's Wealth Management entities are involved in providing portfolio management, banking and investment advisory services, primarily to private clients. In carrying out this business, they transact as agent or as principal in financial assets and liabilities (including derivatives) in order to facilitate client portfolio requirements. Wealth Management's policy is to hedge, as appropriate, market risk on its client facilitation positions. This does not eliminate credit risk.

For details of how the Group manages its exposure to credit risk, see below and note 18.

(b) Derivatives used by the Group

Forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. The maximum exposure to credit risk is represented by the fair value of the contracts.

Currency, interest rate, total return and credit default swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, interest rates or total returns (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except in the case of certain currency swaps. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, the proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties in accordance with its internal policies and procedures.

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. Contracts are negotiated at a futures exchange, which acts as an intermediary between the two parties. For futures contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables relative to their terms. The aggregate contractual amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values and contractual maturities are set out below:

	2022		2021	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Equity contracts	6.4	(4.7)	59.7	(71.7)
Forward foreign exchange contracts	16.5	(23.6)	18.1	(16.6)
	22.9	(28.3)	77.8	(88.3)
	2022		2021	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Net-settled derivative contracts¹ maturing/repricing² in:				
Less than 1 year	6.4	(4.7)	59.7	(71.7)
	6.4	(4.7)	59.7	(71.7)
Gross-settled derivatives³ maturing/repricing² in less than 1 year:				
Gross inflows	983.5	874.1	1,066.9	953.0
Gross outflows	(967.6)	(897.2)	(1,048.9)	(969.7)
Difference between future contractual cash flows and fair value	0.6	(0.5)	0.1	0.1
	16.5	(23.6)	18.1	(16.6)
	22.9	(28.3)	77.8	(88.3)

1. Equity contracts.

2. Whichever is earlier.

3. Forward foreign exchange contracts.

18. Financial instrument risk management

The Group Capital Committee is responsible for the management of the Group's capital and sets objectives for how it is deployed. This note explains how the Group manages its capital, setting out the nature of the risks the Group faces as a result of its operations, and how these risks are quantified and managed.

The Group is exposed to different forms of financial instrument risk including: (i) the risk that money owed to the Group will not be received (credit risk); (ii) the risk that the Group may not have sufficient cash available to pay its creditors as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the wellbeing of the Group.

The Group's primary exposure to financial instrument risk is derived from the financial instruments that it holds as principal. In addition, due to the nature of the business, the Group's exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by the financial instrument risk exposure of our clients – the secondary exposure. This note deals only with the direct or primary exposure of the risks from the Group's holding of financial instruments.

The Life Company provides unit-linked investment products through a life assurance wrapper. The financial risks of these products are largely borne by the third party investors, consistent with other investment products managed by the Group. However, since the Life Company, which is a subsidiary, issues the investment instrument and holds the relevant financial assets, both the investments and the third party obligations are recorded in the statement of financial position. Financial instrument risk management disclosures in respect of the Life Company's financial instruments are set out in note 14.

(a) Capital

The Group's approach to capital management is to maintain a strong capital position to enable it to invest in the future of the Group, in line with its strategy, and to support the risks inherent in conducting its business. Capital management is an important part of the Group's risk management framework and is underpinned by the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

The Group's lead regulator is the Prudential Regulation Authority as the Group includes an entity with a UK banking licence. The Group is required to maintain adequate capital resources to meet its Total Capital Requirement (TCR) of £1,022 million (2021: £937 million). The TCR incorporates the Group's Pillar 1 regulatory capital requirement of £862 million (2021: £769 million). In addition to the TCR of the banking group, the Group is required to hold additional capital of £323 million (2021: £282 million) in respect of its insurance companies and regulatory buffers. The Group's overall regulatory capital requirement was £1,346 million at 31 December 2022 (2021: £1,220 million).

In managing the Group's capital position, the Group considers the composition of the capital base, which consists of: working capital deployed to support the Group's general operating activities and regulatory requirements; investment capital held in excess of these operating requirements; and other items that are not investible or otherwise available to meet the Group's operating or regulatory requirements.

The table below shows the components of our capital position:

	2022 £m	2021 £m
Working capital – regulatory and other	1,538	1,403
Working capital – seed and co-investment	512	666
Investment capital – liquid	127	780
Investment capital – illiquid	57	58
Other items	2,246	1,519
Total equity	4,480	4,426

(i) Working capital

The Group's policy is for subsidiaries to hold sufficient working capital to meet their regulatory and other operating requirements. Operating capital principally comprises cash and cash equivalents and other low-risk financial instruments, as well as financial instruments held to hedge fair value movements on certain deferred fund awards. Local regulators oversee the activities of, and impose minimum capital and liquidity requirements on certain Group operating entities. The Group complied with all externally imposed regulatory capital requirements during the year. Other investible equity held in excess of operating requirements is transferred to investment capital, which is managed centrally in accordance with limits approved by the Board.

Working capital is also deployed through certain subsidiaries to support new investment strategies and growth opportunities and to co-invest alongside the Group's clients.

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18. Financial instrument risk management continued

(a) Capital continued

(ii) Investment capital

Available capital held in excess of working capital requirements is transferred to investment capital. Investment capital is managed with the aim of achieving a low-volatility return. Liquid investments are available to support the organic development of existing and new business strategies and to respond to other investment and growth opportunities as they arise, such as acquisitions. Investment capital also includes certain commercial private equity investments and illiquid legacy investments.

(iii) Other items

Other items comprise assets that are not investible or available to meet the Group's general operating or regulatory requirements. It includes assets that are actually or potentially inadmissible for regulatory capital purposes, principally goodwill, intangible assets, minority interest in certain subsidiaries and pension scheme surplus.

The tables below provide a detailed breakdown of the Group's capital in accordance with IFRS 9:

	2022					Total £m
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Liabilities to purchase subsidiary shares £m	Financial instruments at fair value through profit or loss ¹ £m	Non-financial instruments £m	
Assets						
Cash and cash equivalents	4,440.3	–	–	–	–	4,440.3
Trade and other receivables	804.4	–	–	–	92.1	896.5
Financial assets:						
Loans and advances to banks	122.8	–	–	–	–	122.8
Loans and advances to clients	615.6	–	–	–	–	615.6
Debt securities	263.9	591.9	–	148.1	–	1,003.9
Pooled investment vehicles	–	–	–	702.2	–	702.2
Equities	–	–	–	202.9	–	202.9
Derivatives	–	–	–	22.9	–	22.9
Associates and joint ventures	–	–	–	–	497.7	497.7
Property, plant and equipment	–	–	–	–	524.1	524.1
Goodwill and intangible assets	–	–	–	–	1,929.5	1,929.5
Deferred tax	–	–	–	–	185.8	185.8
Retirement benefit scheme surplus	–	–	–	–	136.3	136.3
Assets backing unit-linked liabilities	703.1	–	–	9,351.0	–	10,054.1
Total assets	6,950.1	591.9	–	10,427.1	3,365.5	21,334.6
Liabilities						
Trade and other payables	726.5	–	–	212.3	110.7	1,049.5
Financial liabilities	4,595.9	–	218.7	325.5	–	5,140.1
Current tax	–	–	–	–	73.1	73.1
Lease liabilities	361.0	–	–	–	–	361.0
Provisions	25.4	–	–	–	–	25.4
Deferred tax	–	–	–	–	138.9	138.9
Retirement benefit scheme deficits	–	–	–	–	12.8	12.8
Unit-linked liabilities	9.3	–	–	10,044.8	–	10,054.1
Total liabilities	5,718.1	–	218.7	10,582.6	335.5	16,854.9
Capital						4,479.7

1. Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £10,508.8 million of liabilities that are designated at fair value through profit or loss and £83.1 million that are mandatorily measured at fair value through profit or loss.

18. Financial instrument risk management continued

(a) Capital continued

(iii) Other items continued

	2021				Total £m
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Financial instruments at fair value through profit or loss ¹ £m	Non-financial instruments £m	
Assets					
Cash and cash equivalents	4,207.3	-	-	-	4,207.3
Trade and other receivables	892.6	-	-	108.3	1,000.9
Financial assets:					
Loans and advances to banks	153.0	-	-	-	153.0
Loans and advances to clients	614.0	-	-	-	614.0
Debt securities	109.9	409.9	420.6	-	940.4
Pooled investment vehicles	-	-	777.0	-	777.0
Equities	-	-	570.1	-	570.1
Derivatives	-	-	77.8	-	77.8
Associates and joint ventures	-	-	-	466.7	466.7
Property, plant and equipment	-	-	-	560.0	560.0
Goodwill and intangible assets	-	-	-	1,168.5	1,168.5
Deferred tax	-	-	-	145.0	145.0
Retirement benefit scheme surplus	-	-	-	197.9	197.9
Assets backing unit-linked liabilities	1,041.7	-	12,421.4	-	13,463.1
Total assets	7,018.5	409.9	14,266.9	2,646.4	24,341.7
Liabilities					
Trade and other payables	799.9	-	198.0	117.1	1,115.0
Financial liabilities	3,822.6	-	971.0	-	4,793.6
Lease liabilities	373.8	-	-	-	373.8
Current tax	-	-	-	52.2	52.2
Provisions	26.8	-	-	-	26.8
Deferred tax	-	-	-	80.4	80.4
Retirement benefit scheme deficits	-	-	-	11.1	11.1
Unit-linked liabilities	15.8	-	13,447.3	-	13,463.1
Total liabilities	5,038.9	-	14,616.3	260.8	19,916.0
Capital					4,425.7

1. Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £14,480.0 million of liabilities that are designated at fair value through profit or loss and £136.3 million that are mandatorily measured at fair value through profit or loss.

(b) Credit risk, liquidity risk and market risk

The Group is exposed to credit, liquidity and market risk as a result of the financial instruments it holds. Settlement of financial instruments (on both a principal and agency basis) also gives rise to operational risk. The Group's risk management framework is critical to effective management of these risks and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Board, with responsibility for oversight delegated to the Audit and Risk Committee. The Group applies the three lines of defence model to risk management, which includes financial instrument risk. More details on the risk management framework and approach are set out in the Risk Management report and the Audit and Risk Committee report on pages 40 and 68 respectively.

(i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the Group financial loss by failing to discharge their obligations. For this purpose, the impact on fair value of a credit loss arising from credit spread price changes in a portfolio of investments is excluded. This risk is addressed within pricing risk.

18. Financial instrument risk management continued**(b) Credit risk, liquidity risk and market risk** continued**(i) Credit risk** continued

The Group has exposure to credit risk from its normal activities where it is exposed to the risk that a counterparty will be unable to pay amounts when due. The Group carefully manages its exposure to credit risk by monitoring exposures to individual counterparties and sectors, monitoring counterparties' creditworthiness, taking collateral and reducing settlement risk where possible and approving lending policies that specify the type of acceptable collateral and lending margins. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Group's relevant financial assets held with rated and unrated counterparties is set out below:

	Cash and cash equivalents		Loans and advances to banks		Debt securities	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Credit rating:						
AAA	230.2	128.0	-	-	317.8	279.7
AA+	233.9	117.4	9.0	14.8	0.1	76.6
AA	135.9	173.5	-	56.2	11.7	16.9
AA-	2,576.7	2,260.3	41.6	45.0	331.5	286.3
A+	673.5	898.6	65.2	30.6	112.4	8.4
A	137.2	188.3	7.0	-	47.7	15.7
A-	430.5	391.3	-	6.4	47.4	8.8
BBB+ and lower	22.0	47.5	-	-	99.2	158.0
Not rated	0.4	2.4	-	-	36.1	90.0
	4,440.3	4,207.3	122.8	153.0	1,003.9	940.4

Expected credit losses are calculated on all of the Group's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

A three stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

- Performing (stage 1) – Financial assets where there has been no significant increase in credit risk since original recognition;
- Under-performing (stage 2) – Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or,
- Non-performing (stage 3) – Financial assets that are in default.

For financial assets in stage 1, expected credit losses are calculated based on the credit losses that are expected to be incurred over the following 12-month period. For financial assets in stages 2 and 3, expected credit losses are calculated based on credit losses expected to be incurred over the life of the instrument. The Group applies the simplified approach to calculate expected credit losses for trade and other receivables. Under this approach, instruments are not categorised into three stages and expected credit losses are calculated based on the life of the instrument.

Wealth Management activities

All client credit requests are presented to the relevant Wealth Management approval authorities and counterparty exposures are monitored daily against limits. Loans, overdrafts and advances to clients, as well as certain derivative positions, are secured on a range of assets including real estate (both residential and commercial), cash, client portfolios and life assurance policies.

The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis. Where disposal of non-cash collateral is required, in the event of default, the terms and conditions relevant to the specific contract and country will apply. Portfolios held as collateral are marked to market daily and positions compared to clients' exposures. Credit limits are set following an assessment of the market value and lending value of each type of collateral, depending on the perceived risk associated with the collateral. Clients are contacted if these limits are expected to be or are breached, or if collateral is not sufficient to cover the outstanding exposure.

The collateral accepted by the Group includes certain investment-grade securities that can be sold or repledged without default of the provider. At 31 December 2022, the fair value of collateral that could be sold or repledged but had not been, relating solely to these arrangements, was £813.4 million (2021: £534.9 million).

Policies covering various counterparty and market risk limits are set and monitored by the relevant Wealth Management asset and liability management committees. All instruments held within the Wealth Management treasury book have an investment grade credit rating.

18. Financial instrument risk management continued

(b) Credit risk, liquidity risk and market risk continued

(i) Credit risk continued

Wealth Management takes a conservative approach to its treasury investments, placing them with, or purchasing debt securities issued by, UK and overseas banks and corporates, central banks, supranational banks and sovereigns.

Expected credit losses on financial assets at amortised cost within the Wealth Management entities at 31 December 2022 were £0.3 million (2021: £0.3 million). There were no under-performing (stage 2) or non-performing (stage 3) loans and advances to clients (2021: one under-performing (stage 2) loan of £2.9 million and no non-performing (stage 3) loans) giving rise to no expected credit losses (2021: nil). All other financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2021: same).

Expected credit losses on financial assets at fair value through other comprehensive income within the Wealth Management entities at 31 December 2022 were £0.1 million (2021: £0.1 million). All financial assets at fair value through other comprehensive income were performing (stage 1) (2021: same).

Other activities

Fee debtors and other receivables arise as a result of the Group's asset management activities and amounts are monitored regularly. Historically, default levels have been insignificant and unless a client has withdrawn its funds, there is an ongoing relationship between the Group and the client.

Fee debtors past due but not in default as at 31 December 2022 were £70.0 million (31 December 2021: £48.6 million), the majority of which were less than 90 days past due (31 December 2021: less than 90 days).

The Group seeks to manage its exposure to credit risk arising from debt securities and derivatives within the investment portfolio by adopting a conservative approach and through ongoing credit analysis and may hedge some of the credit risk with credit default swaps. Corporate bond portfolios, when in place, have an investment grade mandate, and exposure to sub-investment grade debt is low.

Most derivative positions, other than forward foreign exchange contracts and total return swaps, are taken in exchange-traded securities where there is minimal credit risk. Forward foreign exchange positions generally have a maturity between one and three months.

The Group's cash and cash equivalents in the non-Wealth Management entities are held primarily in current accounts, on deposit with well-rated banks, or invested in money market or similar funds.

Expected credit losses on financial assets at amortised cost within non-Wealth Management entities at 31 December 2022 were £0.8 million (2021: £0.8 million). All financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2021: same).

(ii) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. The Group has a clearly defined liquidity risk management framework in place in the form of a Consolidated Group Internal Liquidity Adequacy Assessment Process (ILAAP). The Group policy is that its subsidiaries should trade solvently, comply with regulatory liquidity requirements and have access to adequate liquidity for all activities undertaken in the normal course of business. As part of its ILAAP, the Group performs stress testing to confirm that sufficient liquidity is available to cover severe but plausible stress events.

Wealth Management activities

The principal liquidity risk in the Group's Wealth Management business arises as a result of its banking activities, where the timing of cash flows from liabilities relating to client accounts can be impacted by client action. The objective of the Group's liquidity policy is to maintain sufficient liquidity within the relevant entities to meet regulatory and prudential requirements, to cover cash flow imbalances and fluctuations in funding and the timely repayment of funds to depositors.

Liquidity positions are actively monitored against both regulatory and internal limits and cash flows are managed so that sufficient liquidity is available to cover potential liquidity risks.

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18. Financial instrument risk management continued

(b) Credit risk, liquidity risk and market risk continued

(ii) Liquidity risk continued

The contractual maturity of Wealth Management financial assets and liabilities is set out below:

	2022				Total £m
	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	
Assets					
Cash and cash equivalents	3,512.2	–	–	–	3,512.2
Loans and advances to banks	114.0	–	–	–	114.0
Loans and advances to clients	251.1	70.7	293.8	–	615.6
Debt securities	639.5	188.4	–	–	827.9
Other financial assets	8.2	–	–	–	8.2
Total financial assets	4,525.0	259.1	293.8	–	5,077.9
Liabilities					
Client accounts	4,533.2	–	–	–	4,533.2
Deposits by banks	59.4	–	–	–	59.4
Other financial liabilities	10.9	–	–	–	10.9
Total financial liabilities	4,603.5	–	–	–	4,603.5
Cumulative gap	(78.5)	180.6	474.4	474.4	474.4

	2021				Total £m
	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	
Assets					
Cash and cash equivalents	2,966.0	–	–	–	2,966.0
Loans and advances to banks	147.2	–	–	–	147.2
Loans and advances to clients	236.4	89.8	287.0	0.8	614.0
Debt securities	329.3	164.6	–	–	493.9
Other financial assets	3.4	–	–	–	3.4
Total financial assets	3,682.3	254.4	287.0	0.8	4,224.5
Liabilities					
Client accounts	3,748.3	–	–	–	3,748.3
Deposits by banks	69.9	–	–	–	69.9
Other financial liabilities	9.1	–	–	–	9.1
Total financial liabilities	3,827.3	–	–	–	3,827.3
Cumulative gap	(145.0)	109.4	396.4	397.2	397.2

Other activities

The Group's exposure to liquidity risk outside of its Wealth Management activities is low. Excluding the Life Company and consolidated funds, the Asset Management segment along with the Group's Investment capital and treasury management activities together hold cash and cash equivalents of £897.6 million (2021: £1,109.5 million). Financial liabilities relating to other operating entities are £536.6 million (2021: £966.4 million).

The Group has a committed revolving credit facility of £850.0 million (2021: £595.0 million), that was put in place in November 2022 (to replace a facility of £765.0 million that was due to expire on 4 October 2024) and which expires in November 2027. The maximum amount drawn down under the facility was £225.0 million (2021: nil). The facility was undrawn at 31 December 2022 (31 December 2021: undrawn).

(iii) Market risk

Market risk is the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates.

Pricing risk

Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

In respect of financial instrument risk, the Group's exposure to pricing risk is principally through investments held in investment capital, seed and co-investment capital, deferred employee compensation in the form of fund awards.

18. Financial instrument risk management continued

(b) Credit risk, liquidity risk and market risk continued

(iii) Market risk continued

Pricing risk continued

The Group does not hedge exposures to pricing risk except in relation to seed capital, where it is practical to do so, and in respect of deferred employee compensation awards, where these can be matched by interests in funds managed by the Group. Where financial instruments are held to hedge deferred compensation awards, movements in the fair value of the asset are normally offset by changes in the amounts payable to employees (see note 3).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Wealth Management activities

In Wealth Management, interest rate risk is monitored against policies and limits set by the relevant risk committee on a daily basis. Interest rate risk is managed within set limits by matching asset and liability positions and through the use of interest rate swaps.

Sensitivity-based and stress-based models are used for monitoring interest rate risk. These models assess the impact of a prescribed shift in interest rates, and the potential impact of severe but plausible stress scenarios.

Other activities

Cash held by the other operating companies is not normally expected to be placed on deposit for longer than three months and is not exposed to significant interest rate risk.

The Group's capital can include investments in corporate investment-grade bonds managed by the Group's fixed income fund managers. The market risk (including interest rate risk) exposure of these investments is actively monitored against limits set by the Board.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Wealth Management activities

In Wealth Management, foreign exchange risk is monitored each day against policies and limits set by the relevant risk committees. Foreign exchange risk is managed within set limits by the treasury departments using spot, forward and foreign exchange swap contracts.

Other activities

The Group's policy in relation to foreign exchange risks arising from revenue, expenditure and capital currency exposure from its Asset Management activities is generally not to hedge. The Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered to be a normal part of the Group's business activities.

The Group also has exposure to foreign currency on financial instruments in currencies other than sterling. This has resulted in a £37.7 million loss in the income statement (2021: £11.0 million gain) and a £148.6 million gain in other comprehensive income (2021: £19.0 million loss). The Group uses forward foreign exchange contracts with third parties to mitigate this exposure. The gain or loss on these contracts is included in the statement of other comprehensive income or the income statement, as appropriate. The use of such instruments is subject to approval by the Group Capital Committee.

The sensitivities to market risk at 31 December are estimated as follows:

Variable ¹		2022		2021	
		A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m	A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m
Interest rates ²	-increase	1.5	14	1.0	2
	-decrease	(0.5)	(5)	(0.8)	(1)
US dollar against sterling	-strengthen	20	5	10	3
	-weaken	(15)	(3)	(10)	(3)
Euro against sterling	-strengthen	15	2	8	2
	-weaken	(10)	(1)	(8)	(2)
US dollar against Euro	-strengthen	10	3	10	3
	-weaken	(10)	(3)	(10)	(1)
FTSE All-Share Index ³	-increase	20	48	20	37
	-decrease	(20)	(48)	(20)	(37)

1. The underlying assumption is that there is one variable increase/decrease with all other variables held constant.

2. Assumes that the fair value of assets and liabilities will not be affected by a change in interest rates.

3. Assumes that changes in the FTSE All-Share Index correlate to changes in the fair value of the Group's equity investments.

The reasonable changes in variables will have no impact on any other components of equity. These sensitivities concern only the direct impact on financial instruments and exclude indirect impacts on fee income and certain costs that may be affected by changes in the variable. The changes used in the sensitivity analysis were provided by the Group's Global Economics team who determine reasonable assumptions.

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19. Share capital and share premium

Share capital primarily comprises the number of issued ordinary shares in Schroders plc multiplied by their nominal value of 20 pence each (2021: £1 each). Share premium substantially represents the aggregate of all amounts that have ever been paid to Schroders plc when it has issued shares. The Company has authority to buyback ordinary shares, restricted by minimum and maximum price caps and a maximum number of shares. Any ordinary shares bought back may be cancelled or held in treasury. Unless renewed, authority will expire at the Company's next annual general meeting, or on 30 June 2023 if earlier.

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2022	282.5	226.0	56.5	282.5	124.2
Enfranchisement of non-voting shares	–	56.5	(56.5)	–	–
Compensatory Bonus Issue	39.9	39.9	–	39.9	(39.9)
Sub-Division of shares	1,289.7	–	–	–	–
At 31 December 2022	1,612.1	322.4	–	322.4	84.3

On 20 September 2022, the Company completed the simplification of its dual share class structure. All non-voting ordinary shares were re-designated as ordinary shares with full voting rights (Enfranchisement); holders of existing ordinary shares received a bonus issue of three additional ordinary shares for every seventeen held (Compensatory Bonus Issue). Following the Enfranchisement and Compensatory Bonus Issue, each ordinary share of £1 was sub-divided into five ordinary shares of 20 pence (Sub-Division).

The Compensatory Bonus Issue resulted in the Company's share capital increasing by £39.9 million. All 39.9 million bonus shares were fully paid at their nominal value of £1 from the Company's share premium account.

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2021	282.5	226.0	56.5	282.5	124.2
At 31 December 2021	282.5	226.0	56.5	282.5	124.2

	2022 Number of shares Millions	2021 Number of shares Millions
Issued and fully paid:		
Ordinary shares of 20p each (2021: £1 each)	1,612.1	226.0
Non-voting ordinary shares (2021: £1 each)	–	56.5
	1,612.1	282.5

20. Own shares

Own shares are recorded by the Group when ordinary shares are acquired by the Company or acquired through employee benefit trusts. This enables the Group to hold some of its shares in treasury to settle option exercises or for other permitted purposes. Own shares are held at cost and their purchase reduces the Group's net assets by the amount spent. When shares vest unconditionally or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost.

Movements in own shares during the year were as follows:

	2022 £m	2021 £m
At 1 January	(150.2)	(159.8)
Own shares purchased	(120.2)	(75.3)
Awards vested	85.3	84.9
At 31 December	(185.1)	(150.2)

During the year 4.9 million own shares (2021: 2.1 million own shares) were purchased and held for hedging share-based awards. 3.7 million shares (2021: 3.1 million shares) awarded to employees vested in the period and were transferred out of own shares.

The total number of shares in the Company held within the Group's employee benefit trusts comprise:

	2022			2021 ¹		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	23.5	37.2	60.7	3.3	5.2	8.5
Non-voting ordinary shares	-	-	-	-	-	-
	23.5	37.2	60.7	3.3	5.2	8.5

1. A simplification of the Company's dual share class structure took place in 2022 (see note 19). The number of shares in 2021 comparatives have not been restated. Had 2021 been restated the number of vested shares would be 19.4 million and the number of unvested shares would be 30.6 million.

	2022			2021		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	107.4	185.1	292.5	83.0	150.0	233.0
Fair value	102.6	162.1	264.7	118.0	185.1	303.1
Non-voting ordinary shares:						
Cost	-	-	-	-	0.2	0.2
Fair value	-	-	-	-	0.3	0.3
Total:						
Cost	107.4	185.1	292.5	83.0	150.2	233.2
Fair value	102.6	162.1	264.7	118.0	185.4	303.4

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21. Reconciliation of net cash from operating activities

This note should be read in conjunction with the cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

	2022 £m	2021 £m
Profit before tax	586.9	764.1
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	188.9	162.8
Net loss/(gain) on financial instruments	11.0	(20.5)
Share-based payments	68.2	89.5
Net (release)/charge for provisions	(2.6)	1.9
Other non-cash movements ¹	43.5	(8.0)
	309.0	225.7
Adjustments for which the cash effects are investing activities:		
Interest (income)/expense	(5.8)	2.0
Interest expense on lease liabilities	10.6	10.8
Share of profit of associates and joint ventures after amortisation	(71.5)	(79.3)
	(66.7)	(66.5)
Adjustments for statement of financial position movements:		
Decrease/(increase) in loans and advances within Wealth Management	64.5	(96.1)
Decrease/(increase) in trade and other receivables	68.9	(10.5)
Increase in deposits and client accounts within Wealth Management	682.7	212.9
(Decrease)/increase in trade and other payables, other financial liabilities and provisions	(159.6)	149.4
	656.5	255.7
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net decrease/(increase) in financial assets backing unit-linked liabilities	3,102.3	(1,211.5)
Net (decrease)/increase in unit-linked liabilities	(3,409.0)	1,376.9
Net (decrease)/increase in cash within consolidated pooled investment vehicles	(101.3)	84.1
	(408.0)	249.5
Tax paid	(104.9)	(194.3)
Net cash from operating activities	972.8	1,234.2

1. Other non-cash movements primarily consist of exchange translation adjustments, before hedging activities.

22. Commitments

Commitments represent amounts the Group has contractually committed to pay to third parties but do not yet represent a liability or impact the Group's financial results for the year.

The Group's commitments primarily relate to investment call commitments, commitments for property, plant and equipment and future leases not yet commenced.

The Group sublets a small number of its owned and leased properties where such properties, or parts of such properties, are not required for use by the Group. The table below discloses the commitments sub-lessees have made in respect of such arrangements. These commitments are not recorded on the statement of financial position in advance of the period to which they relate.

	2022			Total £m
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	
Undrawn loan facilities	15.8	20.8	3.3	39.9
Investment call commitments	59.2	19.9	2.5	81.6
Commitments for property, plant and equipment and leases	4.5	16.8	46.1	67.4
Total commitments	79.5	57.5	51.9	188.9
Operating leases receivable as lessor	(1.0)	(2.4)	–	(3.4)
Net commitments payable	78.5	55.1	51.9	185.5
	2021			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	5.7	56.1	0.3	62.1
Investment call commitments	70.7	20.4	2.1	93.2
Commitments for property, plant and equipment and leases	1.4	5.8	20.6	27.8
Total commitments	77.8	82.3	23.0	183.1
Operating leases receivable as lessor	(0.8)	(2.4)	(0.5)	(3.7)
Net commitments payable	77.0	79.9	22.5	179.4

Office property sub-leases have a weighted average term of 2 years (2021: 3 years) and rentals are fixed for a weighted average term of 2 years (2021: 3 years).

23. Retirement benefit obligations

The Group has two principal types of pension benefit for employees: defined benefit (DB), where the Group has an obligation to provide participating employees with pension payments that represent a specified percentage of their final salary for each year of service, and defined contribution (DC), where the Group's contribution to an employee's pension is measured as, and limited to, a specified percentage of salary.

Accounting for DB schemes requires an assessment of the likely quantum of future pension payments to be made. If ring-fenced assets are held specifically to meet this cost, the scheme is funded, and if not, it is unfunded. The Group periodically reviews its funded DB schemes using actuarial specialists to assess whether it is on course to meet the expected pension payments that current and former employees are, or will be, entitled to. In the case of a projected shortfall, a plan must be formulated to reverse the deficit.

The income statement charge or credit represents the sum of pension entitlements earned by employees in the period, plus a notional net interest charge (if the scheme is in deficit) or income (if it is in surplus) based on the market yields on high quality corporate bonds. Experience differences, principally the difference between actual investment returns and the notional interest amount, as well as actuarial changes in estimating the present value of future liabilities, are recorded in other comprehensive income.

Assets or liabilities recognised in the statement of financial position represent the differences between the fair value of plan assets (if any) and the actuarially determined estimates of the present value of future liabilities. The Group closed its largest DB scheme to future accrual on 30 April 2011, although it still operates some small unfunded schemes overseas. This means that no future service will contribute to the closed scheme member benefits but those members continue to have the benefits determined by the Scheme rules as at 30 April 2011.

The Group's exposure to funding DC pension schemes is limited to the contributions it has agreed to make. These contributions generally stop when employment ceases. The income statement charge represents the contributions the Group has agreed to make into employees' pension schemes in that year.

The disclosures within this note are provided mainly in respect of the principal DB scheme, which is the DB section of the funded Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2022 £m	2021 £m
Pension costs – defined contribution plans	68.4	57.9
Pension credit – defined benefit plans	(2.4)	(0.6)
Other post-employment benefits	0.1	0.1
	66.1	57.4

(a) Profile of the Scheme

The Scheme is administered by a trustee company, Schroder Pension Trustee Limited (the Trustee). The board of the Trustee comprises an independent chairman, three directors appointed by the employer and two directors elected by the Scheme members. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for setting the investment strategy and for the day-to-day administration of the benefits. The Trustee's investment committee comprises four of the Trustee directors and two representatives of the Group. This committee, which reports to the Trustee board, is responsible for making investment strategy recommendations to the board of the Trustee and for monitoring the performance of the investment manager.

Under the Scheme, employees are entitled to annual pensions on retirement based on a specified percentage of their final pensionable salary or, in the case of active members at 30 April 2011 (the date the DB section of the Scheme closed for future accrual), actual pensionable salaries at that date, for each year of service. These benefits are adjusted for the effects of inflation, subject to a cap of 2.5% for pensions accrued after 12 August 2007 and 5.0% for pensions accrued before that date.

As at 31 December 2022, there were no active members in the DB section (2021: nil) and 2,572 active members in the DC section (2021: 2,249). The weighted average duration of the Scheme's DB obligation is 13 years (2021: 18 years). The Group expects that the plan liabilities will settle gradually over time until all members have left the plan. On termination of the Scheme, any assets that remain after the Trustee has settled the Scheme's liabilities will be returned to the Group.

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2022	2021
Number of deferred members	1,032	1,116
Total deferred pensions (at date of leaving Scheme)	£7.1m per annum	£7.6m per annum
Average age (deferred)	56	55
Number of pensioners	1,029	982
Average age (pensioners)	70	70
Total pensions in payment	£22.8m per annum	£21.8m per annum

(b) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2020. The funding level at that date was 107% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2023 and will be performed in 2024.

23. Retirement benefit obligations continued

(c) Risks of the Scheme

The Company and the Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities of the Scheme.

The most significant risks to which the Scheme exposes the Group are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will reduce the surplus or may create a deficit. The Group manages this risk by holding 51% (2021: 71%) of Scheme assets in a liability matching portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but that can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Credit risk

The assets of the Scheme include liability driven investments (LDI) and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's liability matching portfolio, which comprises gilts, corporate bonds and other LDI instruments. The liability matching investments have been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the liability matching portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the liability matching portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2022, the liability matching portfolio was designed to mitigate 90% (2021: 83%) of the Scheme's exposure to changes in gilt yields.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, in most cases, caps on the level of inflationary increases are in place. The majority of the growth assets are either unaffected by or not closely correlated with inflation, which means that an increase in inflation will also decrease any Scheme surplus. The liability matching portfolio includes instruments such as index-linked gilts to provide protection against inflation risk. At 31 December 2022, the liability matching portfolio was designed to mitigate 90% (2021: 83%) of the Scheme's exposure to inflation risk.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

(d) Reporting at 31 December

The principal financial assumptions used for the Scheme are:

	2022 %	2021 %
Discount rate	4.8	2.0
RPI inflation rate	3.2	3.3
CPI inflation rate	2.5	2.9
Future pension increases (for benefits earned before 13 August 2007)	3.0	3.2
Future pension increases (for benefits earned after 13 August 2007)	2.0	2.2
Average number of years a current pensioner is expected to live beyond age 60:	Years	Years
Men	28	28
Women	30	30
Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	Years	Years
Men	29	29
Women	30	30

Net interest income is determined by applying the discount rate to the opening net surplus in the Scheme. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality, long dated corporate bonds that are denominated in the currency in which the benefits will be paid.

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23. Retirement benefit obligations continued

(d) Reporting at 31 December continued

Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out on page 157, used to calculate the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates, which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2021: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2021: 0.25%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics. The latest base mortality tables have been adopted with no scaling (2021: nil) following a Scheme specific review of the membership data.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Solutions UK Limited, and is based on an assessment of the Scheme as at 31 December 2022.

The amounts recognised in the income statement are:

	2022 £m	2021 £m
Interest income on Scheme assets	(21.0)	(14.8)
Interest cost on Scheme liabilities	17.1	12.4
Net interest income recognised in the income statement in respect of the Scheme	(3.9)	(2.4)
Income statement charge in respect of other defined benefit schemes	1.5	1.8
Total defined benefit schemes income statement credit	(2.4)	(0.6)

The amounts recognised in the statement of comprehensive income are:

	2022 £m	2021 £m
Losses/(gains) on Scheme assets in excess of that recognised in interest income	345.2	(20.1)
Actuarial gains due to change in demographic assumptions	(0.2)	(1.0)
Actuarial gains due to change in financial assumptions	(299.4)	(18.6)
Actuarial losses due to experience	18.5	11.4
Total other comprehensive loss/(gain) in respect of the Scheme	64.1	(28.3)
Other comprehensive loss in respect of other defined benefit schemes	1.9	0.7
Total other comprehensive loss/(gain) in respect of defined benefit schemes	66.0	(27.6)

The sensitivity of the Scheme pension liabilities to changes in assumptions are:

Assumption	Assumption change	2022		2021	
		Estimated (increase)/decrease in pension liabilities £m	Estimated (increase)/decrease in pension liabilities %	Estimated (increase)/decrease in pension liabilities £m	Estimated (increase)/decrease in pension liabilities %
Discount rate	Increase by 0.5% per annum	34.4	6.0	66.2	7.6
Discount rate	Decrease by 0.5% per annum	(39.7)	(7.0)	(78.3)	(9.0)
Expected rate of pension increases	Increase by 0.5% per annum	(26.2)	(4.6)	(51.5)	(5.9)
Expected rate of pension increases	Decrease by 0.5% per annum	25.6	4.5	51.3	5.5
Life expectancy	Increase by one year	(20.9)	(3.7)	(43.6)	(4.7)
Life expectancy	Decrease by one year	20.6	3.6	42.9	4.9

23. Retirement benefit obligations continued

(d) Reporting at 31 December continued

Movements in respect of the assets and liabilities of the Scheme are:

	2022 £m	2021 £m
At 1 January	1,070.6	1,077.2
Interest income	21.0	14.8
Remeasurement of assets	(345.2)	20.1
Benefits paid	(38.5)	(40.5)
Administrative expenses ¹	(1.4)	(1.0)
Fair value of plan assets	706.5	1,070.6
At 1 January	(872.7)	(909.0)
Interest cost	(17.1)	(12.4)
Actuarial gains due to change in demographic assumptions	0.2	1.0
Actuarial gains due to change in financial assumptions	299.4	18.6
Actuarial losses due to experience	(18.5)	(11.4)
Benefits paid	38.5	40.5
Present value of funded obligations	(570.2)	(872.7)
Net assets	136.3	197.9

1. Following the last completed triennial valuation it was agreed that certain administrative expenses of the scheme would be paid out of the scheme surplus. The approach will be reviewed as part of the next triennial valuation.

The Group has not materially changed the basis of any of the principal financial assumptions underlying the calculation of the Scheme's net financial position during 2022, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

The fair values of the Scheme's plan assets at the year end are:

	2022		2021	
	Value £m	Of which not quoted in an active market £m	Value £m	Of which not quoted in an active market £m
Liability matching investments	358.0	-	752.3	-
Portfolio funds	313.1	92.2	307.3	44.6
Exchange-traded futures and over-the-counter derivatives	10.1	-	(12.3)	-
Cash	25.3	-	23.3	-
	706.5	92.2	1,070.6	44.6

24. Share-based payments

Share-based payments are remuneration payments to selected employees that take the form of an award of shares in Schroders plc. Employees are generally not able to exercise such awards in full until three years after the award has been made, although conditions vary between different types of award. The accounting for share-based awards settled by transferring shares to the employees (equity-settled) differs from the accounting for similar awards settled in cash (cash-settled). The charge for equity-settled share-based payments is determined based on the fair value of the award on the grant date. Such awards can include share awards that may or may not have performance criteria. The initial fair value of the award takes into account the current value of shares expected to be issued (i.e. estimates of the likely levels of forfeiture and achievement of performance criteria), and the contribution, if required, by the employee. This initial fair value is charged to the income statement reflecting benefits received from employment, where relevant, in the performance period and over the vesting period. The income statement charge is offset by a credit to the statement of changes in equity, where the award is expected to be settled through the issue of shares. Such awards constituted 6.8% (2021: 8.7%) of salaries, wages and other remuneration (see note 3).

The Group may make share-based payments to employees through awards over or linked to the value of ordinary shares and by the grant of market value share options over ordinary shares. These arrangements involve a maximum term of ten years.

It is the Group's practice to hedge all awards to eliminate the impact of changes in the market value of shares between the grant date and the exercise date.

Awards that lapse or are forfeited during the vesting period result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Group recognised total expenses of £68.1 million (2021: £92.1 million) arising from share-based payment transactions during the year, of which £68.2 million (2021: £89.5 million) were equity-settled share-based payment transactions. In 2022, there was £1.1 million of equity settled share based payments included within acquisition costs and related items (2021: £1.5 million).

A simplification of the Company's dual share class structure took place in 2022 (see note 19). The 2021 comparatives have not been restated in this note.

The Group has the following share-based payment arrangements (further details of the current schemes may be found in the Remuneration report):

(a) Deferred Award Plan

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2022 Number of ordinary shares Millions	2021 Number of ordinary shares Millions
Rights outstanding at 1 January	5.2	3.8
Corporate transaction	35.0	-
Granted	4.5	2.4
Forfeited	(0.3)	-
Exercised	(2.7)	(1.0)
Rights outstanding at 31 December	41.7	5.2
Vested	11.7	1.5
Unvested	30.0	3.7

The weighted average exercise price per share is nil. A charge of £62.3 million (2021: £79.9 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Deferred Award Plan to be expensed in future years:

	£m
2023	21.1
2024	8.8
2025+	5.5
	35.4

24. Share-based payments continued

(b) Equity Compensation Plan

Awards over ordinary shares made under the Group's Equity Compensation Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2022	2021	
	Number of ordinary shares Millions	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	2.7	3.5	0.1
Corporate transaction	10.8	-	-
Granted	0.1	0.1	-
Forfeited	-	(0.1)	-
Exercised	(1.3)	(0.8)	(0.1)
Rights outstanding at 31 December	12.3	2.7	-
Vested	8.8	1.4	-
Unvested	3.5	1.3	-

The weighted average exercise price per share is nil. A charge of £1.0 million (2021: £3.7 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Equity Compensation Plan to be expensed in future years:

	£m
2023	0.1
	0.1

(c) Equity Incentive Plan

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value as operating expenses to the income statement, over a five-year vesting period. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. Awards are structured as nil-cost options.

	2022 Number of ordinary shares Millions	2021 Number of ordinary shares Millions
Rights outstanding at 1 January	1.0	1.3
Corporate transaction	4.9	-
Granted	-	-
Forfeited	-	(0.1)
Exercised	(0.3)	(0.2)
Rights outstanding at 31 December	5.6	1.0
Vested	3.0	0.5
Unvested	2.6	0.5

The weighted average exercise price per share is nil. A charge of £2.3 million (2021: £3.6 million) was recognised during the year.

Notes to the accounts

continued

24. Share-based payments continued

(c) Equity Incentive Plan continued

The table below shows the expected charges for awards issued under the Equity Incentive Plan to be expensed in future years:

	£m
2023	2.0
2024	1.3
2025	0.6
	3.9

(d) Long Term Incentive Plan

Awards over ordinary shares made under the Group's Long Term Incentive Plan are charged at fair value to the income statement over a four-year vesting period. Fair value is calculated using the market value of the shares at the grant date, discounted for dividends forgone over the vesting period of the award and adjusted based on an estimate at the year-end date of the extent to which the performance conditions are expected to be met. Awards are structured as nil-cost options.

	2022	2021	
	Number of ordinary shares Millions	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	0.1	0.1	0.1
Corporate transaction	0.4	–	–
Granted	–	–	–
Forfeited	–	–	–
Exercised	–	–	(0.1)
Rights outstanding at 31 December	0.5	0.1	–
Vested	0.1	–	–
Unvested	0.4	0.1	–

The weighted average exercise price per share is nil. A charge of £0.2 million (2021: £0.2 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Long Term Incentive Plan to be expensed in future years:

	£m
2023	0.1
2024	0.1
2025	0.1
	0.3

(e) Share Incentive Plan

The employee monthly share purchase plan is open to UK permanent employees and provides free shares from the Group to match the employee purchase of shares up to a maximum of £100 per month. The shares vest after one year.

Pursuant to this plan, the Group purchased 235,042 ordinary shares in 2022 (2021: 64,556). A charge of £2.4 million (2021: £2.1 million) was recognised during the year.

(f) Cash-settled share-based awards

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

At 31 December 2022, the total carrying value of liabilities arising from cash-settled share-based awards was £4.8 million (2021: £5.6 million). The total intrinsic value at 31 December 2022 of liabilities for which the employee's right to cash or other assets had vested by that date was £2.7 million (2021: £2.6 million).

A credit of £0.1 million (2021: charge of £2.6 million) was recognised during the year. This credit has arisen as the liability was remeasured at the balance sheet date at a share price of £4.36.

25. Related party transactions

Transactions between the Group and parties related to the Group are required to be disclosed to the extent that they are necessary for an understanding of the potential effect of the relationship on the financial statements. Other disclosures, such as key management personnel compensation, are also required.

The Group is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Group are members of the Group, including associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

Cash transactions with associates or joint ventures are reported in the cash flow statement and in note 9.

£24.5 million (2021: £41.3 million) was held in customer accounts in respect of amounts payable to key management personnel or their related parties.

Included within loans and advances to clients are amounts due from related parties of £5.9 million (2021: £7.6 million). All related party loans and advances were at commercial rates.

Some of the plan assets of the Schroders Retirement Benefit Scheme are invested in products managed by the Life Company (see note 14). At 31 December 2022, the fair value of these assets was £94.4 million (2021: £127.8 million).

Transactions between the Group and its related parties were made at market rates. Any amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Key management personnel compensation

Key management personnel are defined as members of the Board or the Group Management Committee. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2022 £m	2021 £m
Short-term employee benefits	Salary and upfront bonus	23.0	29.7
Share-based payments	Deferred share awards	12.5	20.4
Other long-term benefits	Deferred cash awards	9.5	17.6
Termination benefits	Termination benefits	-	1.2
Post-employment benefits	Pension plans	0.2	0.1
		45.2	69.0

The remuneration of key management personnel is based on individual performance and market rates. The remuneration policy (which applies to Directors and management) is described in more detail at www.schroders.com/directors-remuneration-policy.

26. Interests in structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The Group has interests in structured entities as a result of contractual arrangements arising from its principal activity, the management of assets on behalf of its clients. AUM, excluding deposits by Wealth Management clients and some segregated client portfolios held within the Group's Asset Management business, is managed within structured entities. These structured entities typically consist of investment vehicles such as Open Ended Investment Companies, Authorised Unit Trusts, Limited Partnerships and Sociétés d'Investissement à Capital Variable, which entitle investors to a percentage of the vehicle's net asset value. The vehicles are financed by the purchase of units or shares by investors. The Group also has interests in structured entities through proprietary investments. These are mainly into vehicles that help facilitate the Group's stated aim of generating a return on investment capital and when it deploys seed and co-investment capital in developing new investment strategies or as it invests alongside its clients. Additionally, the Group holds interests in structured entities for liquidity management purposes, for example via investments in money market funds.

The Group does not guarantee returns on the investments it manages or commit to financially support its structured entities. A small proportion of the Group's AUM, principally real estate funds, is permitted to raise finance through loans from banks and other financial institutions. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings.

The business activity of all structured entities in which the Group has an interest, is the management of assets in order to generate investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, normally based on a percentage of the entity's net asset value, committed capital value or gross asset value and, where contractually agreed, a performance fee or carried interest, based on outperformance against predetermined benchmarks. In addition, where the Group owns a proportion of the structured entity it is entitled to receive investment returns.

(a) Interests arising from managing assets

The Group's interests in structured entities arising as a result of contractual relationships from its principal activity, the management of assets on behalf of its clients, are reflected in the Group's AUM excluding associates and joint ventures.

	2022			Total £bn
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	
Asset Management	281.8	8.0	228.6	518.4
Wealth Management	88.2	–	9.9	98.1
	370.0	8.0	238.5	616.5

	2021			Total £bn
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	
Asset Management	293.0	11.2	229.8	534.0
Wealth Management	71.2	–	10.0	81.2
	364.2	11.2	239.8	615.2

Certain AUM are managed outside of structured entities. Within Asset Management, this occurs either because it is formed of segregated investment portfolios for institutional clients comprising directly held investments in individual financial instruments, or because the voting structures of the vehicles themselves allow the investment manager to be removed without cause. Within Wealth Management, AUM is not generally considered to be within structured entities as the contractual relationships exist directly with the client rather than with structured entities, for example discretionary and advisory asset management and banking services. In addition, Wealth Management AUM in the form of loans and advances to customers is conducted outside of structured entities.

Certain structured entities are deemed to be controlled by the Group and are accounted for as subsidiaries and consolidated in accordance with the accounting standards. AUM within consolidated structured entities represents the net assets of the beneficial interest in the consolidated structured entity owned by third parties.

AUM within unconsolidated structured entities constitutes the remaining balance, represented principally by the net asset value of pooled vehicles managed for Intermediary clients, as well as some assets invested in pooled vehicles on behalf of Institutional and Wealth Management clients. The Group's beneficial interest in structured entities is not included within AUM and is described separately overleaf.

The Group has no direct exposure to losses in relation to the AUM reported above, as the investment risk is borne by clients. The main risk the Group faces from its interest in AUM managed on behalf of clients is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations.

26. Interests in structured entities continued

(a) Interests arising from managing assets continued

Fee income includes £1,444.4 million (2021: £1,506.1 million) of fees from structured entities managed by the Group. The table below shows the carrying value of the Group's interests in structured entities as a result of its management of assets, where income is accrued over the period for which assets are managed before being invoiced. The carrying value represents the Group's maximum exposure to loss from these interests.

	2022 £m	2021 £m
Fee debtors from structured entities	35.4	22.4
Accrued income from structured entities	272.4	287.1
Total exposure due to investment management activities	307.8	309.5

(b) Interest arising from the Group's investment in unconsolidated structured entities

The table below shows the carrying values of the Group's proprietary investments in unconsolidated structured entities, which resulted in a net loss on financial instruments and other income of £7.7 million (2021: net gain of £43.8 million). The carrying values represent the Group's maximum exposure to loss from these interests.

	2022 £m	2021 £m
Cash and cash equivalents	245.2	177.9
Financial assets	588.0	686.9
Total exposure due to the Group's investments	833.2	864.8

The Group's proprietary investments include interests in unconsolidated structured entities in the form of cash and cash equivalents and financial assets. Cash and cash equivalents comprise investments in money market funds, none of which are managed by the Group (2021: nil). Financial assets include seed and co-investment capital, legacy private equity investments and hedges of deferred cash awards. Of the financial assets, £582.0 million (2021: £685.8 million) is invested in funds managed by the Group. The Group has no interest apart from its role as investor in those funds for which it does not act as manager. The main risk the Group faces from its interests in unconsolidated structured entities arising from proprietary investments is that the investments will decrease in value. Note 18 includes further information on the Group's exposure to market risk arising from proprietary investments.

The Group has contractual commitments to co-invest alongside its clients and provide a minimum level of capital for certain private assets and alternative vehicles. The Group's investment call commitments are set out in note 22.

The statement of financial position also includes the Life Company assets of £10,054.1 million (2021: £13,403.7 million), which are included in AUM. The exposure to the risks and rewards associated with these assets is borne by unit-linked policyholders, or, where Life Company funds are consolidated, third-party investors in those funds.

Financial support for consolidated structured entities where there is no contractual obligation to do so

The Group supports some of its funds through the injection of seed capital in order to enable the funds to establish a track record before they are more widely marketed. During the year, the Group purchased units at a cost of £95.1 million (2021: £181.4 million) to provide seed capital to investment funds managed by the Group, of which £41.8 million (2021: £145.2 million) resulted in the consolidation of those funds and £53.3 million (2021: £36.2 million) did not.

27. Business combinations

The Group applies the acquisition method to account for business combinations. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and any equity interests issued by the Group. The consideration includes the fair value of any asset or liability resulting from contingent or deferred consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest at the fair value of the proportionate share of the acquiree's identifiable net assets.

The Group completed four business combinations during the year ending 31 December 2022.

The most significant of these transactions completed on 11 April 2022, when the Group acquired 75% of the issued share capital of Greencoat Capital Holdings Limited (Greencoat), a leader in European renewables, for a total consideration of £357.5 million. The acquisition contributed £7.7 billion of Asset Management AUM and strengthens the Group's private assets capabilities.

On 31 January 2022, the Group acquired 100% of the issued share capital of River and Mercantile Investments Limited (River and Mercantile), the Solutions division of River and Mercantile Group plc for a total consideration of £238.6 million. The acquisition contributed £43.1 billion of Asset Management AUM and strengthens the Group's position in the UK fiduciary management market.

The Group completed two further acquisitions during the year for a combined consideration of £29.2 million. These acquisitions contributed £1.2 billion of AUM.

The fair value of net assets acquired in the transactions together with goodwill and intangible assets arising are as follows:

	2022			
	Greencoat £m	River and Mercantile £m	Other £m	Total £m
Net assets acquired:				
Cash	13.0	8.9	5.2	27.1
Property, plant and equipment	0.9	–	0.3	1.2
Trade and other receivables	8.4	22.8	2.9	34.1
Financial assets	6.0	–	1.3	7.3
Trade and other payables	(28.5)	(13.9)	(8.0)	(50.4)
Tangible net assets	(0.2)	17.8	1.7	19.3
Goodwill	228.2	154.1	17.9	400.2
Intangible assets arising on acquisition	228.4	87.9	12.5	328.8
Deferred tax arising on acquisition	(55.8)	(21.2)	(2.9)	(79.9)
Non-controlling interest	(43.1)	–	–	(43.1)
Total	357.5	238.6	29.2	625.3
Satisfied by:				
Cash	357.5	238.6	25.8	621.9
Contingent/deferred consideration	–	–	2.8	2.8
Fair value of the Group's pre-existing interest	–	–	0.6	0.6
Total	357.5	238.6	29.2	625.3

The goodwill arising on acquisition is attributable to the value from:

- Additional investment capabilities;
- A broader platform for business growth;
- Talented management and employees; and
- Opportunities for synergies from combining certain activities.

Goodwill will not be deductible for tax purposes.

In the period between the acquisition dates and 31 December 2022, the four acquired businesses contributed £93.8 million to the Group's net operating income. The contribution to operating profit was £28.1 million.

If the acquisitions had been completed on 1 January 2022, the Group's net operating income for the year would have been £2,489.1 million and the operating profit for the year on the same basis would have been £727.6 million.

Estimates and judgements

The fair value of certain items of consideration, assets acquired and liabilities assumed requires some estimation. For intangible assets this estimation required assumptions regarding the level of future management fees that will be earned over the relevant period.

The net impact of changes to these assumptions would be to change the carrying value of individual assets and liabilities with a corresponding change to goodwill.

Presentation of the financial statements

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are held at fair value through profit or loss or at fair value through other comprehensive income, liabilities to purchase subsidiary shares, liabilities in respect of deferred cash awards and certain deposits both with banks and by customers and banks (including those that relate to bullion).

In making an assessment on going concern, the Directors have considered a wide range of information relating to present and future conditions, including future capital requirements, prediction of profitability and cashflows. These assessments showed the Group has sufficient capital and liquidity to support future business requirements and adequate resources to continue as a Going Concern for at least 12 months following the approval of the financial statements.

The consolidated statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes. The Group's Life Company business is reported separately. If the assets and liabilities of the Group's Life Company business were to be included within existing captions on the consolidated statement of financial position, the effect would be to gross up a number of individual line items to a material extent. By not doing this, the Group can provide a more transparent presentation that shows the assets of the Life Company and the related unit-linked liabilities as separate and distinct from the remainder of the consolidated statement of financial position.

The Group's principal accounting policies have been consistently applied. Further information is provided below and highlighted in the notes to the accounts.

(b) Future accounting developments

The Group did not implement the requirements of any other Standards or Interpretations that were in issue but were not required to be adopted by the Group at the year end date. No other Standards or Interpretations have been issued that are expected to have a material impact on the consolidated financial statements.

(c) Basis of consolidation

The consolidated financial information includes the total comprehensive gains or losses, the financial position and the cash flows of the Company and its subsidiaries, associates and joint ventures. This includes share ownership trusts established for certain share-based awards.

In the case of associates and joint ventures, those entities are presented as single line items in the consolidated income statement and consolidated statement of financial position (see note 9). Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements. Details of the Company's related undertakings are presented in note 36.

The entities included in the consolidation may vary year on year due to both the restructuring of the Group (including acquisitions and disposals) and changes to the number of pooled investment vehicles controlled by the Group.

Where the Group controls a pooled investment vehicle, it is consolidated and the third party interest is recorded as a financial liability until the Group loses control. This consolidation has no net effect on the Group's consolidated income statement.

The consolidated cash flow statement separately presents acquisitions and disposals of interests in consolidated pooled vehicles. Cash movements within the pooled vehicles are shown net within cash flows from operating activities as the cash held within the underlying pooled investment vehicles is restricted and is not available to the Group for corporate purposes. This presentation provides more relevant information about the impact of the Group's investment in pooled vehicles on corporate cash resources than an analysis of the underlying cash flows of the vehicles.

The Group records any non-controlling interest at the proportionate share of the acquiree's identifiable assets. Where an option exists to acquire a further interest in the shares of a subsidiary a financial liability is recognised. These liabilities are measured at the present value of the expected amount payable on exercise. As the option relates to a change in the ownership interest of a subsidiary, the non-controlling interest is adjusted and changes in value are recognised directly in equity. If these options expire unexercised, the financial liability is derecognised with the corresponding credit recognised directly in equity.

The most significant non-controlling interests relate to third party interests of 19.1% in Schroders Wealth Holdings Limited (SWHL) and 49% in Schroder BOCOM Wealth Management Company Limited (WMC BOCOM). The consolidated profit after tax of SWHL was £61.4 million for the year (2021: £45.6 million). The net assets of SWHL were £324.2 million at 31 December 2022 (31 December 2021: £325.8 million). Dividends of £6.7 million were paid to SWHL's non-controlling interest during the year (2021: £7.9 million). The loss after tax of WMC BOCOM was £18.3 million for the year (2021: nil). The net assets of WMC BOCOM were £101.4 million at 31 December 2022 (2021: none). No dividends were paid to WMC BOCOM's non-controlling interest during the year (2021: none).

No other non-controlling interest is considered to be individually material on the basis of the carrying value at 31 December 2022 (2021: same).

(d) Net gains and losses on foreign exchange

Many subsidiaries are denominated in currencies other than sterling. The results of these subsidiaries are translated at the average rate of exchange. At the year end, the assets and liabilities are translated at the closing rate of exchange. Gains or losses on translation are recorded in the consolidated statement of comprehensive income and as a separate component of equity together with gains or losses on any hedges of overseas operations. Such gains or losses are transferred to the consolidated income statement on disposal or liquidation of the relevant subsidiary. Transactions undertaken in foreign currencies are translated into the functional currency of the subsidiary at the exchange rate prevailing on the date of the transaction.

Foreign currency assets and liabilities, other than those measured at historical cost, are translated into the functional currency at the rates of exchange ruling at the year end date. Any exchange differences arising are included within the consolidated income statement.

(e) Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term deposits with contractual maturities of less than three months.

Presentation of the financial statements continued

(f) Estimates and judgements

The preparation of the consolidated financial statements in conformity with UK-adopted international accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies and in determining whether certain assets and liabilities should be recorded or an impairment recognised. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed within the notes and identified under the title estimates and judgements.

Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates may not equal the related actual results.

In applying IFRS 10 Consolidated Financial Statements, the Group uses judgement to determine whether its interests in funds (and other entities), including those held by the Life Company, constitute controlling interests. The Group has interests in funds through its role as fund manager and through its proprietary investments in pooled investment vehicles. The Group is exposed to variable returns and judgement is required to determine whether the power to affect those variable returns is substantive. The Group considers all relevant facts and circumstances in making this judgment. This includes consideration of the purpose and design of an investee, the extent and nature of the Group's exposure to variability of returns as an investor and, where appropriate, as a fund manager, and the Group's ability to direct the relevant activities, including whether voting rights are substantive or protective in consideration of rights held by other parties. These considerations are reassessed if there are indications that circumstances have changed since the original assessment.

The other estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in the following notes, including sensitivities where relevant or material:

Note 2	Net operating revenue
Note 4	Tax expense
Note 7	Trade and other receivables
Note 8	Financial assets and liabilities
Note 12	Goodwill and intangible assets
Note 14	Unit-linked liabilities and assets backing unit-linked liabilities
Note 16	Provisions and contingent liabilities
Note 23	Retirement benefit obligations
Note 27	Business combinations

Climate risks have been considered in the preparation of these consolidated financial statements where relevant. The principal areas of focus include: the valuation of financial assets and impairment assessments.

Financial assets measured at fair value are principally valued using traded prices or market observable inputs that incorporate potential climate risks where appropriate. The valuation of some financial instruments involves a greater level of judgement or estimation. In these scenarios climate risks are incorporated where relevant in the relevant assumptions, such as cash flow forecasts. Where financial assets are carried at amortised cost, climate risks are considered as part of the credit risk assessments.

Impairment assessments relating to goodwill and other intangible assets depend on value in use and discounted cash flow models. These valuations include climate risks in the relevant assumptions where appropriate.

The Group's net operating revenues are typically earned as an agreed percentage of the value of AUM or based on the performance of the underlying AUM. The potential impact of climate change on the Group's AUM and future net operating revenue generation is considered in the principal risks and uncertainties section of this Annual Report and Accounts.

(g) Presentational changes

The consolidated income statement has been re-presented to show both operating profit generated from the Group's business segments and profit before tax. The new presentation provides information that is more relevant to understanding the performance of the Group's operating activities. It also provides greater prominence to items of income and expense that are managed outside of the business segments, see note 3. A reconciliation of operating profit to profit before tax and exceptional items is provided below.

The segmental reporting note has been re-presented to reflect these changes and to present the results of Schroders Personal Wealth (SPW) within the share of profit from associates and joint ventures using the equity accounting method. The results of SPW were previously consolidated on a proportional basis within the Wealth Management segment. This new presentation reflects changes to the basis on which the Group monitors the performance of the business.

Reconciliation of operating profit to profit before tax and exceptional items

Year ended 31 December	2022 £m	2021 £m
Operating profit	723.0	841.0
Less:		
Central costs	(48.8)	(53.6)
Net (loss)/gain on financial instruments and other income	(6.7)	45.3
Non-banking interest income	6.3	3.5
	(49.2)	(4.8)
Profit before tax and exceptional items	673.8	836.2

Schroders plc – Statement of financial position at 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Trade and other receivables	30	1,462.4	1,427.0
Retirement benefit scheme surplus	23	136.3	197.9
Deferred tax	32	37.5	33.5
Investments in subsidiaries	36	3,092.6	3,092.6
Total assets		4,728.8	4,751.0
Liabilities			
Trade and other payables	31	175.9	25.3
Deferred tax	32	34.1	49.3
Total liabilities		210.0	74.6
Net assets		4,518.8	4,676.4
Equity at 1 January		4,676.4	4,742.9
Profit for the year		275.3	217.7
Dividends		(332.1)	(318.6)
Other changes in equity		(100.8)	34.4
Equity at 31 December		4,518.8	4,676.4

The financial statements were approved by the Board of Directors on 1 March 2023 and signed on its behalf by:

Richard Keers
Director

Schroders plc – Statement of changes in equity

for the year ended 31 December 2022

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2022		282.5	124.2	(134.2)	4,403.9	4,676.4
Profit for the year		-	-	-	275.3	275.3
Items that will not be reclassified to the income statement:						
Net actuarial loss on defined benefit pension scheme	23	-	-	-	(65.5)	(65.5)
Tax on items taken directly to other comprehensive income		-	-	-	16.4	16.4
Other comprehensive income		-	-	-	(49.1)	(49.1)
Total comprehensive income for the year		-	-	-	226.2	226.2
Own shares purchased	34	-	-	(108.9)	-	(108.9)
Share-based payments		-	-	-	61.7	61.7
Tax in respect of share schemes		-	-	-	(0.2)	(0.2)
Bonus issue		39.9	(39.9)	-	(4.3)	(4.3)
Dividends	6	-	-	-	(332.1)	(332.1)
Transactions with shareholders		39.9	(39.9)	(108.9)	(274.9)	(383.8)
Transfers		-	-	75.3	(75.3)	-
At 31 December 2022		322.4	84.3	(167.8)	4,279.9	4,518.8
	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2021		282.5	124.2	(144.1)	4,480.3	4,742.9
Profit for the year		-	-	-	217.7	217.7
Items that will not be reclassified to the income statement:						
Net actuarial gain on defined benefit pension scheme	23	-	-	-	27.3	27.3
Tax on items taken directly to other comprehensive income		-	-	-	(6.7)	(6.7)
Other comprehensive income		-	-	-	20.6	20.6
Total comprehensive income for the year		-	-	-	238.3	238.3
Own shares purchased	34	-	-	(67.7)	-	(67.7)
Share-based payments		-	-	-	81.2	81.2
Tax in respect of share schemes		-	-	-	0.3	0.3
Dividends	6	-	-	-	(318.6)	(318.6)
Transactions with shareholders		-	-	(67.7)	(237.1)	(304.8)
Transfers		-	-	77.6	(77.6)	-
At 31 December 2021		282.5	124.2	(134.2)	4,403.9	4,676.4

The distributable profits of Schroders plc are £2.7 billion (2021: £2.8 billion) and comprise retained profits of £2.8 billion (2021: £2.9 billion), included within the 'Profit and loss reserve', less amounts held within the own shares reserve.

The Group's ability to pay dividends is however restricted by the need to hold regulatory capital and to maintain sufficient other operating capital to support its ongoing business activities. In addition, the Group invests in its own funds as seed capital for the purposes of supporting new investment strategies. An analysis of the Group's capital position is provided in note 18.

Schroders plc – Cash flow statement
for the year ended 31 December 2022

	2022 £m	2021 £m
Profit before tax	272.3	213.3
Adjustments for:		
(Increase)/decrease in trade and other receivables	(31.7)	103.1
Increase in trade and other payables	145.6	1.1
Net credit taken in respect of the scheme	(3.9)	(2.4)
Share-based payments	61.7	81.2
Amounts received in respect of Group tax relief	-	(9.0)
Net finance income adjustment	(3.0)	-
Net cash from operating activities	441.0	387.3
Cash flows from financing activities:		
Repayment of loan received from a Group company	4.3	(1.0)
Acquisition of own shares	(108.9)	(67.7)
Dividends paid	(332.1)	(318.6)
Other flows	(4.3)	-
Net cash used in financing activities	(441.0)	(387.3)
Net decrease in cash and cash equivalents	-	-
Opening cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	-	-
Closing cash and cash equivalents	-	-

28. Significant accounting policies

The separate financial statements of Schroders plc (Company) have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement and statement of comprehensive income.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statement note disclosures, where applicable. In addition, note 36 sets out the accounting policy in respect of investments in subsidiary undertakings.

29. Expenses and other disclosures

The auditor's remuneration for audit services to the Company was £0.7 million (2021: £0.7 million). There was £0.1 million of other assurance services in the year (2021: £0.1 million).

Key management personnel compensation

The remuneration policy is described in more detail at www.schroders.com/directors-remuneration-policy. The Company has no employees. The key management personnel of the Company are defined as the Board of Directors. The remuneration of key management personnel, borne by the Company, during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2022 £m	2021 £m
Short-term employee benefits	Salary and upfront bonus	5.8	7.7
Share-based payments	Deferred share awards	3.6	4.8
Other long-term benefits	Deferred cash awards	1.6	3.0
		11.0	15.5

30. Trade and other receivables

	2022 £m	2021 £m
Amounts due from subsidiaries	1,461.3	1,426.2
Prepayments and accrued income	0.1	0.5
Other receivables	1.0	0.3
	1,462.4	1,427.0

Trade and other receivables are initially recorded at fair value and subsequently at amortised cost. All trade and other receivables are due within one year or repayable on demand.

Expected credit losses on trade and other receivables at 31 December 2022 were £1.1 million (2021: £1.1 million). Note 18 sets out the details of the expected credit loss calculation.

31. Trade and other payables

	2022			2021		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables held at amortised cost:						
Social security	1.3	0.6	1.9	1.9	1.1	3.0
Accruals	1.0	4.8	5.8	3.0	7.2	10.2
Amounts owed to subsidiaries	–	168.2	168.2	–	12.1	12.1
	2.3	173.6	175.9	4.9	20.4	25.3

The Company's trade and other payables mature in the following time periods:

	2022 £m	2021 £m
Less than one year	173.6	20.4
1 – 2 years	0.9	2.5
2 – 5 years	1.4	2.4
	2.3	4.9
	175.9	25.3

Amounts owed to subsidiaries include an interest-bearing loan of £7.1 million (2021: £2.8 million) that is repayable on demand.

32. Deferred tax

	2022				2021			
	Deferred employee awards £m	Losses £m	Pension surplus £m	Total £m	Deferred employee awards £m	Losses £m	Pension surplus £m	Total £m
At 1 January	(3.1)	(30.4)	49.3	15.8	(3.0)	–	31.8	28.8
Income statement (credit)/charge	0.5	(3.4)	1.0	(1.9)	0.1	(23.1)	0.5	(22.5)
Income statement (credit)/charge due to changes in tax rates	(0.3)	(1.0)	0.2	(1.1)	(0.2)	(7.3)	10.3	2.8
(Credit)/charge to statement of other comprehensive income	–	–	(12.5)	(12.5)	–	–	5.2	5.2
(Credit)/charge to statement of other comprehensive income due to changes in tax rates	0.2	–	(3.9)	(3.7)	–	–	1.5	1.5
At 31 December	(2.7)	(34.8)	34.1	(3.4)	(3.1)	(30.4)	49.3	15.8

Net deferred tax at 31 December comprises a deferred tax asset of £37.5 million (2021: £33.5 million) and a deferred tax liability of £34.1 million (2021: £49.3 million).

33. Financial instrument risk management

The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have adequate capital to maintain sufficient liquid funds to meet peak working capital requirements. Generally, surplus capital is loaned back to the Group's investment capital management entities.

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Risk management' section within the Strategic report and the 'Risk and internal controls' section within the Audit and Risk Committee report as well as in note 18. The Company's specific risk exposures are explained below.

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its subsidiaries and therefore there is minimal external credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover its needs in the normal course of business. The Company can recall intercompany loans to subsidiaries or utilise the Group loan facility to maintain sufficient liquidity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

At 31 December 2022, if interest rates had been 150 bps higher (2021: 100 bps higher) or 50 bps lower (2021: 75 bps lower) with all other variables held constant, the Company estimates that profit after tax for the year would have increased by £14.9 million (2021: increased by £10.9 million) or decreased by £5.0 million (2021: decreased by £8.2 million) respectively. These changes are mainly as a result of net interest income on the Company's interest-bearing intercompany receivables and payables and cash. Other components of equity are not directly affected by interest rate movements.

The model used to calculate the effect on post-tax profits does not take into account the indirect effect of interest rates on the fair value of other assets and liabilities.

Foreign exchange and pricing risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is not directly exposed to foreign exchange or pricing risk. The Company's investments in its directly held subsidiaries are in sterling and are held at historic cost. It has indirect exposure to foreign exchange and pricing risk in the Group, which could result in the impairment of these subsidiaries. There are currently sufficient resources in subsidiaries to absorb any normal market events.

34. Own shares

Movements in own shares during the year were as follows:

	2022 £m	2021 £m
At 1 January	(134.2)	(144.1)
Own shares purchased	(108.9)	(67.7)
Awards vested	75.3	77.6
At 31 December	(167.8)	(134.2)

During the year 4.4 million own shares (2021: 1.9 million) were purchased and held for hedging share-based awards. 3.3 million shares (2021: 2.8 million) awarded to employees vested in the year and were transferred out of own shares.

The total number of shares in the Company held within the Company's employee benefit trusts comprise:

	2022			2021 ¹		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	23.5	33.0	56.5	3.3	4.6	7.9
Non-voting ordinary shares	–	–	–	–	–	–
	23.5	33.0	56.5	3.3	4.6	7.9

1. A simplification of Schroders plc's dual share class structure took place in 2022 (see note 19). The number of shares in 2021 comparatives have not been restated. Had 2021 been restated the number of vested shares would be 19.4 million and the number of unvested shares would be 27.1 million.

	2022			2021		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	107.4	167.8	275.2	83.2	134.0	217.2
Fair value	102.7	143.9	246.6	118.0	161.0	279.0
Non-voting ordinary shares:						
Cost	–	–	–	–	0.2	0.2
Fair value	–	–	–	–	0.3	0.3
Total:						
Cost	107.4	167.8	275.2	83.2	134.2	217.4
Fair value	102.7	143.9	246.6	118.0	161.3	279.3

35. Related party transactions

The Company is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Company comprise principally subsidiaries, associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

The Company has determined that key management personnel comprises only the Board of Directors.

Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation (which is set out in note 29), are disclosed below:

	2022					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	284.8	18.9	21.2	(5.4)	1,461.3	(168.2)
Key management personnel	0.8	–	–	(0.1)	5.9	(15.0)
	2021					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	252.2	24.4	2.1	–	1,426.2	(12.1)
Key management personnel	0.6	–	–	–	7.6	(33.7)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash.



36. Subsidiaries and other related undertakings

The Group operates globally, which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures, associates and other qualifying undertakings. A full list of these undertakings, the country of incorporation, registered office, classes of shares held and the effective percentage of equity owned at 31 December 2022 is disclosed below.

Additionally, related undertakings include entities where the Company has a significant holding of a share class or unit class of a pooled vehicle. These holdings can arise through the Group's investment management activities on behalf of clients or as part of the stated aim of generating a return on investment capital. The seeding of structured entities in order to develop new investment strategies can give rise to these holdings. A listing of related undertakings arising from the Company's interest in structured entities along with registered offices is included on pages 185 to 188.

(a) Related undertakings arising from the Company's corporate structure

Principal subsidiaries

The principal subsidiaries listed below are those that, in the opinion of the Directors, principally affect the consolidated profits or net assets of the Company. The principal subsidiary entities are wholly owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provision for impairment.

Name	Share class	Footnote	%	Address
UK				
Leadenhall Securities Corporation Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited	OS	a	80.9%	
Schroder Administration Limited	OS	b	100%	
Schroder Corporate Services Limited	OS		100%	
Schroder Financial Holdings Limited	OS		100%	
Schroder Financial Services Limited	OS		100%	
Schroder International Holdings Limited	OS		100%	
Schroder Investment Company Limited	OS		100%	
Schroder Investment Management Limited	OS		100%	
Schroder Private Assets Holdings Limited	OS		100%	
Schroder Real Estate Investment Management Limited	OS		100%	
Schroder Unit Trusts Limited	OS		100%	
Schroder Wealth Holdings Limited	OS		80.9%	
Schroder Wealth International Holdings Limited	OS		100%	
Australia				
Schroder Investment Management Australia Limited	OS, CPS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Guernsey				
Schroder Investment Company (Guernsey) Limited	OS, Redeemable		100%	PO Box 334, Regency Court, Glatigny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroders (C.I.) Limited	OS		100%	
Hong Kong				
Schroder Investment Management (Hong Kong) Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
Luxembourg				
Schroder Investment Management (Europe) S.A.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Singapore				
Schroder Investment Management (Singapore) Ltd.	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
Switzerland				
Schroder & Co Bank AG	OS		100%	Central 2, 8021, Zurich, Switzerland
Schroder Investment Management (Switzerland) AG	OS		100%	Central 2, 8001, Zurich, Switzerland
Schroders Capital Management (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
United States				
Schroder Investment Management North America Inc.	COS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder US Holdings Inc.	COS		100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

36. Subsidiaries and other related undertakings continued**(a) Related undertakings arising from the Company's corporate structure** continued

Fully owned subsidiaries

Name	Share class	Footnote	%	Address
UK				
Advison Limited	OS	h	100%	31 Badgers Way, Buckingham, MK18 7EG, England
Schroders Capital Private Equity Founder Partner (GP) Limited	OS		100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Schroders Capital Private Equity Founder Partner Limited	OS		100%	
Schroders Capital Private Equity GP LLP	PI		100%	
TransPennine GP (Scot) LLP	PI		100%	
Alderbrook Financial Planning Limited (In Liquidation)	OS	c	100%	CVR Global LLP, Town Wall House, Balkeerne Hill, Colchester, Essex, CO3 3AD, England
Brian Potter Consultants Limited (In Liquidation)	OS	c	100%	
Cazenove Capital Management Limited (In Liquidation)	OS		100%	
Invicta Independent Financial Advisers Limited (In Liquidation)	OS	c	100%	
Richard Martin Financial Solutions Limited (In Liquidation)	OS	c	100%	
Croydon Gateway Nominee 1 Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 2 Limited	OS		100%	
Gatwick Hotel Feeder GP LLP	PI		100%	
J. Henry Schroder Wagg & Co. Limited	OS		100%	
Ruskin Square Management Company Limited	OS	f	100%	
Schroder Investment Management North America Limited	OS		100%	
Schroder Nominees Limited	OS	c	100%	
Schroder Pension Management Limited	OS		100%	
Schroder Pension Trustee Limited	OS		100%	
Schroders Capital Junior Infrastructure Debt United Kingdom GP LLP	PI		100%	
Schroders IS Limited	OS		100%	
UK PEM Partners Limited	OS		100%	
Benchmark Capital Limited	OS		100%	Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP, England
Benchmark Financial Planning Limited	OS		100%	
Best Practice IFA Group Limited	OS		100%	
Bright Square Pensions Limited	OS		100%	
Creative Technologies Limited	OS		100%	
Evolution Wealth Network Limited	OS		100%	
Fusion Wealth Limited	OS		100%	
PP Nominees Limited	OS		100%	
PP Trustees Limited	OS		100%	
RIA Pension Trustees Limited	OS		100%	
Redbourne Wealth Management Limited	OS		100%	
Schroders Sustainable Invest Limited	OS		100%	
Algonquin Management Partners (UK) Ltd (In Liquidation)	OS		100%	Begbies Traynor (Central) LLP, Town Wall House, Balkeerne Hill, Colchester, Essex, CO3 3AD, England
Chilcomb Wealth Ltd (In Liquidation)	OS		100%	
CT Connect Limited (In Liquidation)	OS	c	100%	
Fusion Funds Limited (In Liquidation)	OS		100%	
McPhersons Walpole Harding (Financial Services) Limited (In Liquidation)	OS		100%	
Mitchell & Company (IFA) Limited (In Liquidation)	OS		100%	
Mitchell & Company Holdings (Reigate) Limited (In Liquidation)	OS		100%	
RJC Consultancy Limited (In Liquidation)	OS		100%	
Waterhouse Financial Planning Limited	OS	f	100%	26a-28a Bishop Street, Derry, BT48 6PP, Northern Ireland
Australia				
Schroder Australia Holdings Pty Limited	OS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Austria				
Schroder Real Estate Asset Management Österreich GmbH	OS		100%	Zwerchäckerweg 2-10, 1220 Vienna, Austria
Belgium				
Algonquin Management Partners S.A.	OS		100%	Avenue Louise, 523 – 1050, Bruxelles, Belgium
Bermuda				
Schroder Venture Managers Limited	COS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Schroders (Bermuda) Limited	OS		100%	
SITCO Nominees Limited	OS		100%	
Brazil				
Schroder Investment Management Brasil Ltda	OS		100%	Av Presidente Juscelino Kubitschek, 1327, 12º andar, sala 121, São Paulo, SP, 04543-011, Brazil

36. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Canada				
Schroder Canada Investments Inc.	COS		100%	Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto, Ontario, M4W 3B8, Canada
Cayman Islands				
AEROW SMA Management I L.P.	PI		100%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
AEROW SMA Management II L.P.	PI		100%	
PEM Partners Ltd	OS		100%	
Schroders Capital cPI Global Management III L.P.	PI		100%	
Chile				
Schroders Chile SpA	OS		100%	Avenida Cerro El Plomo 5420 Oficina 1104, Les Condes, Santiago, Chile
China				
Schroder Investment Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T72, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Private Fund Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Investment Management (Beijing) Co., Ltd.	OS		100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng District, Beijing, China
Curaçao				
cPI Schroders Capital Investments Management B.V.	OS		100%	Johan van, Walbeekplein 11, Willemstad, Curaçao
Schroder Adveq Investors B.V.	OS		100%	
Schroders Capital Management (Curaçao) N.V.	OS		100%	
France				
Holdco LC Paris Blomet SAS	OS		100%	1 rue Euler, 75008, Paris, France
Schroder Real Estate (France)	OS		100%	
Schroders Capital Management (France) SAS	OS		100%	
Schroders Capital Mid Infra II UP	OS		100%	
Schroder Mid Infra UP	OS		100%	
Schroders IDF IV UP	OS		100%	
Schroder Adveq France UP SAS	OS		100%	37 avenue Pierre 1er de Serbie, 75008 Paris, France
Germany				
Blitz 06-953 GmbH	OS		100%	Taunustor 1, 60310, Frankfurt, Germany
Real Neunzehnte Verwaltungsgesellschaft mbH	OS		100%	
Schroder Eurologistik Fonds Verwaltungs GmbH	OS		100%	
Schroder Holdings (Deutschland) GmbH	CS		100%	
Schroder Italien Fonds Verwaltungs GmbH (In Liquidation)	OS		100%	
Schroder Real Estate Investment Management GmbH	OS		100%	
Schroder Real Estate Kapitalverwaltungsgesellschaft mbH	OS		100%	
Schroders Capital Management (Deutschland) GmbH	OS		100%	
SIMA 5 Verwaltungsgesellschaft mbH	OS		100%	
Schroder Real Estate Asset Management Austria GmbH	OS		100%	Maximilianstrasse 31, 80539, München, Germany
Schroder Real Estate Asset Management GmbH	OS		100%	
Guernsey				
Burnaby Insurance (Guernsey) Limited	OS		100%	Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH, Channel Islands
CC Private Debt Feeder Company Limited	OS		100%	Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
CC Private Equity Feeder Company PCC Limited	OS		100%	
Schroder Venture Managers (Guernsey) Limited	OS, NCRPS		100%	
Schroders Wealth Private Assets PCC Limited	OS		100%	
Schroder Investment Management (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Gategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Investments (Guernsey) Limited	OS, R		100%	
Schroder Nominees (Guernsey) Limited	OS		100%	
Secquaero Re (Guernsey) ICC Ltd	OS		100%	PO Box 33, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT, Channel Islands
Hong Kong				
Schroder & Co. (Hong Kong) Limited	OS		100%	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, Hong Kong
Ireland				
Schroder Investment Management (Ireland) Limited	OS		100%	George's Court, 54-62 Townsend Street, Dublin 2, Ireland

36. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Japan				
Schroder Investment Management (Japan) Limited	OS		100%	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
Jersey				
AAF Management II L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
AAF Management III L.P.	PI		100%	
BKMS Management L.P.	PI		100%	
BKMS Management II L.P.	PI		100%	
Confluentes Partners I L.P.	PI		100%	
Cresta Management L.P.	PI		100%	
Cresta Management II L.P.	PI		100%	
Cresta Partners III L.P.	PI		100%	
EEM Management L.P.	PI		100%	
EEM Management II L.P.	PI		100%	
EEM Opportunities Management L.P.	PI		100%	
Gemini Management L.P.	PI		100%	
GPEP Management I L.P.	PI		100%	
GPEP Management IV L.P.	PI		100%	
GPEP Partners V L.P.	PI		100%	
IST3 Manesse PE Management L.P.	PI		100%	
IST3 Manesse PE2 Management L.P.	PI		100%	
Malatrex Partners L.P.	PI		100%	
Marmolata Partners L.P.	PI		100%	
Marmolata PE Impact Partners L.P.	PI		100%	
Milele Partners L.P.	PI		100%	
PSY Private Equity Partners L.P.	PI		100%	
SA Co-Investment Management 1 L.P.	PI		100%	
SA RP CO Management 1 L.P.	PI		100%	
SA TG Management L.P.	PI		100%	
SA VS Management L.P.	PI		100%	
SA-EL Asia Partners I L.P.	PI		100%	
SA-EL Partners II L.P.	PI		100%	
SC-SA Co-Invest Opportunities 2018 Management L.P.	PI		100%	
Salève 2017 Management L.P.	PI		100%	
Salève 2020 Management L.P.	PI		100%	
Salève 2022 Partners L.P.	PI		100%	
SC Global Opportunities Management L.P.	PI		100%	
Schroder Adveq Shanghai Private Equity Investment Management L.P.	PI		100%	
Schroders Capital cPI Global Management S.à.r.l.	OS		100%	
Schroders Capital cPI Global Partners IV L.P.	PI		100%	
Schroders Capital cPI Global Partners V L.P.	PI		100%	
Schroders Capital Multi Private Credit Management L.P.	PI		100%	
Schroders Capital Private Equity Asia Partners V L.P.	PI		100%	
Schroders Capital Private Equity Asia Partners VI L.P.	PI		100%	
Schroders Capital Private Equity China Partners IV L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners II L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Europe Partners VII L.P.	PI		100%	
Schroders Capital Private Equity Europe Partners VIII L.P.	PI		100%	
Schroders Capital Private Equity Global Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners IX L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners X L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partner XI L.P.	PI		100%	
Schroders Capital Private Equity Global Partners II L.P.	PI		100%	
Schroders Capital Private Equity Global Partners III L.P.	PI		100%	
Schroders Capital Private Equity Healthcare Partners L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management II L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management III L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management IV L.P.	PI		100%	



36. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Jersey (continued)				
Schroders Capital Private Equity Secondaries Management III L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Schroders Capital Private Equity Secondaries Partners IV L.P.	PI		100%	
Schroders Capital Private Equity US Partners V L.P.	PI		100%	
Schroders Capital Private Equity US Partners VI L.P.	PI		100%	
Schroders Capital Taft-Hartley Ventures Partners L.P.	PI		100%	
TMC Management III L.P.	PI		100%	
TMC Management IV L.P.	PI		100%	
TMCO Management I L.P.	PI		100%	
Wilmsdorf Secondary Management II L.P.	PI		100%	
Cazenove Capital Holdings Limited (In Liquidation)	OS		100%	44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
Schroders Capital Management Jersey Ltd	OS		100%	40 Esplanade, St. Helier, Jersey, JE2 9WB, Channel Islands
Schroders Capital Private Equity Wollstonecraft Management Ltd.	OS		100%	
Croydon Gateway GP Limited	OS		100%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
Croydon Gateway Investments Limited	OS		100%	
Income Plus Real Estate Debt GP Limited	OS		100%	
Schroder Real Estate Managers (Jersey) Limited	OS		100%	
Schroder RECaP SSF Nominee 1 Limited	OS	h	100%	
Schroder RECaP Nominee 2 Limited	OS	h	100%	
SRECaP SSF GP Limited	OS		100%	
UK Retirement Living Fund (ReLF) GP Limited	OS		100%	
Luxembourg				
Confluentes Management S.à r.l.	OS		100%	6C rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
GPEP Management S.à r.l.	OS		100%	
Marmolata Management S.à r.l.	OS		100%	
PSY Private Equity Management S.à r.l.	OS		100%	
Schroders Capital Management (Luxembourg) S.à r.l.	OS		100%	
Schroders Capital Private Equity Asia Management V S.à r.l.	OS		100%	
Schroders Capital Private Equity Europe Management VIII S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Direct Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management X S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Healthcare Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Secondaries Management IV S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management V S.à r.l.	OS		100%	
Cresta Management S.à r.l.	OS		100%	7, rue Robert Stümper, L-2557 Luxembourg
KVT PE Management S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities GP S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities S.C.S.p.	PI		100%	
Schroders Capital Private Equity Europe Direct Management III S.à r.l.	OS		100%	
Schroder IFL S.à r.l.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder Real Estate (CIP) GP S.à r.l.	OS		100%	
Schroder Real Estate Investment Management (Luxembourg) S.à r.l.	OS		100%	
Schroders Capital	OS		100%	
Schroders Capital Junior Infrastructure Debt Europe II GP S.à r.l.	OS		100%	46A Avenue J.F.Kennedy, L-1855, G.D. Luxembourg
Schroders Capital Junior Infrastructure Debt Europe III GP S.à r.l.	OS		100%	
Schroders Capital Junior Infrastructure Debt United Kingdom II GP S.à r.l.	OS		100%	
Schroders Capital Junior Infrastructure Debt United Kingdom II S.C.S.p. SICAV-RAIF	PI		100%	
Schroders Capital Senior Crossover Infrastructure Debt Europe GP S.à r.l.	OS		100%	
Schroders Capital Senior Crossover Infrastructure Debt Europe S.C.S.p. SICAV-RAIF	PI		100%	
Schroders Capital Senior Infrastructure Debt Europe V GP S.à r.l.	OS		100%	

36. Subsidiaries and other related undertakings continued**(a) Related undertakings arising from the Company's corporate structure** continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Luxembourg (continued)				
Manesse PE Management S.à r.l.	OS		100%	17 boulevard F.W. Raiffeisen, L- 2411, Luxembourg
PE III Management S.à r.l.	OS		100%	
Salève Management S.à r.l.	OS		100%	
Schroder GAIA II Global Private Equity Holding Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Asia Management VI S.à r.l.	OS		100%	
Schroders Capital Private Equity China Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management XI S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management VI S.à r.l.	OS		100%	
IED UK GP S.à r.l.	OS		100%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
Schroders Capital European Operating Hotels GP S.à r.l.	OS		100%	
Schroders Greencoat European Renewables GP S.à r.l.	OS		100%	
Schroders Capital Real Estate Debt GP S.à r.l.	OS		100%	
SNI Management S.à r.l.	OS		100%	
Schroders Capital Real Estate Asia IV S.C.S.p.	PI		100%	4 Rue du Fort Wallis, L-2714, Luxembourg
Netherlands				
Schroders Capital Real Estate Netherlands B.V.	OS		100%	Strawinskylaan 1547, WTC, Level 14, 1077 XX Amsterdam, Netherlands
Cairn KS Management Services B.V.	OS		100%	Strawinskylaan 1547, WTC, Level 15, 1077 XX Amsterdam, Netherlands
Dutch REAM B.V.	OS		100%	
HCRE Beheerder B.V.	OS		100%	
Real Estate Fund Management B.V.	OS		100%	
Real Estate Management B.V.	OS		100%	
RES Participations B.V.	OS		100%	
Schroder International Finance B.V.	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Singapore				
Schroder & Co. (Asia) Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
Schroder Singapore Holdings Private Limited	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
South Korea				
Schroders Korea Limited	OS		100%	15th fl., Centropolis A, 26, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea
Switzerland				
Schroder Real Estate Management Switzerland GmbH	OS		100%	Lavaterstrasse 40, 8002, Zurich, Switzerland
Schroders Capital Holding (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
Taiwan				
Schroder Investment Management (Taiwan) Limited	OS		100%	9/F, 108 Sec.5, Hsin-Yi Road, Hsin-Yi District, Taipei 11047, Taiwan
United States				
Schroder Canada Inc.	OS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Fund Advisors LLC	COS		100%	
Schroder Venture Managers Inc.	COS		100%	
Schroders Incorporated	COS		100%	
Schroder FOCUS II GP, LLC	PI		100%	Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder Flexible Secured Income GP, LLC	PI		100%	
Schroder Helix Investment Partner LLC	OS		100%	
Schroder Taft-Hartley Income GP, LLC	PI		100%	
Schroders Capital ERISA Flexible Secured Income GP, LLC	PI		100%	
Schroders Capital FOCUS III GP, LLC	PI		100%	
Schroders Capital Management (US) Inc.	OS		100%	
Schroders Capital PERLS GP, LLC	PI		100%	
Schroders Capital PILLARS GP, LLC	PI		100%	
Schroders Capital Securitized Hi-Grade Flexible Total Return GP, LLC	PI		100%	

36. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Subsidiaries where the ownership is less than 100%

Name	Share class	Footnote	%	Address
UK				
Cazenove New Europe (CFM1) Limited	OS	a, c	80.9%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited	OS	a, c	80.9%	
Cazenove New Europe Staff Interest Limited	OS	a, c	80.9%	
Residential Land Development (GP) LLP	PI	f	67%	
Sand Aire Limited	OS	a	80.9%	
Schroder & Co Nominees Limited	OS	a, c	80.9%	
Schroder Wealth Management (US) Limited	OS	a	80.9%	
The Lexicon Management Company Limited	OS	f	50%	
CCM Nominees Limited (In Liquidation)	OS	a, c	80.9%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Greencoat Buckingham GP Unlimited	OS	f, k	75%	4th Floor, The Peak, 5 Wilton Road, London, SW1V 1AN, England
Greencoat Buckingham Investments LLP	PI	f, k	75%	
Greencoat Capital Management Investment Limited	OS	f, k	75%	
Greencoat Carlisle Place GP LLP	PI	k	75%	
Greencoat Carlisle Place Investments Limited	OS	k	75%	
Greencoat Cornwall Gardens GP LLP	PI	k	75%	
Greencoat Cornwall Gardens Investments Limited	OS	k	75%	
Greencoat Embankment GP LLP	PI	k	75%	
Greencoat Embankment Investments Limited	OS	k	75%	
Greencoat GRI Investments Limited	OS	k	75%	
Greencoat Hudson GP LLP	PI	k	75%	
Greencoat Hudson Investments Limited	OS	k	75%	
Greencoat Sejong GP LLP	PI	k	75%	
Greencoat Sejong Investments Limited	OS	k	75%	
Greencoat Solar GP Unlimited	OS	k	75%	
Greencoat Solar II GP Unlimited	OS	k	75%	
Greencoat Solar II Investments LLP	PI	k	75%	
Greencoat Solar Investments LLP	PI	k	75%	
Greencoat Tachbrook GP LLP	PI	k	75%	
Greencoat Tachbrook Investments Limited	OS	k	75%	
Greencoat Tothill GP LLP	PI	k	75%	
Greencoat Tothill Investments Limited	OS	k	75%	
Greencoat Villiers GP LLP	PI	k	75%	
Greencoat Villiers Investments Limited	OS	k	75%	
Greencoat Wilton GP LLP	PI	k	75%	
Greencoat Wilton Investments Limited	OS	k	75%	
Greencoat York GP LLP	PI	k	75%	
Greencoat York Investments Limited	OS	k	75%	
Schroders Greencoat Holdings Limited	OS	f	75%	
Schroders Greencoat Investment Limited	OS	k	75%	
Schroders Greencoat LLP	PI	f, k	75%	
Greencoat GRI GP LLP	PI	k	75%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Greencoat Sejong FP LP	PI	k	75%	
Argentina				
Schroder Investment Management S.A.	OS		95%	Ing.Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
Schroder S.A. Sociedad Gerente de Fondos Comunes de Inversion	OS		95%	
British Virgin Islands				
Alpha Park Limited	OS	g	51%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Flete Holdings Limited	OS	g	51%	
Pamfleet China Limited	OS	g	51%	

36. Subsidiaries and other related undertakings continued**(a) Related undertakings arising from the Company's corporate structure** continued

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
Cayman Islands				
Pamfleet China Investment Management Limited	OS	g	51%	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Pamfleet China Investment Management II Limited	OS	g	35.7%	
Pamfleet International Limited	OS	g	51%	
Schroder Adveq Europe Management II L.P.	PI		20%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Technology Management V L.P.	PI		89%	
Schroder Adveq Technology Management VI L.P.	PI		65%	
Schroder Adveq US Management I L.P.	PI		76%	
Schroders Capital cPI Global Management L.P.	PI		63%	
Schroders Capital cPI Global Management II L.P.	PI		88%	
Schroders Capital Private Equity Asia Management L.P.	PI		75%	
Schroders Capital Private Equity Asia Management II L.P.	PI		65%	
Schroders Capital Private Equity Europe Management IV A L.P.	PI		59%	
Schroders Capital Private Equity Europe Management IV B L.P.	PI		70%	
Schroders Capital Private Equity US Management II L.P.	PI		87%	
China				
Pamfleet (Shanghai) Enterprise Management Limited	OS	g	51%	302 Block 9 No 697 Weihai Road, Jing'An, Shanghai, China
Schroder BOCOM Wealth Management Company Limited	OS		51%	Fl.59, Wheelock Square, 1717 West Nanjing Road, Jingan District, Shanghai, China
France				
Terre et Mer Holding SAS	OS		80%	1 rue Euler, 75008, Paris, France
Germany				
CM Komplementr 06-379 GmbH & Co KG	OS		95%	Taunustor 1, 60310, Frankfurt, Germany
Greencoat Capital (Deutschland) GmbH	CS	f, k	75%	Cranachstraße 15, 40235, Düsseldorf, Germany
Guernsey				
SV (Nominees) Limited	OS	h	50%	PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
Hong Kong				
Pamfleet Asset Management (China) Limited	OS	g	51%	Level 33, 88 Queensway, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	OS	g	51%	
Pamfleet (HK) Limited	OS	g	51%	
Pamfleet Holdings (Hong Kong) Limited	OS		51%	
Indonesia				
PT Schroder Investment Management Indonesia	OS		99%	30th Floor, Indonesia Stock Exchange Building, Tower 1, Jl Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
Ireland				
Greencoat Capital ICAV	OS	k	75%	32 Molesworth Street, Dublin 2, Ireland
Schroders Greencoat (Ireland) Limited	OS	f, k	75%	Riverside One, 37-42 John Rogerson's Quay, Dublin 2, D02 X576, Ireland
Greencoat Capital AIFM (Ireland) Limited	OS	k	75%	
Jersey				
AAF Management I L.P.	PI		48%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
GPEP Management II L.P.	PI		70%	
GPEP Management III L.P.	PI		70%	
Schroder Adveq Europe Management III L.P.	PI		87.9%	
Schroders Capital Private Equity Asia Management III L.P.	PI		53%	
Schroders Capital Private Equity Asia Management IV L.P.	PI		70%	
Schroders Capital Private Equity Europe Direct Management L.P.	PI		73%	
Schroders Capital Private Equity Europe Management V L.P.	PI		73%	
Schroders Capital Private Equity Europe Management VI L.P.	PI		74%	

36. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
Jersey (continued)				
Schroders Capital Private Equity Global Innovation Management VII L.P.	PI		46%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Schroders Capital Private Equity Global Innovation Management VIII L.P.	PI		78%	
Schroders Capital Private Equity Global Management L.P.	PI		71%	
Schroders Capital Private Equity Secondaries Management II L.P.	PI		53%	
Schroders Capital Private Equity US Management III L.P.	PI		51%	
Schroders Capital Private Equity US Management IV L.P.	PI		73%	
TMC Management I L.P.	PI		54%	
TMC Management II L.P.	PI		49%	
Wilmersdorf Secondary Management L.P.	PI		71%	
Luxembourg				
BlueOrchard Asset Management (Luxembourg) S.A.	OS	h, i	90%	1 rue Goethe, L-1637, Luxembourg City, Luxembourg
BlueOrchard Invest S.à r.l.	OS	h, i	90%	
BlueOrchard Financial Inclusion Fund SCA SICAV-RAIF	OS, PI	i	90%	2 rue d'Alsace, L-1122 Luxembourg, Grand Duchy of Luxembourg
BlueOrchard Latin America and Caribbean Gender, Diversity and Inclusion Fund SCA SICAV-RAIF	OS, PI	i	90%	
Schroders Capital Real Estate Asia IV GP S.à r.l.	OS	g	51%	4 rue du Fort Wallis, 2714 Luxembourg, Grand Duchy of Luxembourg
Schroder Property Services B.V.	OS		70%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroders Capital Hotel (CIP) S.C.S.p.	PI		76.3%	
SEOHF (CIP) S.C.S.p.	PI		47.3%	
SEOHF AGGREGATOR (CIP) S.C.S.p.	PI		22.4%	
SRE ReLF (CIP) S.C.S.p.	PI		88.8%	
SRE SoHo (CIP) S.C.S.p.	PI		87.8%	
SRE Invest S.C.S.p.	PI		82.3%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
Mexico				
Consultora Schroders, S.A. de C.V.	OS	d, e	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
Netherlands				
Data Invest B.V.	OS		21.9%	Strawinskylaan 1547, WTC Level 15, 1077 XX Amsterdam, Netherlands
Frame Offices B.V.	OS		40%	
ITC Invest B.V.	OS		35.5%	
RES Retail B.V.	OS		51.5%	
RES Transit II B.V.	OS, PS	d	58.7%	
Schroders Greencoat (Nederland) B.V.	OS	f, k	75%	Willem Beukelsstraat 9, 1097 CP, Amsterdam, Netherlands
Peru				
BlueOrchard America Latina S.A.C.	OS	i	90%	Calle Dean, Valdivia 227, Office 501, San Isidro, Lima, Peru
Singapore				
BlueOrchard Investments Singapore Pte. Ltd	OS	i	90%	3 Church Street, #25-01 Samsung Hub, 049483, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	OS	g	51%	61 Club Street, Singapore 069436, Singapore
Switzerland				
BlueOrchard Finance AG	OS		90%	Seefeldstrasse 233, 8008, Zurich, Switzerland
United States				
Schroders Greencoat US LLC	PI	f, k	75%	251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, USA
Greencoat Columbus GP LLC	PI	k	75%	Maples Fiduciary Services (Delaware) Inc., 4001 Kennett Pike, Suite 302, Wilmington, Delaware 19807, USA
Greencoat Columbus II GP LLC	PI	k	75%	

36. Subsidiaries and other related undertakings continued**(a) Related undertakings arising from the Company's corporate structure** continued

Associates and joint ventures

Name	Share class	Footnote	%	Address
UK				
Chartered Independent Limited	OS	j	49%	6 Church Street, Wellington, Telford, TF1 1DG, England
Clarke-Walker Financial Management Limited	OS		20%	125-135 Preston Road, Fifth Floor Telecom House, Brighton, BN1 6AF, England
Finura Partners Limited	OS		49%	15 Bowling Green Lane, London, EC1R 0BD, England
Kellands (Bristol) Limited	OS		30.8%	Quays Office Park, Conference Avenue, Portishead, Bristol, BS20 7LZ, England
Natural Capital Research Limited	OS		20%	24 Greville Street, London, EC1N 8SS, England
Rayner Spencer Mills Research Limited	OS		49%	20 Ryefield Business Park, Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE, England
Retirement Planning Partnership Ltd	OS	e	52.4%	Kestrel House, Alma Road, Romsey, Hampshire, SO51 8ED, England
James Harvey Associates Limited	OS	d, e	49%	Santon House, 53-55 Uxbridge Road, London, W5 5SA, England
Nippon Life Schroders Asset Management Europe Limited	OS	d	33%	1 London Wall Place, London, EC2Y 5AU, England
Ruskin Square Phase One LLP	PI		50%	
Social Supported Housing CIP LLP	PI		50%	
Social Supported Housing GP LLP	PI		50%	
Robertson Baxter Limited	OS		24%	Beck House, Abbey Road, Shepley, Huddersfield, HD8 8EP, England
Scottish Widows Schroder Wealth Holdings Limited	OS		49.9%	25 Gresham Street, London, EC2V 7HN, England
Australia				
Schroders RF Limited	OS	h	50.1%	Level 9, 60 Castlereagh St., Sydney NSW 2000, Australia
Belgium				
Algonquin Astrid	PS		33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
British Virgin Islands				
Graceful Lane Limited	OS		30%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
China				
Bank of Communications Schroder Fund Management Company Limited	OS		30%	2nd Floor Bank of Communications Tower, 188 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, China
France				
Algonquin France Hotels Services	OS		36%	1 rue Euler, 75008, Paris, France
JY Hotel La Villette SAS	OS		50%	
Guernsey				
Schroder Ventures Investments Limited	OS, R, D, B Preference		50%	PO Box 255, Trafalgar Court Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
India				
Axis Asset Management Company Limited	OS	f	25%	1st Floor, Axis House C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli-Mumbai, 400025, India
Axis Mutual Fund Trustee Limited	OS	f	25%	
Jersey				
Bracknell General Partner Limited	OS	e	50%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
UK Retirement Living (CIP) GP Limited	OS		50%	
Singapore				
Akaria Natural Capital Pte. Ltd	OS		40%	1 Robinson Road, #18-00, AIA Tower, 048542, Singapore
Nippon Life Global Investors Singapore Limited	OS		33%	138 Market Street, #34-02, CapitaGreen, Singapore, 048946, Singapore
Planar Investments Private Ltd	OS		24.1%	1 Phillip Street, #06-00, Royal One Phillip, Singapore, 048692, Singapore
United States				
A10 Capital Parent Company LLC	COS		19.3%	1209 Orange Street, Wilmington, Delaware, 19801, USA

Share class abbreviations

CS	Capital shares.
COS	Common stock.
NCRPS	Non-cumulative redeemable preference shares.
CPS	Convertible preference shares.
D	Deferred shares.
OS	Ordinary shares.
PI	Partnership interest.
PS	Promote shares.
R	Redeemable preference shares.

Footnotes

- a Owned through Schroder Wealth Holdings Limited.
- b Held directly by the Company.
- c Dormant Company.
- d The Company holds ordinary B shares.
- e The Company holds ordinary A shares.
- f Financial year end 31 March.*
- g Owned through Pamfleet Holdings (Hong Kong) Limited.
- h Financial year end 30 June.*
- i Owned through BlueOrchard Finance AG.
- j Financial year end 31 May.*
- k Owned through Schroders Greencoat Holdings Limited.
- * Entities where the year end is not coterminous with the group primarily relate to those which were acquired in recent years.

36. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities

The Company's related undertakings also include funds in which it holds investments. These include fully and partially owned funds that are classified as subsidiaries. Due to the number of share classes or unit classes that can exist in these vehicles, a significant holding in a single share class or unit class is possible without that undertaking being classified as a subsidiary or associate.

Fully owned subsidiaries

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Brazil			
Schroder Best Ideas ESG	A Accumulation	100%	100%
Schroder Premium Diversified Credit Vintage A FIC FIM CP	Unspecified	100%	100%
Schroder Premium Vintage A FIC FIRF CP	Unspecified	100%	100%
Luxembourg			
Schroder ISF Carbon Neutral Credit 2040	I Accumulation	100%	100%
Schroder ISF Social Impact Credit	I Accumulation	100%	100%
Schroder ISF Sustainable Emerging Markets ex China Synergy	I Accumulation	100%	100%
Schroders Capital Semi-Liquid Circular Economy Private Plus	I Accumulation	100%	100%

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Diversified Growth Fund	I Accumulation	89%	87%
Schroder Global Sovereign Bond Tracker Component Fund	I Accumulation	88%	17%
Schroder Global Sovereign Bond Tracker Component Fund	X Accumulation	88%	1%
Schroder Multi-Asset Total Return Fund	X Accumulation	98%	52%
Schroder Sustainable Future Multi-Asset Fund	Z Accumulation	54%	49%
Schroder Sustainable Multi-Factor Equity Fund	X Accumulation	91%	71%
Australia			
Schroder Australian Equity Long Short Fund	P Accumulation	59%	59%
Brazil			
Schroder Best Ideas FIA	Unspecified	39%	39%
Schroder Core Plus FIC FIA	Unspecified	90%	90%
Schroder Premium Diversified Credit FIC FIM CP	Unspecified	99%	99%
Hong Kong			
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 HKD	28%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV HKD	7%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 CNY Hedged	73%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV AUD Hedged	15%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 AUD Hedged	90%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV CNY Hedged	18%	2%
Schroder Global Multi-Asset Thematic Fund	A Accumulation	98%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2	94%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV	10%	2%
Schroder Global Multi-Asset Thematic Fund	I Accumulation	100%	15%
Schroder Global Multi-Asset Thematic Fund	C Accumulation	92%	2%
Japan			
Schroder YEN Target	Unspecified	51%	51%
Schroder YEN Target (Annual)	Unspecified	33%	33%
Schroder YEN Target (Semi-Annual)	Unspecified	81%	81%
Luxembourg			
Schroder ISF Carbon Neutral Credit	I Accumulation	23%	16%
Schroder ISF Carbon Neutral Credit	I Accumulation GBP Hedged	100%	25%
Schroder ISF Changing Lifestyles	I Accumulation	100%	62%
Schroder ISF Digital Infrastructure	I Accumulation	29%	24%
Schroder ISF Dynamic Indian Income Bond	I Accumulation	100%	99%
Schroder ISF Emerging Markets Equity Impact	I Accumulation	36%	33%
Schroder ISF European Innovators	C Accumulation	38%	4%
Schroder ISF European Innovators	I Accumulation	100%	43%

36. Subsidiaries and other related undertakings continued**(b) Related undertakings arising from the Company's interests in structured entities** continued

Subsidiaries where the ownership is less than 100% continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Luxembourg (continued)			
Schroder ISF European Sustainable Equity	I Accumulation	34%	22%
Schroder ISF Global Climate Leaders	I Accumulation	36%	36%
Schroder ISF Global Credit Income Short Duration	I Accumulation	66%	39%
Schroder ISF Global Managed Growth	I Accumulation	100%	96%
Schroder ISF Global Sustainable Convertible Bond	I Accumulation	23%	14%
Schroder ISF Global Sustainable Value	I Accumulation	70%	39%
Schroder ISF Sustainable Future Trends	I Accumulation	100%	51%
Schroder ISF Sustainable US Dollar Short Duration Bond	I Accumulation	33%	33%
Schroders Capital Semi-Liquid Global Innovation Private Plus	C Accumulation	74%	6%
Schroders Capital Semi-Liquid Global Innovation Private Plus	I Accumulation	99%	62%
Schroders Capital Semi-Liquid Global Real Estate Total Return	I Accumulation	99%	99%
SSSF Wealth Management USD Cautious	S Accumulation	100%	84%
SSSF Wealth Management USD Growth	S Accumulation	74%	51%
United States			
Hartford Schroders Diversified Emerging Markets Fund	SD Distribution	79%	42%
Hartford Schroders ESG US Equity Fund	I Distribution	49%	49%

Associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Global Emerging Markets Fund	A Accumulation	50%	29%
Schroder Global Equity Component Fund	X Accumulation	48%	29%
Schroder India Equity Fund	X Accumulation	29%	27%
Schroder Long Dated Corporate Bond Fund	I Accumulation	56%	21%
Luxembourg			
ICBC (Europe) UCITS SICAV	X Accumulation USD	33%	33%
Schroder ISF Nordic Smaller Companies	I Accumulation	100%	23%
United States			
Schroder Global Sustainable Growth (Canada)	Unspecified	29%	29%

Significant holdings in structured entities not classified as subsidiaries or associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder European Fund	I Income	28%	0%
Schroder Global Corporate Bond Managed Credit Component Fund	I Accumulation	39%	10%
Schroder Global Corporate Bond Managed Credit Component Fund	X Accumulation	39%	5%
Schroder Global Energy Transition Fund	S Accumulation	24%	2%
Schroder Global Equity Fund	I Accumulation	36%	0%
Schroder Institutional Pacific	I Accumulation GBP Hedged	100%	4%
Schroder Institutional UK Smaller Companies	I Accumulation	25%	2%
Schroder Institutional UK Smaller Companies	X Accumulation	100%	8%
Schroder QEP Global Active Value Fund	I Accumulation	99%	20%
Schroder QEP Global Core Fund	I Accumulation	25%	2%
Schroder Sterling Broad Market Bond Fund	I Accumulation	37%	3%
Schroder Sustainable Bond Fund	X Income	100%	9%
Schroder Tokyo Fund	A Income	20%	0%
Schroder UK-Listed Equity Income Maximiser Fund	L Accumulation	98%	0%
Schroder US Equity Income Maximiser Fund	L Accumulation GBP Hedged	85%	0%
Australia			
Schroder Equity Opportunities Fund	I Accumulation	100%	2%

36. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities continued

Significant holdings in structured entities not classified as subsidiaries or associates continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Cayman Islands			
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	B	100%	0%
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	C	100%	1%
Guernsey			
Schroder Institutional Developing Markets	B Income	100%	4%
Hong Kong			
Schroder Asian Asset Income Fund	I Accumulation USD	100%	0%
Luxembourg			
BlueOrchard Sustainable Asset Fund	Unspecified	45%	45%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	99%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation EUR Hedged	97%	2%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	99%	4%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (B)	B	100%	3%
Schroder GAIA BlueTrend	C Accumulation CHF Hedged	56%	0%
Schroder GAIA Helix	C Accumulation GBP Hedged	76%	1%
Schroder GAIA Helix	I Accumulation	48%	2%
Schroder GAIA Oaktree Credit	I Accumulation	50%	16%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	0%
Schroder ISF Carbon Neutral Credit	I Accumulation	23%	16%
Schroder ISF Commodity	I Accumulation	43%	15%
Schroder ISF Emerging Europe	X9 Accumulation	51%	0%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%
Schroder ISF EURO High Yield	I Accumulation	22%	0%
Schroder ISF Global Cities	C Accumulation BRL Hedged	97%	0%
Schroder ISF Global Corporate Bond	I Accumulation GBP Hedged	90%	0%
Schroder ISF Global Credit High Income	I Accumulation	100%	1%
Schroder ISF Global Credit Income	I Accumulation	99%	0%
Schroder ISF Global Equity Yield	I Accumulation EUR	99%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	100%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	94%	0%
Schroder ISF Global Multi-Asset Income	I Accumulation	21%	0%
Schroder ISF Global Recovery	I Accumulation	44%	1%
Schroder ISF Global Sustainable Growth	I Accumulation GBP Hedged	63%	5%
Schroder ISF Inflation Plus	I Accumulation	38%	4%
Schroder ISF Japanese Equity	I Accumulation EUR Hedged	86%	0%
Schroder ISF Japanese Opportunities	I Accumulation	100%	1%
Schroder ISF Multi-Asset Total Return	I Accumulation EUR Hedged	89%	0%
Schroder ISF Nordic Micro Cap	I Accumulation	100%	18%
Schroder ISF Smart Manufacturing	I Accumulation	100%	5%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable European Market Neutral	C Accumulation	21%	0%
Schroder ISF Sustainable Global Multi Credit	I Accumulation EUR Hedged	99%	0%
Schroder ISF Sustainable Multi-Asset Income	C Accumulation	100%	15%
Schroder ISF Sustainable Swiss Equity	I Accumulation	20%	2%
Schroder ISF US Dollar Bond	I Accumulation EUR Hedged	84%	0%
SIF Core Insurance Linked Securities	I Accumulation	24%	14%
SSSF Diversified Alternative Assets	S Accumulation	27%	0%
SSSF Wealth Management USD Balanced	S Accumulation	100%	14%
United States			
Hartford Schroders China A Fund	SD Accumulation	100%	9%
Hartford Schroders International Contrarian Value Fund	Unspecified	99%	49%
Hartford Schroders Securitised Income Fund	SD Distribution	45%	15%
Hartford Schroders Sustainable International Core Fund	Unspecified	99%	49%

36. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities continued

The registered offices for each of the related undertakings listed on pages 185 to 187 are reflected by country below:

UK

1 London Wall Place, London, EC2Y 5AU, England

Australia

Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia

Brazil

The registered office for the Brazil related undertakings is Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil, except for the following:

The registered office for the following related undertakings is Núcleo Cidade de Deus, Prédio Amarelo, 1o andar, Vila Yara, Osasco, SP, Brazil

Schroder Best Ideas ESG
Schroder Best Ideas FIA

Cayman Islands

Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

Guernsey

PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey

Hong Kong

HSBC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

Japan

The registered office for the following related undertakings is 1-1 Chuo-ku, Saitama City, Saitama Shintoshin Godo Choushya 1st Building, Saitama Prefecture, 330-9716, Japan

Schroder YEN Target
Schroder YEN Target (Annual)
Schroder YEN Target (Semi-Annual)

Luxembourg

The registered office for the Luxembourg related undertakings is 5 rue Höhenhof, L-1736 Senningerberg, Luxembourg, except for the following:

The registered office for the following related undertakings is 80, route d'Esch, L-1470 Luxembourg

ICBC (Europe) UCITS SICAV
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)

United States

The registered office for the United States related undertakings is 7 Bryant Park, New York, New York, 10018, USA, except for the following:

The registered office for the following related undertakings is 690 Lee Road, Wayne, Pennsylvania, 19087, USA

Hartford Schroders China A Fund
Hartford Schroders Diversified Emerging Markets Fund
Hartford Schroders ESG US Equity Fund
Hartford Schroders International Contrarian Value Fund
Hartford Schroders Securitised Income Fund
Hartford Schroders Sustainable International Core Fund

Opinion

In our opinion:

- Schroders plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroders plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2022	Schroders plc – Statement of financial position at 31 December 2022
Consolidated statement of comprehensive income for the year ended 31 December 2022	Schroders plc – Statement of changes in equity for the year ended 31 December 2022
Consolidated statement of financial position at 31 December 2022	Schroders plc – Cash flow statement for the year ended 31 December 2022
Consolidated statement of changes in equity for the year ended 31 December 2022	Schroders plc – Notes to the accounts 28 to 36
Consolidated cash flow statement for the year ended 31 December 2022	
Notes to the accounts 1 to 27 and Presentation of the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting, we have:

- assessed the assumptions used in management's five-year forecast by comparing to internal management information and external market sources. We also determined that the model is appropriate to enable management to make an assessment of the going concern of the Group for a period of twelve months from the date the financial statements are approved. We also performed back-testing on prior year forecasts by comparing them to the Group's results over the same periods;
- evaluated the capital and liquidity position of the Group by reviewing the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment Process and the Recovery Plan;
- assessed the appropriateness of the stress and reverse stress test scenarios determined by management by considering the key risks identified by management, our understanding of the business and the external market environment. We evaluated the assumptions used in the scenarios by comparing them to internal management information and external market sources, tested the clerical accuracy and assessed the conclusions reached in the stress and reverse stress test scenarios;
- assessed the plausibility of the available options identified by management to mitigate the impact of the key risks by comparing them to our understanding of the Group;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed the management paper approved by the Board and minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing them to management's assessment for consistency and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is approved.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent company's ability to continue as a going concern.

Independent auditor's report to the members of Schroders plc

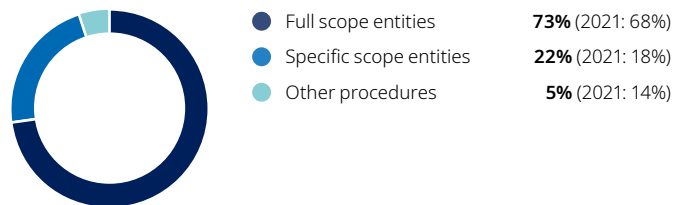
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Overview of our audit approach

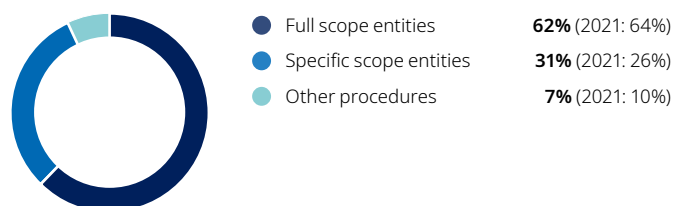
Audit scope	<ul style="list-style-type: none"> The Group is comprised of over 300 legal entities domiciled in 27 countries. We performed an audit of the complete financial information of six legal entities and audit procedures on specific balances for a further 25 legal entities. The legal entities where we performed full or specific audit procedures accounted for 95% of profit before tax, 93% of revenue and 97% of total assets. Certain of the Group's processes over financial reporting are centralised in the finance operations hubs of London, Luxembourg, Singapore and Zurich. Where appropriate, our testing was performed in these locations.
Key audit matters	<ul style="list-style-type: none"> Improper recognition of revenue Improper recognition of cost of sales Accounting for corporate activity
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £36 million, which represents 5% of operating profit.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Profit before tax



Revenue



An overview of the scope of the Parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent internal audit results, when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 31 legal entities within the following countries: United Kingdom, Luxembourg, Switzerland, Singapore, Australia, China, Guernsey, Indonesia, Japan and United States of America.

Of the 31 legal entities selected, we performed an audit of the complete financial information of six legal entities (full scope entities) which were selected based on their size or risk characteristics. For the remaining 25 legal entities (specific scope entities), we performed audit procedures on specific accounts within that legal entity that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

For the remaining entities that together represent 5% of the Group's profit before tax, we performed procedures, including: analytical review; obtaining cash confirmations; and testing of consolidation journals and intercompany eliminations, centralised processes and controls, and foreign currency translation recalculations, to respond to potential risks of material misstatement of the Group financial statements.

Changes from the prior year

Schroder Administration Limited was previously considered to be a specific scope entity, but was not considered to be specific or full scope for the current year audit.

PT Schroder Investment Management Indonesia, Benchmark Capital Limited, Bank of Communications China Wealth Management Company, BlueOrchard Asset Management (Luxembourg), S.A., Best Practice IFA Group Limited and Creative Technologies Limited are considered to be specific scope entities for the current year audit. These entities were previously considered to be neither specific nor full scope.

Schroders IS Limited (formerly River and Mercantile Investments Limited) and Schroders Greencoat LLP were new entities acquired in the year. We consider these entities to be specific scope for the current year audit.

Involvement with overseas teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the legal entities by us, as the Group audit team, or by local auditors from other EY global network firms operating under our instruction.

Schroders has centralised processes and controls over financial reporting within the finance operations hubs of London, Luxembourg, Singapore and Zurich. Our teams in these locations performed centralised testing in the finance hubs for certain accounts including revenue, cost of sales, administrative expenses, variable compensation, provisions and intercompany transactions.

For non-centralised processes, the audit work was performed by legal entity auditors. The Group audit team was responsible for the scope and direction of the audit process in each entity, interacting regularly with the local EY teams during each stage of the audit and reviewing relevant working papers. This, together with the additional procedures performed at Group level, and the centralised testing, gave us appropriate evidence for our opinion on the Group financial statements.

The Group team has maintained oversight of component teams through use of remote collaboration platforms, in-person visits and virtual meetings, in particular with the Luxembourg, Zurich and Singapore audit teams. This allowed the Group team to gain a greater understanding of the business issues faced in each location, discuss the audit approach with the local team and any issues arising from their work, review relevant audit working papers, and attend meetings with local management.

Climate change

The Group has determined that the majority of its climate-related risk lies in the assets it manages on behalf of its clients. This is primarily explained on pages 46 to 47 in the Task Force for Climate related Financial Disclosures and on pages 42 to 45 in the Risk Management section of the Annual Report and Accounts. The Group has also explained their climate commitments on pages 26 to 33. All of these disclosures form part of the 'Other information'. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated, in line with our responsibilities in relation to 'Other information'.

In planning and performing our audit, we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in the Estimates and Judgements section of the Presentation of the financial statements on page 168, climate risks have been considered in the preparation of the consolidated financial statements where management consider it appropriate. The principal areas of consideration by management include the

measurement of financial assets and impairment assessments.

Our audit effort in considering the impact of climate change on the financial statements was focused on assessing whether the effects of potential climate risks have been appropriately reflected by management in reaching their judgments in relation to the measurement of financial assets and the impairment assessments. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change, which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work, we have not identified the impact of climate change on the financial statements to be a key audit matter or as a factor that impacts a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Group only risk:</p> <p>Improper recognition of revenue (£2,891.7 million, 2021: £2,959.5 million)</p> <p><i>Refer to the Audit and Risk Committee report (page 68) and Note 2 of the Consolidated financial statements (pages 122 to 125)</i></p> <p>Schroders manages funds in numerous domiciles, which consist of many share classes. Schroders also manages segregated portfolios for a range of institutions and provides wealth management services. The inputs and calculation methodologies that drive the fees vary significantly across this population. For example, performance fees, fees related to segregated accounts and fees generated from private assets have a range of calculation methodologies due to the number of bespoke arrangements. For certain revenue streams, management must apply judgment in accordance with IFRS 15 – Revenue from contracts with customers ('IFRS 15') to determine whether it is highly probable that a significant reversal will not occur in the future.</p> <p>The following are identified as the key risks or subjective areas of revenue recognition:</p> <ul style="list-style-type: none"> • not all agreements in place have been identified and accounted for; • fee terms have not been correctly interpreted or entered into the fee calculation and billing systems; • assets under management ('AUM') has not been properly attributed to fee agreements; • errors in manually calculated revenues, such as performance fees, certain private assets fees and carried interest; and • inappropriate judgments are made by management in the calculation and recognition of carried interest. 	<p>We have:</p> <ul style="list-style-type: none"> • confirmed and updated our understanding of the procedures and controls in place throughout the revenue process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; • confirmed our understanding of the procedures and controls in place for businesses acquired in the period with material revenue streams, principally Greencoat and R&M (now Schroders IS Limited); • IT systems: tested the controls over access to, and changes to, the systems underpinning the revenue process, including testing controls over the flow of data between systems for completeness and accuracy; • fee agreements: tested the controls over new and amended fee agreements. For a sample of fees, agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the revenue systems or in management's manual calculations; • calculation: tested automated controls over the arithmetical accuracy of a sample of fee calculations within the relevant systems; • AUM: tested the controls in place for the calculation and existence of AUM used in the fee calculations. For a sample of fees, tested the completeness and accuracy of AUM included in the fee calculation systems to administrator reports or Schroders' investment management systems;

Independent auditor's report to the members of Schroders plc

continued

Risk	Our response to the risk
<p>There is also the risk that management may influence the timing or recognition of revenue in order to meet market expectations or net operating revenue-based targets.</p>	<ul style="list-style-type: none">• billing: tested controls over the billing and cash management process. For a sample of fees, agreed the amounts recorded to the invoice sent to the client, as well as assessing the recoverability of debtors through the testing of subsequent cash receipts and inspection of the aged debtors report;• carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest receivable, including the constraints applied under IFRS 15. For a sample of funds with carried interest arrangements, agreed the inputs used in the carried interest calculations to third party sources, where applicable, and legal agreements; recalculated the value of the carried interest receivable, challenged the discount rate applied; and traced the discounted carried interest income to the revenue recorded;• performance fees: for a sample of performance fees, agreed the inputs used in the performance fee calculations to third party sources and legal agreements, recalculating the value of the fee and tracing the amounts invoiced to the revenue recorded;• certain private assets fees: for a sample of private assets fees, agreed the inputs used in the fee calculation to third party sources and legal agreements, recalculating the value of the fee and tracing amounts invoiced to revenue recorded;• review of other information: inspected the global complaints register and operational incident log to identify errors in revenue or control deficiencies; and• management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes of board and committee meetings held throughout the year and performed journal entry testing. <p>We performed full and specific scope audit procedures over this risk area in four locations, which covered 95% of the total revenue. Due to the centralised nature of the revenue process, the majority of our testing was performed in London for Asset Management revenue, and London and Zurich for Wealth Management revenue.</p>

Key observations communicated to the Schroders Audit and Risk Committee

All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Revenue has been recorded materially in accordance with IFRS 15.

Based on the procedures performed, we have no matters to report in respect of revenue recognition.

Risk	Our response to the risk
<p>Group only risk:</p> <p>Improper recognition of cost of sales (£530.3 million, 2021: £556.4 million)</p> <p><i>Refer to the Audit and Risk Committee report (page 68) and Note 2 of the Consolidated financial statements (pages 122 to 125)</i></p> <p>Schroders has fee expense agreements in place with many parties. These expenses include commissions, carried interest payable, external fund manager fees, expenses paid on behalf of UK-managed funds, and distribution fees payable to financial institutions, investment platform providers and financial advisers. The expenses are generally based on AUM.</p> <p>The following are identified as the key risks or subjective areas in correctly recognising fee expenses:</p> <ul style="list-style-type: none"> • not all agreements in place have been identified and accounted for; • fee expense terms have not been correctly interpreted; • AUM has not been properly identified or attributed to clients or third parties with fee expense arrangements; and • inappropriate judgments are made by management in the calculation of carried interest payable. <p>There is also the risk that management may influence the recognition of cost of sales in order to meet market expectations or net operating revenue-based targets.</p>	<p>We have:</p> <ul style="list-style-type: none"> • confirmed and updated our understanding of the procedures and controls in place throughout the cost of sales process, both at Schroders through walkthrough procedures, and at third party administrators through review of independent controls assurance reports; • IT systems: tested the controls over access to, and changes to, the systems underpinning the fee expense process, including testing controls over the flow of data between systems to test completeness and accuracy; • fee expense agreements: tested the controls over new agreements and amended fee expense agreements. For a sample of fee expenses performed by Schroders and an additional sample performed by external third parties, agreed the fee expense terms used in the calculation to IMAs, fee letters or rebate agreements. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the fee expense systems; • calculation: tested automated controls over the arithmetical accuracy of a sample of fee expense calculations within the relevant systems; • AUM: tested the controls in place for the calculation and existence of AUM used in the fee expense calculations. For a sample of fee expenses, tested the completeness and accuracy of the AUM included in the calculation to Schroders' transfer agency or investment management systems; • billing: tested controls over the cash management process. For a sample of fee expenses, agreed the amount recorded to the rebate statement sent to the client; • carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest liability. For a sample of funds with carried interest arrangements: agreed the inputs used in the carried interest calculations to accounting records, third party sources and legal agreements; recalculated the value of the carried interest liability; and traced the discounted carried interest expense to the cost of sales recorded; • review of other information: inspected the global complaints register and operational incident log to identify errors in fee expenses or control deficiencies, and determined whether fee expense errors, have been appropriately addressed; and • management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes of board and committee meetings held throughout the year and performed journal entry testing. <p>We performed full and specific scope audit procedures over this risk area in London, which covered 88% of total cost of sales.</p>

Key observations communicated to the Schroders Audit and Risk Committee

All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Cost of sales has been recorded materially in accordance with IAS 1 – Presentation of Financial Statements ('IAS 1'). Based on the procedures performed, we have no matters to report in respect of cost of sales.

Independent auditor's report to the members of Schroders plc

continued

Risk	Our response to the risk
<p>Group only risk:</p> <p>Accounting for corporate activity (additions to goodwill and acquired intangible assets £732.6 million, 2021: £2.3 million)</p> <p><i>Refer to the Audit and Risk Committee report (page 68) and Notes 12 and 27 of the Consolidated financial statements (pages 137-138 and 166)</i></p> <p>Accounting for acquisitions, investments and disposals can be complex. Management must use their judgment to determine how these transactions should be accounted for and disclosed in the consolidated financial statements. There is a risk that the approach adopted by management may not be in line with the applicable accounting standards: IFRS 3 – Business Combinations ('IFRS 3'), IFRS 10 – Consolidated Financial Statements ('IFRS 10') and IAS 38 – Intangible Assets ('IAS 38').</p> <p>In 2022, management completed:</p> <ul style="list-style-type: none">• the acquisition of River and Mercantile Group Plc's UK Solutions division, which consists of River and Mercantile Investments Limited ('R&M'), for consideration of £239 million. The acquisition completed on 31 January 2022;• the acquisition of Cairn Real Estate B.V. ('Cairn') for consideration of £26 million. The acquisition completed on 31 January 2022; and• the acquisition of a 75% shareholding in Greencoat Capital Holdings Limited ('Greencoat'), for consideration of £358 million. The acquisition completed on 11 April 2022. <p>For each of the acquisitions, intangible assets and goodwill arose where the fair value of the consideration exceeded the fair value of the net tangible assets acquired. Management are required to estimate the value of the intangible assets recognised on acquisition. The assessment is subjective and requires a number of estimates to be made by management in respect of: future revenues, profit margins, discount rates and duration of client relationships. There is a risk that inaccurate estimates made by management could lead to the incorrect valuation of intangible assets being recognised.</p> <p>Management must use their judgment to assess whether any retrospective adjustments are required to the provisional amounts recognised at the acquisition date to reflect new information obtained during the year.</p> <p>The acquisition of Greencoat gave rise to a redemption liability, recognising a put option available over the remaining equity, and a non-controlling interest ('NCI'). Management must consider the appropriate accounting treatment for the redemption liability and NCI. The accounting for these arrangements is complex and there are multiple acceptable approaches. There is a risk that an inappropriate accounting judgment could result in an incorrect valuation of the liability and NCI recognised.</p> <p>Key observations communicated to the Schroders Audit and Risk Committee</p> <p>All transactions tested have been materially accounted for in accordance with IFRS 10, IAS 36 and IFRS 3. The valuation of intangible assets recognised on acquisition are within a reasonable range. The valuation at acquisition of the Greencoat financial liability in respect of the option to purchase the remaining NCI is within a reasonable range. Based on our procedures performed, we have no matters to report in respect of accounting for corporate activity.</p>	<p>We have:</p> <ul style="list-style-type: none">• confirmed and updated our understanding of the processes and controls in place through walkthrough procedures;• understood the nature of each transaction by reading the relevant legal agreements and other supporting documentation to assess whether material contractual obligations had been accounted for;• challenged the accounting judgments made by forming an independent view of how the transactions should be accounted for, and compared this to management's existent accounting;• read management's papers, including any retrospective adjustments made to the provisional amounts recognised at the acquisition date, to assess whether the methodology used to identify and ascribe value to the intangible assets acquired is in accordance with IAS 38 and market practice valuation techniques;• with the support of our valuation specialists, challenged the methodology and key assumptions used in the calculation of intangible assets identified on acquisition;• agreed the total consideration used in the calculation of goodwill to agreements and other supporting documentation and discussed with management the treatment of certain items as consideration or remuneration under the accounting standards;• challenged the judgments and estimates used in the valuation of the redemption liability with the support of our valuation specialists;• challenged management regarding the inputs into the redemption liability year-end valuation model, including considering external data such as, the impact of changes to UK energy rates, market sentiment to investment strategies, and other relevant external factors;• traced the final amounts through to the underlying accounting records; and• reviewed the relevant disclosures in the Annual Report and Accounts.

Prior year comparison

In the current year, our auditor's report includes a key audit matter in relation to 'Accounting for corporate activity'. This matter resulted in increased audit effort in the current year due to the number and materiality of transactions undertaken during the year and their overall significance to the Schroders business. Accounting for transactions outside the ordinary course of business can be complex and management must make specific accounting judgments for each transaction.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £36 million (2021: £42 million), which is 5% of operating profit (2021: 5% of profit before tax and exceptional items). For the 2022 Half-year financial statements and onwards, Schroders management elected to stop separately reporting exceptional items on the face of the Income Statement. This change resulted in us reassessing the appropriate measurement basis for materiality. We believe that operating profit is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent company to be £45 million (2021: £47 million), which is 1% (2021: 1%) of net assets. The Parent company primarily holds investments in Group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.

During the course of our audit, we reassessed initial materiality based on 31 December 2022 financial statement amounts and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £27 million (2021: £31 million).

Audit work at entity level, for the purpose of obtaining audit coverage over significant financial statement accounts, is undertaken based on a percentage of total performance materiality. The performance materiality set for each entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement at that entity. In the current year, the range of performance materiality allocated to individual entities was £5.4 million to £14.9 million (2021: £6.2 million to £17.1 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.8 million (2021: £2.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 113 and 198 to 204, including the Strategic report, Governance, and Shareholder information sections, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information in the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities, as set out on page 49;
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 49;
- Directors' explanation as to its assessment of the Parent company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 49;
- Directors' statement on fair, balanced and understandable, as set out on page 113;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on pages 42-45;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 70; and
- the section describing the work of the Audit and Risk Committee, as set out on pages 68-75.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 113, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Parent company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules and relevant Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') rules and regulations.
- We understood how Schroders plc is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, General Counsel, Company Secretary, Chief Risk Officer, Head of Internal Audit and the Chairman of the Audit and Risk Committee. We corroborated our understanding through our review of board and committee meeting minutes, papers provided to the Audit and Risk Committee, and correspondence received from the PRA and FCA.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors these controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management, including those at full and specific scope entities; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Parent company on 9 March 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. Our appointment as auditor was approved by shareholders at the Annual General Meeting on 26 April 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ended 2018 to 2022.
- The audit opinion is consistent with the Audit Results Report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Young (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

1 March 2023

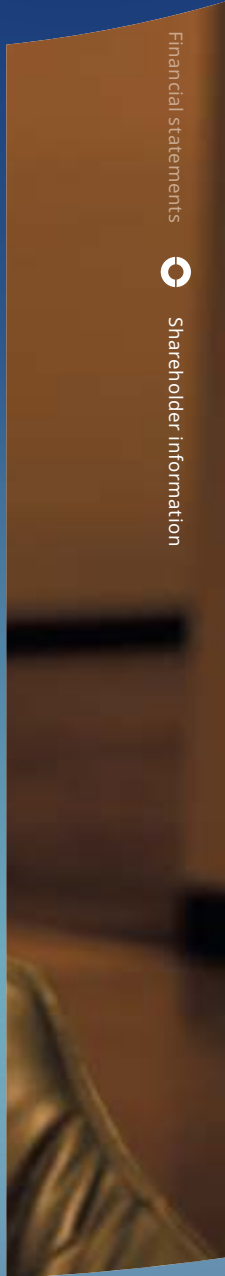
Notes:

1. The maintenance and integrity of the Schroders plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shareholder information

Shareholder information

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Shareholder information

Schroders plc

Registered in England and Wales Company No. 3909886

Registered office

1 London Wall Place, London, EC2Y 5AU
Tel: +44 (0) 207 658 6000
Email: companysecretary@schroders.com
Website: www.schroders.com

Share Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

UK Shareholder helpline:

Freephone (UK callers only): 0800 923 1530
International: +44 117 378 8170
Fax: +44 (0) 870 703 6101
Website: investorcentre.co.uk

Financial calendar

Ex-dividend date	23 March 2023
Record date	24 March 2023
DRIP election date deadline	12 April 2023
Annual General Meeting	27 April 2023
Final dividend payment date	4 May 2023
Half-year results announcement	27 July 2023
Interim dividend paid*	September 2023

* Date to be confirmed.

Annual General Meeting

Our AGM will be held as a hybrid meeting at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 27 April 2023 at 11:30am.

Investor Centre

Computershare is the Company's share registrar. Investor Centre is Computershare's free, self-service website where shareholders can manage their interests online.

The website enables shareholders to:

- View share balances
- Change address details
- View payment and tax information
- Update payment instructions
- Update communication instructions

Shareholders can register their email address at investorcentre.co.uk to be notified electronically of events such as AGMs, and can receive shareholder communications such as the Annual Report and Accounts and the Notice of Meeting online.

Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque. Applications for an electronic mandate can be made by contacting the Registrar.

If your dividend is paid directly into your bank or building society account, you will receive an annual consolidated dividend confirmation, which will be sent to you in September each year at the time the interim dividend is paid.

Dividend confirmations are available electronically at investorcentre.co.uk to those shareholders who have their payments mandated to their bank or building society accounts and who have expressed a preference for electronic communications.

The Company operates a Dividend Reinvestment Plan (DRIP), which provides shareholders with a way of increasing their shareholding in the Company by reinvesting their dividends. A copy of the DRIP terms and conditions and application form can be obtained from the Registrar.

Details of dividend payments can be found in the Directors' report on page 109.

Schroders offers a service to shareholders in participating countries that enables dividends to be received in local currencies. You can check your eligibility and/or request a mandate form by contacting the Registrar.

Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting register.fca.org.uk
- Report the matter to the FCA by calling 0800 111 6768 or visiting fca.org.uk/consumers/report-scam-unauthorised-firm
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at fca.org.uk/consumers/unauthorised-firms-individuals#list.

More detailed information on this or similar activity can be found on the FCA website at fca.org.uk/consumers/protect-yourself-scams.

Capital gains tax implications of simplification of the Schroders plc dual share class structure

Information on capital gains tax relating to the Enfranchisement, Compensatory Bonus issue and Sub-Division of Schroders plc shares that took place in September 2022 can be found on the Company's website.

Five-year consolidated financial summary

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Operating profit before tax	723.0	841.0	698.5	709.7	779.7
Tax	(123.6)	(147.4)	(134.9)	(144.2)	(166.1)
Operating profit after tax	599.4	693.6	563.6	565.5	613.6
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Profit before tax	586.9	764.1	610.5	624.6	649.9
Tax	(100.7)	(140.3)	(124.5)	(128.9)	(145.2)
Profit after tax	486.2	623.8	486.0	495.7	504.7
Operating earnings per share:	2022 Pence	2021 Pence	2020 Pence	2019 Pence	2018 Pence
Basic earnings per share ¹	37.4	43.0	34.9	35.6	38.8
Diluted earnings per share ¹	36.7	42.2	34.3	35.0	38.1
Earnings per share:	2022 Pence	2021 Pence	2020 Pence	2019 Pence	2018 Pence
Basic earnings per share ¹	30.4	38.7	30.2	31.4	32.1
Diluted earnings per share ¹	29.9	38.1	29.7	30.8	31.5
Dividends:	2022	2021	2020	2019	2018
Cost (£m)	332.1	318.6	311.7	312.3	311.7
Pence per share ²	21.4	20.4	20.0	20.0	20.0
Total equity (£m)	4,479.7	4,425.7	4,085.9	3,847.5	3,621.2
Net assets per share (pence)³	278	275	253	239	225
Group employees at year end 31 December	2022 Number	2021 Number	2020 Number	2019 Number	2018 Number
United Kingdom	3,788	3,329	3,188	3,284	2,798
Europe, Middle East and Africa	1,031	940	938	964	873
Americas	427	388	379	376	369
Asia Pacific	1,188	1,093	1,066	1,049	999
	6,434	5,750	5,571	5,673	5,039

1. See note 5 for the basis of this calculation. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

2. Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

3. Net assets per share are calculated by using the actual number of shares in issue at the year end date. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

Exchange rates – closing 31 December	2022	2021	2020	2019	2018
Sterling:					
Euro	1.13	1.19	1.12	1.18	1.11
US dollar	1.20	1.35	1.37	1.32	1.27
Swiss franc	1.11	1.23	1.21	1.28	1.26
Australian dollar	1.77	1.86	1.77	1.88	1.81
Hong Kong dollar	9.39	10.56	10.60	10.32	9.97
Japanese yen	158.72	155.97	141.13	143.97	139.73
Singaporean dollar	1.61	1.83	1.81	1.78	1.74
Chinese renminbi	8.36	8.63	8.89	9.23	8.74
Exchange rates – average	2022	2021	2020	2019	2018
Sterling:					
Euro	1.17	1.16	1.13	1.14	1.13
US dollar	1.24	1.37	1.29	1.28	1.33
Swiss franc	1.18	1.25	1.21	1.27	1.30
Australian dollar	1.78	1.83	1.87	1.84	1.78
Hong Kong dollar	9.71	10.68	10.05	10.03	10.44
Japanese yen	161.25	151.02	137.89	139.63	147.17
Singaporean dollar	1.71	1.84	1.78	1.74	1.80
Chinese renminbi	8.32	8.86	8.86	8.83	88.82

About our business areas

Schroders Capital

Gives investors access to opportunities in private markets, such as real estate, private equity and infrastructure, as well as alternatives.

Schroders Solutions

Provides complete solutions and partnerships, including liability offsets and risk mitigation.

Mutual Funds

Offers retail clients access to our investment capabilities through intermediary networks.

Institutional

Makes investment components available directly to institutions and through sub-advisory mandates.

Schroders Wealth Management

Provides wealth management and financial planning for ultra-high-net-worth, high-net-worth and affluent individuals and charity clients as well as family offices and advisers.

Alternative Performance Measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cashflows, other than a financial measure defined or specified in the applicable financial reporting framework. The Group's APMs are defined below.

Exceptional items

Exceptional items are significant items of income and expenditure that were previously presented separately by virtue of their nature. They related principally to items arising from acquisitions undertaken by the Group.

Operating earnings per share

Operating profit after tax excluding non-controlling operating earnings divided by the relevant weighted average number of shares (see note 5). The presentation of operating earnings per share provides transparency from our operational activities to aid understanding of the financial performance.

Operating profit

Profit before tax but excluding revenue and expenditure that does not fall into the core operations of Asset Management or Wealth Management, or are acquisition related in nature (see note 3).

Payout ratio

The total dividend per share in respect of the year (see note 6) divided by the operating basic earnings per share.

Profit before tax and exceptional items

Profit before tax but excluding exceptional items. This presentation provides transparency of recurring revenue and expenditure from our operational activities to aid understanding of the financial performance of the Group.

Total compensation ratio

Compensation costs, excluding those recognised within 'Acquisition costs and related items', divided by net operating income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.

Active asset management

The management of investments based on active decision-making rather than with the objective of replicating the return of an index.

Alpha

Excess return over market returns relative to a market benchmark.

Article 8 and Article 9

See Sustainable Finance Disclosure Regulation.

Assets under management (AUM)

AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the Group, including joint ventures and associates, earns operating revenue.

Asset Management AUM includes investment management, fiduciary management and liability management services. For Schroders Capital Private Equity, the aggregate value of assets managed includes client commitments on which we earn fees. This is changed to the lower of committed funds and net asset value, typically after seven years from the initial investment, in line with the fee basis.

Wealth Management AUM comprises the aggregate value of assets where Schroders provides advice or discretionary management (Advised AUM), platform services (Platform AUM) and investment management services (Managed AUM). Advised AUM comprises assets where Schroders provides discretionary or advisory management services including assets where the client independently makes investment decisions. Platform AUM represents the value of assets on the Benchmark Fusion platform. The Fusion platform enables financial advisors to administer and manage their clients' accounts by providing dealing and settlement services, valuation statements and custody services through a third party. Managed AUM includes assets where the client invests in Schroders' funds.

Basis point (bps)

One one-hundredth of a percentage point (0.01%).

Carbon dioxide equivalent (CO₂e)

A standard unit for measuring carbon footprints. It enables the impact of different greenhouse gas emissions on global warming to be expressed using an equivalent amount of carbon dioxide (CO₂) as a reference.

Carried interest

Carried interest is similar to the performance fees we earn on our core business, but is part of Private Assets and Alternatives fee structures.

Carbon Disclosure Project (CDP)

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Client investment performance

Client investment performance is a measure of how investments are performing relative to a benchmark or other comparator. As an active asset manager, we prioritise consistently delivering positive investment outcomes for our clients which is why our three-year investment performance is a key performance indicator for the Group. It is calculated internally by Schroders to give shareholders and financial analysts general guidance on how our invested assets are performing. The data is aggregated and is intended to provide information for comparison to prior reporting periods only. It is not intended for clients or potential clients investing in our products. All calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is a net of fees competitor ranking. When a product's investment performance is disclosed in product or client documentation it is specific to the strategy or product. Performance will either be shown net of fees at the relevant fund share-class level or it will be shown gross of fees with a fee schedule for the strategy supplied.

The calculation includes virtually all applicable assets under management that have a complete track record over the one year, three year and five-year reporting periods, respectively.

Applicable assets under management does not include our joint ventures and associates and excludes £79.3 billion of assets, principally comprising those managed by third parties or held on an execution-only basis, assets managed by Schroders Capital Real Estate Hotels, non-discretionary assets and assets held on a custody-only basis as well as Wealth Management platform assets on the Benchmark Fusion platform. Performance is calculated relative to the relevant comparator for each investment strategy as summarised below. These fall into one of four categories, the percentages for each of which refer to the three-year calculation:

- For 72% of assets included in the calculation, the comparator is the relevant benchmark.
- If the relevant comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 9% of assets in the calculation.
- Assets for which the relevant comparator is an absolute return target are measured against that absolute target. This applies to 12% of assets in the calculation.
- Assets with no specific outperformance objective, including those with a buy and maintain objective, are measured against a cash alternative, if applicable. This applies to 7% of assets in the calculation.

Clients

Within our Asset Management business we work with institutional clients, including pensions funds, insurance companies and sovereign wealth funds, as well as intermediaries, including financial advisers, private wealth managers, distributors and online platforms. We also provide a range of Wealth Management services to private clients, family offices and charities.

At times, 'client' is used to refer to investors in our funds or strategies, i.e. the end client.

We are increasingly focused on building closer relationships with the end client, whose money is invested with us, often via an intermediary or institution.

Defined benefit (DB) pension scheme

A pension benefit where the employer has an obligation to provide participating employees with pension payments that represent a specified percentage of their salary for each year of service.

Defined contribution (DC) pension scheme

A pension benefit where the employer's contribution to an employee's pension is measured as, and limited to, a specified amount, usually a percentage of salary. The value of the 'pension pot' can go up or down depending on how the investments perform.

Employee benefit trust

A type of discretionary trust established to hold cash or other assets for the benefit of employees, such as to satisfy share awards.

EPS

Earnings per share.

Family offices

These manage and/or advise on the financial affairs and investments of ultra-high net worth individuals or families.

Fiduciary Management

A form of investing where pension scheme trustees delegate some or all of the investment decisions to a third party 'fiduciary manager'. This reduces the day-to-day governance burden on trustees. Fiduciary management offerings will often include investment advice and a portfolio which consists of a growth solution and a liability-driven investment (LDI) solution.

Financed emissions

Absolute emissions that banks and investors finance through their loans and investments. Schroders' in scope financed emissions include all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, real estate investment trust and exchange-traded fund exposure.

Fundraising

This is a term used in our Schroders Capital business comprising new funds invested into our products and contractual commitments from clients to invest their capital in the future.

Gilt crisis

The UK government's 23 September 2022 mini-budget caused sharp falls in the pound's exchange rate and UK government bond prices as a result of fears the government would be unable to fund its Growth Plan 2022.

Greenhouse Gas (GHG) Protocol

Greenhouse gas protocol, a global standardised framework to measure and manage greenhouse gas emissions.

GMC

Group Management Committee.

GRC

Group Risk Committee.

Highly-rated employees

Employees who have received an exceptional rating in their annual performance review.

ICAAP

Internal Capital Adequacy Assessment Process.

IFRS

International Financial Reporting Standards.

ILAAP

Internal Liquidity Adequacy Assessment Process.

Integration of ESG factors

The incorporation of a range of risks and opportunities related to environmental, social and governance (ESG) factors into the investment decision-making process. In principle, this leads to a broader assessment of the drivers of business and asset valuations than traditional financial analysis alone, particularly in the long term.

Recognising that no standard framework exists to assess the integration of ESG factors into investment processes, we have developed a proprietary accreditation framework which we apply to our investment processes. Different investment strategies may consider different ESG factors as part of their investment process and apply them in different ways. The ESG factors may not be the primary factors that influence an investment decision. The framework requires investment teams to describe how ESG factors are incorporated into their investment processes and provides a consistent basis on which to assess how those factors are taken into account.

For certain businesses acquired more recently we have not yet accredited the integration of ESG factors into investment decision making. A small portion of our business for which the integration of ESG factors is not practicable or possible, for example, our legacy businesses or investments in the process of being liquidated, and certain joint venture businesses are excluded.

Investment capital

Capital held in excess of operating requirements. It is managed with the aim of achieving a low-volatility return. It is mainly held in cash, government and government-guaranteed bonds, investment-grade corporate bonds and Schroders funds. Investment capital is also used to help support the organic development of existing and new business strategies and to respond to other investment and growth opportunities as they arise, such as acquisitions that will accelerate the development of the business.

Investment returns

The increase in AUM attributable to investment performance, market movements and foreign exchange.

Liability-driven investment (LDI)

A form of investing where the main goal is to gain and maintain sufficient assets to meet known liabilities, both current and future. This form of investment is most prominent for defined benefit pension schemes.

Life Company

Schroder Pension Management Limited, a wholly owned subsidiary, which provides investment products through a life assurance wrapper.

MSCI ESG rating

The Morgan Stanley Capital International ESG rating is designed to measure a company's resilience to long-term, industry material ESG risks.

Net new business (NNB)

New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative). These are calculated as at 31 December 2022 on the basis of actual funding provided or withdrawn.

Net operating income

A sub-total comprising net operating revenue, share of profit of associates and joint ventures, and other operating income.

Net operating revenue

A sub-total consisting of revenue less cost of sales as defined in note 2 of the financial statements.

Net operating income revenue margins

Net operating revenue excluding performance fees, net carried interest and real estate transaction fees divided by the relevant average AUM.

Net zero / net zero target

Net zero emissions is achieved when the amount of emitted greenhouse gases are balanced by the equivalent of emissions removed. A "net zero" target refers to reaching net zero carbon emissions by a selected date and refers to balancing the amount of emitted greenhouse gases with the equivalent emissions that are either offset or sequestered.

Other operating income

Other operating income primarily relates to gains and losses on co-investments and foreign exchange.

Passive products

Products whose stated objective is to replicate the return of an index.

Performance based revenues

Includes fee types such as performance fees and net carried interest income. Performance fees are earned when contractually agreed performance levels are exceeded.

Pillar 1, 2 and 3

Pillar 1 sets rule-based minimum capital standards. Pillar 2 establishes the approach to supervisory review and the setting of individual capital requirements, taking into consideration the firm's own assessment of how much capital is required to support the business. Pillar 3 sets disclosure requirements, which aim to promote market discipline by enabling market participants to access information relating to regulatory capital and risk exposures. See www.schroders.com/pillar3.

Platforms

Platforms in the UK savings market offer a range of investment products such as unit trusts, Individual Saving Accounts (ISAs), unit-linked life and pension bonds and Self-Invested Personal Pensions (SIPPs) to facilitate investment in many funds from different managers through one portal.

Portfolio temperature score

The temperature score is calculated in accordance with the CDP-WWF temperature rating methodology. It is calculated based on the carbon emissions reduction targets set by the companies in our portfolios and is intended to serve as an indication of our portfolio's alignment to different levels of global warming.

PRA

Prudential Regulation Authority.

Principal Shareholder Group

A number of private trustee companies, a number of individuals and a charity which, directly or indirectly, are shareholders in Schroders plc and are parties to the Relationship Agreement. In aggregate these parties own 43.11% of the ordinary shares of Schroders plc.

Regulatory surplus capital

Total equity less the Group's overall regulatory capital requirement and regulatory deductions, in accordance with the EU Capital Requirements Regulation as set out in the Group's Pillar 3 disclosures.

Renewably sourced electricity

Electricity that is directly or indirectly (via Renewable Energy Certificates) procured from a verifiable renewable source.

SBTi

The Science Based Targets initiative defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

Science-based target

A science-based target provides a clearly-defined pathway for companies to reduce their greenhouse gas emissions. The target is considered 'science-based' if it is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Scope 1 / Scope 2 / Scope 3

See GHG. Scope 1 is direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles. Scope 2 is indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam. Scope 3 is indirect greenhouse gas emissions from sources not owned or controlled by the company, such as emissions from business travel or investments.

Seed and co-investment capital

Seed capital comprises an initial investment put into a fund or strategy by the business to allow it to develop a performance track record before it is marketed to potential clients. Co-investment comprises an investment made alongside our clients.

Senior management

Senior management includes members of the GMC, the direct reports of the GMC and the direct reports one level below that, in each case excluding administrative and other ancillary roles. The data excludes executive Directors and includes some persons who are also subsidiary Directors.

Sustainable Finance Disclosure Regulation (SFDR)

Under the EU's Sustainable Finance Disclosure Regulation, asset managers have to disclose how sustainability risks are considered in their investment processes and which of their products meet the disclosure requirements of 'Article 6', 'Article 8' and 'Article 9'. 'Article 8' products promote environmental or social characteristics amongst others, but do not necessarily have them as their overarching objective. 'Article 9' products must have sustainable investment as their objective. 'Article 6' products are those products that are in-scope of SFDR, but do not meet the requirements for Article 8 or Article 9.

SustainEx™

Schroders' proprietary estimate of the net 'impact' that an issuer may create in terms of social and environmental 'costs' or 'benefits'. It uses certain metrics with respect to that issuer, and quantifies them positively (for example, by paying 'fair wages') and negatively (for example, the carbon an issuer emits) to produce an aggregate notional measure of the issuer's social and environmental 'externalities'. The aim of the model is to enable our investors to assess the investments they may make, having regard to such measures, and the risks those issuers potentially face if the social and environmental 'costs' they create were to be reflected in their own financial costs.

Total capital requirement

The requirement to hold the sum of Pillar 1 and Pillar 2A capital requirements. Pillar 2A capital requirements are supplementary requirements for those risk categories not captured by Pillar 1, depending on specific circumstances of a company, as set out by the PRA.

Total dividend per share

Unless otherwise stated, this is the total dividend in respect of the year, comprised of the interim dividend and the proposed final dividend. This differs from the IFRS dividend, which is comprised of the prior year final and current year interim dividends declared and paid during the year.



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