

# Press Release

## Schroders plc

### Full-year results

### 3 March 2022

- We delivered strong results in 2021, with profit before tax up 25%, reaching £764.1 million.
- Our three-year investment performance<sup>1</sup>, a key performance indicator for the Group, was strong again as 79% of assets outperformed their relevant comparator.
- We generated net new business (NNB) of £35.3 billion, representing an annual organic growth rate<sup>2</sup> of 5%. Our assets under management (AUM) increased by 10%, up from £663.0 billion at 31 December 2020, to a new high of £731.6 billion.
- Our strong financial performance reflects the benefit of the investments we have made in recent years. We have developed capabilities in the strategic growth areas of Private Assets and Alternatives and Wealth Management, expanded our geographic reach and evolved our product range.
- The Board has recommended a total dividend of 122.0 pence per share, representing an increase of 7% on the previous year.

	2021 £m	2020 £m	Change
Net income	2,568.8	2,179.2	+18%
Operating expenses	(1,732.6)	(1,476.9)	+17%
Profit before tax and exceptional items	836.2	702.3	+19%
Profit before tax	764.1	610.5	+25%
Profit after tax	623.8	486.0	+28%
Basic earnings per share before exceptional items (pence)	244.8	200.8	+22%
Basic earnings per share (pence)	220.8	172.4	+28%
Total dividend per share (pence)	122.0	114.0	+7%

**Peter Harrison, Group Chief Executive, commented:** “2021 was an important year for Schroders. Our pre-tax profits were up 25%, earnings per share were 28% higher and we generated net new business of £35.3 billion. These results benefitted from the strategic decisions we took several years ago, improving both the resilience of our business and its long-term growth potential.

Delivering excellent investment performance is always our primary focus; it was pleasing that 79% of assets outperformed on a three-year basis.

Importantly, the areas where we have invested for growth have delivered strongly. Performance across our partnerships, wealth, private assets and our sustainability franchise accelerated and enabled us to better serve a wider group of clients.

We continue to invest for the future. Most recently we have further expanded our capabilities. As a renewable energy manager, Greencoat Capital reinforces our leadership position in sustainability and will help enable our clients' net zero responsibilities. River and Mercantile's Solutions business enables us to expand our fiduciary management capabilities. These businesses will enhance our resilience and contribute to future growth.”

<sup>1</sup> Please refer to page 7 for more information about client investment performance.

<sup>2</sup> The organic growth rate is calculated as net new business divided by opening AUM.

## Management statement

Our diversified business model has again demonstrated its advantages, as we have delivered our strongest results to date reflecting the benefit of the investments we have made in our business in recent years. Profit before tax and exceptional items increased to £836.2 million (2020: £702.3 million). Profit before tax but after exceptional items was £764.1 million (2020: £610.5 million). Profit after tax and exceptional items was £623.8 million (2020: £486.0 million).

Our strategy has delivered robust organic growth, with strong contributions from our Private Assets and Alternatives and Wealth Management businesses, our range of mutual funds and geographic expansion, as well as our Asian joint ventures and associates.

Our financial performance is driven by our ability to generate competitive investment outcomes for our clients. Over one, three and five years, 74%, 79% and 78% of assets outperformed their relevant comparator respectively. We can achieve these outperformance figures because of our strong culture of collaboration, which helps to create an environment that is more likely to generate outperformance. This environment is further supported by the investments we have made in our Data Insights Unit and a growing team of sustainability specialists.

The Group generated NNB of £35.3 billion (2020: £54.9 billion, £26.7 billion excluding the Scottish Widows mandate) during 2021, of which our joint ventures and associates contributed £20.2 billion (2020: £12.4 billion). This is a pleasing result and represents an annual organic growth rate of 5%. Our AUM increased by 10% to a new high of £731.6 billion (2020: £663.0 billion), consistent with our longer-term five-year compound annual growth rate (CAGR) of 10%. The AUM of our joint ventures and associates grew from £88.6 billion at the end of 2020 to £116.4 billion at the end of 2021, representing an annual growth rate of 31%.

### Reaping the rewards of our organic investments

Our strategy is focused on three clearly defined priorities to drive future revenue growth. Firstly, we are getting closer to the consumer to avoid disintermediation and are actively growing our Wealth Management business. Secondly, we are tilting our Asset Management business towards the fast flowing waters of our industry and, thirdly, we are expanding our Private Assets and Alternatives capabilities.

Many of the investments we have made over recent years are now bearing fruit. We invested resources and seed capital into our new product ranges and now have a comprehensive range of Thematic products which closed the year with £10.3 billion of AUM, having generated £4.4 billion of NNB in 2021.

We have made continued progress in building a leadership position in sustainability and impact investing. Over the course of 2021, we successfully completed the transition of the majority of our Continental European fund range to include sustainable investment features. The funds now classified as either 'Article 8' or 'Article 9' under the EU's Sustainable Finance Disclosure Regulation (SFDR) have £60.5 billion of AUM and gathered NNB of £5.7 billion in 2021. We launched a further 14 such funds in Europe last year with more planned in 2022.

Last year, we became a founding member of the Net Zero Asset Manager Initiative. We believe asset managers have a fundamental role to play in supporting companies in their transition to net zero. We have now published our own path to net zero, not only for our business, but also for our clients' investment portfolios. We intend to use science-based targets to demonstrate a clearly defined pathway to net zero.

We continue to invest organically to expand internationally. The AUM of our North American business reached nearly £90 billion following net inflows of £3.2 billion in 2021. Our Latin American expansion plans are also progressing well and we have now reached £11.1 billion of AUM with the region contributing £2.1 billion of NNB. Our Asian business has grown to £102 billion of AUM, supported by strong NNB contributions from Hong Kong (£2.3 billion) and Singapore (£0.8 billion), as well as China and Taiwan (£1.0 billion). These are high-growth markets, and we expect inflows to accelerate over the coming years.

We participate in a number of high-growth markets by partnering with a local champion. In North America, our partnership with Hartford had another strong year, generating £3.1 billion (2020: £0.6 billion) of NNB and closing the year with £11.2 billion (2020: £7.5 billion) of AUM. We have long-standing strategic partnerships with Bank of Communications (BOCOM) in China and with Axis Bank in India. Both operations are growing at a rapid rate and are contributing meaningfully to our AUM and profits. The total AUM across our joint ventures and associates, excluding Schroders Personal Wealth, reached £116.4 billion (2020: £88.6 billion), representing an

increase of over 31% year-on-year. This was supported not only by investment returns but also by positive NNB of £20.2 billion (2020: £12.4 billion).

Growing our Wealth Management business has been a focus for several years. At our capital markets event last year, we presented our ambitions for the business to generate at least 5% NNB per annum and reach £115 billion of AUM by 2025.

Net operating revenue increased by 17% to £2,403.1 million (2020: £2,059.6 million). Our strong investment performance meant that we generated performance fees of £94.4 million (2020: £86.9 million). Given the growth of our private assets capabilities, we also generated higher carried interest than in the previous year of £31.9 million (2020: £8.8 million). Combined, performance fees and carried interest were £126.3 million (2020: £95.7 million). Net income was up 18%, reaching £2,568.8 million (2020: £2,179.2 million) which includes the strong performance from our joint ventures and associates, with our share of profit contributing £88.2 million (2020: £64.1 million).

## Investing for the future

We believe that using positive cash flow to invest in further growth initiatives propels the business into a virtuous circle of strong performance. Taking a long-term view, we continue to expand our operations in China and are building our wholly owned Fund Management Company under our own brand. In January 2022, we also gained approval from the Chinese regulator for our Wealth Management Company venture with BOCOM to commence its business operations. We own 51% of the business and, given the domestic wealth management market is the largest sector in China's asset management industry, we foresee good growth opportunities for this business.

We announced three strategic acquisitions in Q4 2021. These businesses give us new capabilities, all in high-growth markets with attractive revenue growth outlooks.

To further enhance our Solutions offering, we announced the acquisition of River and Mercantile's UK Solutions business, which will add approximately £43.1 billion of AUM to our existing Solutions business. The transaction will provide us with increased access to the UK's high-growth pension fund market which will in turn enable us to further grow our AUM and revenues. Please refer to the [press release](#) for further information.

We also announced the expansion of our real estate capabilities in one of the key European growth markets by acquiring Cairn Real Estate, a Dutch real estate specialist manager with €1.3 billion of AUM. This provides Schroders Capital, our private assets business, with a true pan-European real estate capability to offer to our clients. Please refer to the [press release](#) for further information, both transactions completed in January 2022.

Finally, we have reached an agreement to acquire a 75% interest in Greencoat Capital, a leading European renewable infrastructure manager with £6.8 billion of AUM as at the end of 2021. This transaction is expected to complete in Q2 2022. This is an exciting investment and will not only enhance our leadership position in sustainability, but will enable us to support the energy transition towards net zero. Given the structural demand for this asset class, Schroders' global distribution reach and Greencoat's historic revenue growth trajectory, we foresee significant growth opportunities in the US and Europe in particular. Please refer to the [press release](#) for further information.

The acquisitions of Cairn Real Estate and Greencoat Capital will further strengthen our existing private assets platform. In June 2021, we launched Schroders Capital which united our private assets investment capabilities under one brand, in order to deliver an enhanced service for our clients. Schroders Capital encompasses the existing range of private equity, securitised products and asset-based finance, private debt, real estate, infrastructure, insurance-linked securities and BlueOrchard (impact specialist).

We decided last year to make another step change in technology investments to future-proof our business and ensure we have access to market-leading cloud technology. Once completed in the next few years, our cloud transition will make our business more secure and facilitate operational leverage in the future.

Despite these investments, we maintained cost discipline and as a result our cost income ratio fell by 1% to 67% (2020: 68%). Compensation costs were £1,168.1 million (2020: £974.7 million), which represents a total compensation ratio of 45%. Non-compensation costs were £564.5 million (2020: £502.2 million).

## Asset Management

Asset Management net income before exceptional items was £2,138.0 million (2020: £1,786.9 million). The net operating revenue margin before performance fees and net carried interest was 37 basis points (2020: 36 basis points). The segment benefitted from increased performance fees of £94.2 million (2020: £85.8 million) and net carried interest of £31.9 million (2020: £8.8 million). In total, Asset Management performance fees and carried interest reached £126.1 million (2020: £94.6 million). Joint ventures and associates contributed £73.9 million (2020: £49.5 million). Profit before tax and exceptional items was £713.2 million (2020: £573.3 million). Profit before tax was £673.0 million (2020: £543.5 million).

## Private Assets and Alternatives

The positive momentum in our Private Assets and Alternatives business area continued throughout last year. AUM increased by over 16% year on year and ended the period at £53.7 billion (2020: £46.1 billion). Schroders Capital generated £7.4 billion (2020: £1.7 billion) of NNB whilst our liquid alternatives business saw net outflows of £0.5 billion (2020: net outflows of £1.2 billion), bringing the total to £6.9 billion (2020: £0.5 billion) in 2021. This demonstrates the strength of our private assets capabilities which we have built over the past five years. We saw strong demand for our securitised credit, private equity, and real estate capabilities. Revenue margins excluding performance fees and carried interest remained flat over the year at 62 basis points (2020: 62 basis points), as higher margin inflows into Private Equity were offset by inflows into securitised credit. Given the strength of our Private Assets and Alternatives business area, we foresee continued strong client demand over the coming years.

## Solutions

Our Solutions AUM grew by 3% and ended the year at £198.1 billion (2020: £192.3 billion). It now represents 27% of our group total AUM and generated £276.4 million (2020: £253.0 million) of net operating revenues. Its revenue contribution increased by 9% year on year. We experienced net outflows of £1.5 billion (2020: net inflows of £43.4 billion), which was mainly driven by the natural attrition of the Scottish Widows mandate, which experienced net outflows of £1.0 billion in 2021 and ended the year with AUM of £75.0 billion (2020: £71.2 billion). Solutions net operating revenue margins excluding performance fees and carried interest fell by 1 basis point to 14 basis points (2020: 15 basis points).

## Mutual Funds

The year was characterised by strong client demand for our Mutual Fund ranges, which saw net inflows of £8.1 billion (2020: net outflows of £3.1 billion) driven by competitive investment performance from our thematic equity products. AUM in Mutual Funds were £116.0 billion (2020: £104.2 billion), representing an increase of over 10% compared to 2020. The demand for higher margin equity products offset industry fee pressures and led to net operating revenue margins excluding performance fees increasing to 72 basis points (2020: 71 basis points).

## Institutional

The Institutional business saw net outflows of £2.5 billion (2020: £nil). AUM increased £6.4 billion to £166.2 billion (2020: £159.8 billion), reflecting our strong investment performance. Despite the net outflows, Institutional generated £601.0 million (2020: £514.5 million) of net operating revenues, a 17% increase compared to the previous year. Institutional net operating revenue margins excluding performance fees and carried interest remained flat at 31 basis points (2020: 31 basis points).

## Wealth Management

Our Wealth Management segment saw continued good momentum throughout the year across its four franchises: Cazenove Capital, Schroders Personal Wealth, Schroders Wealth Management and Benchmark Capital.

Wealth Management closed the period at £81.2 billion (2020: £72.0 billion) of AUM and generated NNB of £4.1 billion (2020: £1.7 billion), which represents an annual organic growth rate of 6% based on its AUM at the beginning of the year.

Net income increased by 13% to £433.7 million (2020: £382.7 million). Profit before tax and exceptional items increased by over 16% year-on-year to £128.6 million (2020: £110.5 million), and profit before tax increased to

£96.8 million (2020: £64.8 million). The net operating revenue margin before performance fees declined by 1 basis point to 55 basis points (2020: 56 basis points), largely due to the interest rate environment during the year.

Cazenove Capital had another strong year and generated NNB of £3.1 billion (2020: £1.3 billion). Contributing to this growth were new hires in London and the UK regions as well as the strength of our sustainability offering. We foresee growth opportunities through our new regional offices in Birmingham, Manchester and Bristol where we successfully attracted 16 top advisers who are already contributing to our NNB. We completed the integration of Sandaire and are now well placed to capture opportunities through our leading family office franchise.

Schroders Personal Wealth, our joint venture with Lloyds Banking Group, ended the year with £13.4 billion (2020: £12.2 billion) of AUM. NNB turned positive during the year at £0.3 billion (2020: net outflows of £0.3 billion) reflecting the benefit of an increasing number of referrals from the Lloyds banking branches. We are optimistic on the outlook for the business as it enters the next stage of growth.

Benchmark Capital completed another successful year, as AUM increased to £10.5 billion (2020: £9.4 billion) with NNB contributing £0.7 billion (2020: £0.7 billion).

## Group

The Group segment generated a loss before exceptional items of £5.0 million in 2021 (2020: profit of £18.5 million), due to a reduction in interest income and an increase in compensation costs.

## Dividend

Reflecting the Group's strong financial performance, the Board will recommend a final dividend of 85 pence (2020: 79.0 pence). This will bring the total dividend for the year to 122.0 pence (2020: 114.0 pence), which represents a 7% increase compared to 2020. The final dividend will be paid on 5 May 2022 to shareholders on the register on 25 March 2022.

## Outlook

We continue to broaden our business towards resilient and high growth areas, such as wealth management and private assets. We believe that leadership in sustainability will be a critical success factor going forward. Our recently announced acquisitions will help further accelerate the development of the Group.

After a period of benign markets there is a risk that the current turbulence will be with us for some while. In such uncertain times our diverse business model enables us to focus on the long-term interests of our clients and other stakeholders.

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Copies of this announcement are available on the Schroders website: [www.schroders.com](http://www.schroders.com). Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a presentation for the investment community to discuss the Group's full-year results at 9.00 a.m. GMT on Thursday, 3 March 2022. Once registered on <https://www.schroders.com/en/investor-relations/results-and-reports/results-reports-and-presentations/> a link to the Zoom call will be shared via email. A replay will be available from midday on Thursday, 3 March 2022 at <https://www.schroders.com/en/investor-relations/>.

Please visit <https://www.schroders.com/en/investor-relations/> to learn how we handle personal data.

## Forward-looking statements

This announcement 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 Schroders 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 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'foresee', '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 statement. 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 announcement or in the Annual Report and Accounts or on the Schroders website should be construed as a forecast, estimate or projection of future financial performance.

## Additional information

### Assets under management (AUM)

Year ended 31 December 2021

£bn	Private Assets and Alternatives	Solutions	Mutual Funds	Institutional	Asset Management	Wealth Management	Total (excluding joint ventures and associates)	Joint ventures and associates	Group Total
<b>1 January 2021</b>	46.1	192.3	104.2	159.8	502.4	72.0	574.4	88.6	663.0
Gross inflows	13.1	19.7	48.3	25.3	106.4	11.0	117.4	199.1	316.5
Gross outflows	(6.2)	(21.2)	(40.2)	(27.8)	(95.4)	(6.9)	(102.3)	(178.9)	(281.2)
<b>Net flows</b>	<b>6.9</b>	<b>(1.5)</b>	<b>8.1</b>	<b>(2.5)</b>	<b>11.0</b>	<b>4.1</b>	<b>15.1</b>	<b>20.2</b>	<b>35.3</b>
Acquisitions	-	-	-	-	-	-	-	0.1	0.1
Investment returns <sup>1</sup>	0.7	7.3	3.7	8.9	20.6	5.1	25.7	7.5	33.2
<b>31 December 2021</b>	<b>53.7</b>	<b>198.1</b>	<b>116.0</b>	<b>166.2</b>	<b>534.0</b>	<b>81.2</b>	<b>615.2</b>	<b>116.4</b>	<b>731.6</b>

<sup>1</sup> Includes currency movements which decreased AUM by around £3.6 billion.

### Client investment performance

Client investment performance is a measure of how investments are performing relative to a benchmark or other comparator. 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.

	Percentage of assets outperforming		
	One year	Three years	Five years
<b>To 31 December 2021</b>	<b>74%</b>	<b>79%</b>	<b>78%</b>
To 31 December 2020	75%	72%	81%

The calculation includes virtually all applicable AUM that have a complete track record over the one year, three years and five years reporting periods.

Applicable AUM excludes £53.1 billion of assets, principally comprising those managed by third parties, assets managed by Schroders Capital Real Estate Hotels, non-discretionary assets and Wealth Management assets held on a custody-only, advisory or execution-only basis.

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 73% 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 11% of assets in the calculation.
- Assets with no specific outperformance objective, including those with a buy and maintain objective, that are measured against a cash alternative, if applicable. This applies to 7% of assets in the calculation.



# Consolidated income statement

for the year ended 31 December 2021

	Notes	2021			2020		
		Before exceptional items £m	Exceptional items <sup>2</sup> £m	Total £m	Before exceptional items £m	Exceptional items <sup>2</sup> £m	Total £m
Revenue		2,959.5	-	2,959.5	2,512.7	-	2,512.7
Cost of sales		(556.4)	-	(556.4)	(453.1)	-	(453.1)
<b>Net operating revenue</b>	3	<b>2,403.1</b>	-	<b>2,403.1</b>	<b>2,059.6</b>	-	<b>2,059.6</b>
Net gain on financial instruments and other income	4	77.5	(13.3)	64.2	55.5	0.4	55.9
Share of profit of associates and joint ventures	10	88.2	(8.9)	79.3	64.1	(21.0)	43.1
<b>Net income</b>		<b>2,568.8</b>	<b>(22.2)</b>	<b>2,546.6</b>	<b>2,179.2</b>	<b>(20.6)</b>	<b>2,158.6</b>
Operating expenses	5	(1,732.6)	(49.9)	(1,782.5)	(1,476.9)	(71.2)	(1,548.1)
<b>Profit before tax</b>		<b>836.2</b>	<b>(72.1)</b>	<b>764.1</b>	<b>702.3</b>	<b>(91.8)</b>	<b>610.5</b>
Tax	6	(143.2)	2.9	(140.3)	(133.5)	9.0	(124.5)
<b>Profit after tax<sup>1</sup></b>		<b>693.0</b>	<b>(69.2)</b>	<b>623.8</b>	<b>568.8</b>	<b>(82.8)</b>	<b>486.0</b>
<b>Earnings per share</b>							
Basic	7	<b>244.8p</b>	<b>(24.0)p</b>	<b>220.8p</b>	<b>200.8p</b>	<b>(28.4)p</b>	<b>172.4p</b>
Diluted	7	<b>240.6p</b>	<b>(23.5)p</b>	<b>217.1p</b>	<b>197.2p</b>	<b>(27.9)p</b>	<b>169.3p</b>
<b>Total dividend per share</b>	8			<b>122.0p</b>			<b>114.0p</b>

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.

<sup>2</sup> Please refer to notes 2 and 3 for a definition and further details of exceptional items.

# Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
<b>Profit after tax<sup>1</sup></b>		<b>623.8</b>	<b>486.0</b>
<b>Items that may or have been reclassified to the income statement:</b>			
Net exchange differences on translation of foreign operations after hedging		(19.0)	37.8
Net (loss)/gain on financial assets at fair value through other comprehensive income	4	(2.8)	1.4
Net gain on financial assets at fair value through other comprehensive income held by associates	10	0.1	0.1
Tax on items taken directly to other comprehensive income	6	1.1	(0.3)
		<b>(20.6)</b>	<b>39.0</b>
<b>Items that will not be reclassified to the income statement:</b>			
Net actuarial gain on defined benefit pension schemes	14	27.6	30.4
Tax on items taken directly to other comprehensive income	6	(6.7)	(5.0)
		<b>20.9</b>	<b>25.4</b>
<b>Other comprehensive income for the year, net of tax<sup>1</sup></b>		<b>0.3</b>	<b>64.4</b>
<b>Total comprehensive income for the year<sup>1</sup></b>		<b>624.1</b>	<b>550.4</b>

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.

# Consolidated statement of financial position

at 31 December 2021

	Notes	2021 £m	2020 £m
<b>Assets</b>			
Cash and cash equivalents		4,207.3	3,469.6
Trade and other receivables	9	1,000.9	840.3
Financial assets	9	3,132.3	2,871.8
Associates and joint ventures	10	466.7	405.2
Property, plant and equipment	11, 12	560.0	590.9
Goodwill and intangible assets	13	1,168.5	1,208.0
Deferred tax		145.0	32.9
Retirement benefit scheme surplus	14	197.9	168.2
		<b>10,878.6</b>	<b>9,586.9</b>
<b>Assets backing unit-linked liabilities</b>			
Cash and cash equivalents		911.7	746.3
Financial assets		12,551.4	11,339.9
	9	<b>13,463.1</b>	<b>12,086.2</b>
<b>Total assets</b>		<b>24,341.7</b>	<b>21,673.1</b>
<b>Liabilities</b>			
Trade and other payables	9	1,115.0	927.7
Financial liabilities	9	4,793.6	4,085.2
Lease liabilities	12	373.8	397.2
Current tax		52.2	21.5
Provisions		26.8	26.4
Deferred tax		80.4	31.5
Retirement benefit scheme deficits		11.1	11.5
		<b>6,452.9</b>	<b>5,501.0</b>
<b>Unit-linked liabilities</b>	9	<b>13,463.1</b>	<b>12,086.2</b>
<b>Total liabilities</b>		<b>19,916.0</b>	<b>17,587.2</b>
<b>Net assets</b>		<b>4,425.7</b>	<b>4,085.9</b>
<b>Total equity<sup>1</sup></b>		<b>4,425.7</b>	<b>4,085.9</b>

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.

# Consolidated statement of changes in equity

for the year ended 31 December 2021

	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		
<b>At 1 January 2021</b>		<b>282.5</b>	<b>124.2</b>	<b>(159.8)</b>	<b>165.6</b>	<b>133.6</b>	<b>3,456.7</b>	<b>4,002.8</b>	<b>83.1</b>	<b>4,085.9</b>
Profit for the year		-	-	-	-	79.3	532.6	611.9	11.9	623.8
Other comprehensive income <sup>1</sup>		-	-	-	(21.0)	0.1	19.2	(1.7)	2.0	0.3
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(21.0)</b>	<b>79.4</b>	<b>551.8</b>	<b>610.2</b>	<b>13.9</b>	<b>624.1</b>
Own shares purchased	16	-	-	(75.3)	-	-	-	(75.3)	-	(75.3)
Share-based payments		-	-	-	-	-	89.5	89.5	-	89.5
Tax in respect of share schemes	6	-	-	-	-	-	4.7	4.7	-	4.7
Other movements		-	-	-	-	-	(27.4)	(27.4)	52.6	25.2
Dividends	8	-	-	-	-	-	(318.6)	(318.6)	(9.8)	(328.4)
<b>Transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>(75.3)</b>	<b>-</b>	<b>-</b>	<b>(251.8)</b>	<b>(327.1)</b>	<b>42.8</b>	<b>(284.3)</b>
<b>Transfers</b>		<b>-</b>	<b>-</b>	<b>84.9</b>	<b>-</b>	<b>(29.6)</b>	<b>(55.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2021</b>		<b>282.5</b>	<b>124.2</b>	<b>(150.2)</b>	<b>144.6</b>	<b>183.4</b>	<b>3,701.4</b>	<b>4,285.9</b>	<b>139.8</b>	<b>4,425.7</b>

<sup>1</sup> Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange 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 gain on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

# Consolidated statement of changes in equity

for the year ended 31 December 2020

	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		
<b>At 1 January 2020</b>		<b>282.5</b>	<b>124.2</b>	<b>(169.1)</b>	<b>128.4</b>	<b>106.1</b>	<b>3,308.8</b>	<b>3,780.9</b>	<b>66.6</b>	<b>3,847.5</b>
Profit for the year		-	-	-	-	43.1	433.2	476.3	9.7	486.0
Other comprehensive income <sup>1</sup>		-	-	-	37.2	0.1	26.5	63.8	0.6	64.4
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>37.2</b>	<b>43.2</b>	<b>459.7</b>	<b>540.1</b>	<b>10.3</b>	<b>550.4</b>
Own shares purchased	16	-	-	(58.3)	-	-	-	(58.3)	-	(58.3)
Share-based payments		-	-	-	-	-	56.1	56.1	-	56.1
Tax in respect of share schemes	6	-	-	-	-	-	3.5	3.5	-	3.5
Other movements		-	-	-	-	0.2	(8.0)	(7.8)	6.3	(1.5)
Dividends	8	-	-	-	-	-	(311.7)	(311.7)	(0.1)	(311.8)
<b>Transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>(58.3)</b>	<b>-</b>	<b>0.2</b>	<b>(260.1)</b>	<b>(318.2)</b>	<b>6.2</b>	<b>(312.0)</b>
<b>Transfers</b>		<b>-</b>	<b>-</b>	<b>67.6</b>	<b>-</b>	<b>(15.9)</b>	<b>(51.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2020</b>		<b>282.5</b>	<b>124.2</b>	<b>(159.8)</b>	<b>165.6</b>	<b>133.6</b>	<b>3,456.7</b>	<b>4,002.8</b>	<b>83.1</b>	<b>4,085.9</b>

<sup>1</sup> Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial gain on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

# Consolidated cash flow statement

for the year ended 31 December 2021

	2021 £m	2020 £m
<b>Net cash from operating activities</b>	<b>1,234.2</b>	<b>832.5</b>
<b>Cash flows from investing activities</b>		
Net acquisition of businesses, associates and joint ventures	(18.7)	(18.3)
Net acquisition of property, plant and equipment and intangible assets	(89.4)	(92.8)
Acquisition of financial assets	(1,946.0)	(1,728.2)
Disposal of financial assets	2,123.9	1,974.2
Non-banking interest received	12.5	14.9
Distributions received from associates and joint ventures	35.1	1.5
<b>Net cash from investing activities</b>	<b>117.4</b>	<b>151.3</b>
<b>Cash flows from financing activities</b>		
Purchase of subsidiary shares from non-controlling interest holders	(32.4)	(15.8)
Cash from non-controlling interest holders	54.5	-
Lease payments	(47.5)	(44.4)
Acquisition of own shares	(75.3)	(58.3)
Dividends paid	(328.4)	(311.8)
Other flows	(0.6)	(0.8)
<b>Net cash used in financing activities</b>	<b>(429.7)</b>	<b>(431.1)</b>
<b>Net increase in cash and cash equivalents</b>	<b>921.9</b>	<b>552.7</b>
Opening cash and cash equivalents	4,215.9	3,632.9
Net increase in cash and cash equivalents	921.9	552.7
Effect of exchange rate changes	(18.8)	30.3
<b>Closing cash and cash equivalents</b>	<b>5,119.0</b>	<b>4,215.9</b>
<b>Closing cash and cash equivalents consists of:</b>		
Cash and cash equivalents available for use by the Group	4,075.5	3,421.9
Cash held in consolidated pooled investment vehicles	131.8	47.7
<b>Cash and cash equivalents presented within assets</b>	<b>4,207.3</b>	<b>3,469.6</b>
Cash and cash equivalents presented within assets backing unit-linked liabilities	911.7	746.3
<b>Closing total cash and cash equivalents</b>	<b>5,119.0</b>	<b>4,215.9</b>

# Explanatory notes to the financial statements

## 1. Presentation of the financial statements

### (a) Basis of preparation

The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 (Act). The statutory accounts for 2020 have been delivered to the Registrar of Companies and the auditor's opinion on those accounts was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Act. An unqualified auditor's opinion has also been issued on the statutory accounts for the year ended 31 December 2021, which will be delivered to the Registrar of Companies in due course.

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 presentation of the income statement includes separate disclosure of exceptional items. The policy for exceptional items is set out in note 2.

### (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 Group's consolidated financial statements.

## 2. Exceptional items

Exceptional items are significant items of income and expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items relate principally to items arising from acquisitions (including associates and joint ventures) undertaken by the Group, including amortisation of acquired intangible assets and certain one-off costs in 2020 relating to the Group's property estate.

## 3. Segmental reporting

### (a) Operating segments

The Group has three business segments: Asset Management, Wealth Management and the Group segment. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset solutions and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services, primarily for private clients. The Group segment principally comprises the Group's investment capital and treasury management activities, corporate development and strategy activities and the management costs associated with governance and corporate management.

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 Wealth Management segment includes the Group's proportional share of the income and expenses of its 49.9% interest in Schroders Personal Wealth (SPW) on an individual account line basis. This reflects the basis on which the Group monitors the performance of the business. The adjustment column re-presents the results of SPW on a post-tax basis within share of profit of associates and joint ventures in accordance with the accounting standards.

Operating expenses includes 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.

### 3. Segmental reporting (continued)

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Revenue	2,582.5	452.1	-	3,034.6	(75.1)	2,959.5
Cost of sales	(539.4)	(31.3)	-	(570.7)	14.3	(556.4)
<b>Net operating revenue</b>	<b>2,043.1</b>	<b>420.8</b>	<b>-</b>	<b>2,463.9</b>	<b>(60.8)</b>	<b>2,403.1</b>
Net gain on financial instruments and other income	21.0	11.7	48.6	81.3	(3.8)	77.5
Share of profit of associates and joint ventures	73.9	1.2	-	75.1	13.1	88.2
<b>Net income</b>	<b>2,138.0</b>	<b>433.7</b>	<b>48.6</b>	<b>2,620.3</b>	<b>(51.5)</b>	<b>2,568.8</b>
Operating expenses	(1,424.8)	(305.1)	(53.6)	(1,783.5)	50.9	(1,732.6)
<b>Profit before tax and exceptional items</b>	<b>713.2</b>	<b>128.6</b>	<b>(5.0)</b>	<b>836.8</b>	<b>(0.6)</b>	<b>836.2</b>
<b>Exceptional items presented within net income:</b>						
Net gain on financial instruments and other income	(13.3)	-	-	(13.3)	-	(13.3)
Associates and joint ventures amortisation of acquired intangible assets and other costs	(0.3)	(8.5)	-	(8.8)	(0.1)	(8.9)
	<b>(13.6)</b>	<b>(8.5)</b>	<b>-</b>	<b>(22.1)</b>	<b>(0.1)</b>	<b>(22.2)</b>
<b>Exceptional items presented within operating expenses:</b>						
Amortisation of acquired intangible assets	(13.2)	(20.3)	-	(33.5)	-	(33.5)
Other expenses	(13.4)	(3.0)	-	(16.4)	-	(16.4)
	<b>(26.6)</b>	<b>(23.3)</b>	<b>-</b>	<b>(49.9)</b>	<b>-</b>	<b>(49.9)</b>
<b>Profit before tax and after exceptional items</b>	<b>673.0</b>	<b>96.8</b>	<b>(5.0)</b>	<b>764.8</b>	<b>(0.7)</b>	<b>764.1</b>



### 3. Segmental reporting (continued)

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Revenue	2,182.6	393.3	-	2,575.9	(63.2)	2,512.7
Cost of sales	(435.4)	(26.4)	-	(461.8)	8.7	(453.1)
<b>Net operating revenue</b>	<b>1,747.2</b>	<b>366.9</b>	<b>-</b>	<b>2,114.1</b>	<b>(54.5)</b>	<b>2,059.6</b>
Net gain on financial instruments and other income	(9.8)	14.7	58.1	63.0	(7.5)	55.5
Share of profit of associates and joint ventures	49.5	1.1	-	50.6	13.5	64.1
<b>Net income</b>	<b>1,786.9</b>	<b>382.7</b>	<b>58.1</b>	<b>2,227.7</b>	<b>(48.5)</b>	<b>2,179.2</b>
Operating expenses	(1,213.6)	(272.2)	(39.6)	(1,525.4)	48.5	(1,476.9)
<b>Profit before tax and exceptional items</b>	<b>573.3</b>	<b>110.5</b>	<b>18.5</b>	<b>702.3</b>	<b>-</b>	<b>702.3</b>
<b>Exceptional items presented within net income:</b>						
Net gain on financial instruments and other income	0.4	-	-	0.4	-	0.4
Associates and joint ventures amortisation of acquired intangible assets and other costs	-	(21.0)	-	(21.0)	-	(21.0)
	<b>0.4</b>	<b>(21.0)</b>	<b>-</b>	<b>(20.6)</b>	<b>-</b>	<b>(20.6)</b>
<b>Exceptional items presented within operating expenses:</b>						
Amortisation of acquired intangible assets	(13.8)	(22.5)	-	(36.3)	-	(36.3)
Other expenses	(16.4)	(2.2)	(16.3)	(34.9)	-	(34.9)
	<b>(30.2)</b>	<b>(24.7)</b>	<b>(16.3)</b>	<b>(71.2)</b>	<b>-</b>	<b>(71.2)</b>
<b>Profit before tax and after exceptional items</b>	<b>543.5</b>	<b>64.8</b>	<b>2.2</b>	<b>610.5</b>	<b>-</b>	<b>610.5</b>

### 3. Segmental reporting (continued)

(b) Net operating revenue by segment is presented below:

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,388.6	404.2	-	2,792.8	(75.1)	2,717.7
Performance fees	94.2	0.2	-	94.4	-	94.4
Carried interest	71.5	-	-	71.5	-	71.5
Other fees	28.2	36.4	-	64.6	-	64.6
Wealth Management interest income	-	11.3	-	11.3	-	11.3
<b>Revenue</b>	<b>2,582.5</b>	<b>452.1</b>	<b>-</b>	<b>3,034.6</b>	<b>(75.1)</b>	<b>2,959.5</b>
Fee expense	(499.8)	(31.1)	-	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	(39.6)	-	-	(39.6)	-	(39.6)
Wealth Management interest expense	-	(0.2)	-	(0.2)	-	(0.2)
<b>Cost of sales</b>	<b>(539.4)</b>	<b>(31.3)</b>	<b>-</b>	<b>(570.7)</b>	<b>14.3</b>	<b>(556.4)</b>
<b>Net operating revenue</b>	<b>2,043.1</b>	<b>420.8</b>	<b>-</b>	<b>2,463.9</b>	<b>(60.8)</b>	<b>2,403.1</b>

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,058.0	332.4	-	2,390.4	(63.2)	2,327.2
Performance fees	85.8	1.1	-	86.9	-	86.9
Carried interest	21.3	-	-	21.3	-	21.3
Other fees	17.5	42.6	-	60.1	-	60.1
Wealth Management interest income	-	17.2	-	17.2	-	17.2
<b>Revenue</b>	<b>2,182.6</b>	<b>393.3</b>	<b>-</b>	<b>2,575.9</b>	<b>(63.2)</b>	<b>2,512.7</b>
Fee expense	(422.9)	(23.3)	-	(446.2)	8.7	(437.5)
Cost of financial obligations in respect of carried interest	(12.5)	-	-	(12.5)	-	(12.5)
Wealth Management interest expense	-	(3.1)	-	(3.1)	-	(3.1)
<b>Cost of sales</b>	<b>(435.4)</b>	<b>(26.4)</b>	<b>-</b>	<b>(461.8)</b>	<b>8.7</b>	<b>(453.1)</b>
<b>Net operating revenue</b>	<b>1,747.2</b>	<b>366.9</b>	<b>-</b>	<b>2,114.1</b>	<b>(54.5)</b>	<b>2,059.6</b>

### 3. Segmental reporting (continued)

(c) Net operating revenue by region is presented below based on the location of clients:

Year ended 31 December 2021	Continental				Segmental total	Adjustments	Group total
	UK	Europe & Middle East	Asia Pacific	Americas			
	£m	£m	£m	£m	£m	£m	£m
Management fees	908.4	869.0	643.3	372.1	2,792.8	(75.1)	2,717.7
Performance fees	8.2	32.0	28.9	25.3	94.4	-	94.4
Carried interest	-	71.5	-	-	71.5	-	71.5
Other fees	30.8	23.2	10.4	0.2	64.6	-	64.6
Wealth Management interest income	10.3	0.9	0.1	-	11.3	-	11.3
<b>Revenue</b>	<b>957.7</b>	<b>996.6</b>	<b>682.7</b>	<b>397.6</b>	<b>3,034.6</b>	<b>(75.1)</b>	<b>2,959.5</b>
Fee expense	(80.6)	(215.5)	(181.7)	(53.1)	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	-	(39.6)	-	-	(39.6)	-	(39.6)
Wealth Management interest expense	(0.2)	-	-	-	(0.2)	-	(0.2)
<b>Cost of sales</b>	<b>(80.8)</b>	<b>(255.1)</b>	<b>(181.7)</b>	<b>(53.1)</b>	<b>(570.7)</b>	<b>14.3</b>	<b>(556.4)</b>
<b>Net operating revenue</b>	<b>876.9</b>	<b>741.5</b>	<b>501.0</b>	<b>344.5</b>	<b>2,463.9</b>	<b>(60.8)</b>	<b>2,403.1</b>

Year ended 31 December 2020	Continental				Segmental total	Adjustments	Group total
	UK	Europe & Middle East	Asia Pacific	Americas			
	£m	£m	£m	£m	£m	£m	£m
Management fees	784.4	724.4	589.6	292.0	2,390.4	(63.2)	2,327.2
Performance fees	7.8	31.9	26.5	20.7	86.9	-	86.9
Carried interest	-	21.3	-	-	21.3	-	21.3
Other fees	37.1	14.0	8.9	0.1	60.1	-	60.1
Wealth Management interest income	14.5	2.3	0.4	-	17.2	-	17.2
<b>Revenue</b>	<b>843.8</b>	<b>793.9</b>	<b>625.4</b>	<b>312.8</b>	<b>2,575.9</b>	<b>(63.2)</b>	<b>2,512.7</b>
Fee expense	(59.8)	(175.6)	(171.4)	(39.4)	(446.2)	8.7	(437.5)
Cost of financial obligations in respect of carried interest	-	(12.5)	-	-	(12.5)	-	(12.5)
Wealth Management interest expense	(3.0)	(0.1)	-	-	(3.1)	-	(3.1)
<b>Cost of sales</b>	<b>(62.8)</b>	<b>(188.2)</b>	<b>(171.4)</b>	<b>(39.4)</b>	<b>(461.8)</b>	<b>8.7</b>	<b>(453.1)</b>
<b>Net operating revenue</b>	<b>781.0</b>	<b>605.7</b>	<b>454.0</b>	<b>273.4</b>	<b>2,114.1</b>	<b>(54.5)</b>	<b>2,059.6</b>

### **Estimates and judgements – revenue**

Carried interest represents the Group's contractual right to a share of the profits of 113 private asset investment vehicles (2020: 95 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.

### **Estimates and judgements – cost of sales**

The crystallisation of financial obligations in respect of carried interest (carried interest payable) is contingent on the Group receiving the related revenue. The Group therefore applies the same estimates and judgements as those used to determine the present value of the carried interest receivable, as set out above, 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 £3.6 million (2020: £2.8 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 £3.0 million/£4.2 million (2020: £1.6 million/£3.0 million) and this amount would be lower than the corresponding increase/reduction in revenue.

#### 4. Net gain on financial instruments and other income

Year ended 31 December	2021			2020		
	Income statement £m	Other comprehensive income £m	Total £m	Income statement £m	Other comprehensive income £m	Total £m
<b>Net gain on financial instruments at fair value through profit and loss</b>	<b>36.1</b>	<b>-</b>	<b>36.1</b>	<b>58.0</b>	<b>-</b>	<b>58.0</b>
Net (loss)/gain arising from fair value movements	-	(1.0)	(1.0)	-	1.9	1.9
Net transfers on disposal	1.8	(1.8)	-	0.5	(0.5)	-
<b>Net (loss)/gain on financial assets at fair value through other comprehensive income</b>	<b>1.8</b>	<b>(2.8)</b>	<b>(1.0)</b>	<b>0.5</b>	<b>1.4</b>	<b>1.9</b>
Net finance (expense)/income	(2.0)	-	(2.0)	1.1	-	1.1
Other income/(expense)	28.3	-	28.3	(3.7)	-	(3.7)
<b>Net gain on financial instruments and other income<sup>1</sup></b>	<b>64.2</b>	<b>(2.8)</b>	<b>61.4</b>	<b>55.9</b>	<b>1.4</b>	<b>57.3</b>
Net gain on financial instruments held to hedge employee deferred cash awards – presented within operating expenses (see note 5)	22.2	-	22.2	25.6	-	25.6
Cost of financial obligations in respect of carried interest – presented within cost of sales (see note 3)	(39.6)	-	(39.6)	(12.5)	-	(12.5)
<b>Net gain on financial instruments and other income – including amounts presented elsewhere</b>	<b>46.8</b>	<b>(2.8)</b>	<b>44.0</b>	<b>69.0</b>	<b>1.4</b>	<b>70.4</b>

<sup>1</sup> Includes a charge of £13.3 million (2020: £0.4 million credit) of exceptional items.

## 5. Operating expenses

Operating expenses include:

<b>Year ended 31 December</b>	<b>2021 £m</b>	<b>2020 £m</b>
Salaries, wages and other remuneration	1,034.6	871.5
Social security costs	104.9	82.5
Pension costs	57.4	54.1
<b>Employee benefits expense</b>	<b>1,196.9</b>	<b>1,008.1</b>
Net gain on financial instruments held to hedge deferred cash awards	(22.2)	(25.6)
<b>Employee benefits expense - net of hedging</b>	<b>1,174.7</b>	<b>982.5</b>

The employee benefits expense net of hedging of £1,174.7 million (2020: £982.5 million) includes £6.6 million (2020: £7.8 million) that is presented within exceptional items.

## 6. Tax expense

Analysis of tax charge reported in the income statement:

<b>Year ended 31 December</b>	<b>2021 £m</b>	<b>2020 £m</b>
UK current year charge	71.1	49.9
Rest of the world current year charge	104.4	69.3
Prior year adjustments	33.6	(4.8)
<b>Total current tax</b>	<b>209.1</b>	<b>114.4</b>
Origination and reversal of temporary differences	(31.2)	0.5
Prior year adjustments	(34.4)	5.0
Effect of changes in corporation tax rates	(3.2)	4.6
<b>Total deferred tax</b>	<b>(68.8)</b>	<b>10.1</b>
<b>Tax charge reported in the income statement</b>	<b>140.3</b>	<b>124.5</b>

Analysis of tax charge reported in other comprehensive income:

<b>Year ended 31 December</b>	<b>2021 £m</b>	<b>2020 £m</b>
Current tax charge on movements in financial assets at fair value through other comprehensive income	-	0.2
Deferred tax charge on actuarial gains and losses on defined benefit pension schemes	5.2	5.6
Deferred tax credit on other movements through other comprehensive income	(1.0)	(0.1)
Deferred tax - effect of changes in corporation tax rates	1.4	(0.4)
<b>Tax charge reported in other comprehensive income</b>	<b>5.6</b>	<b>5.3</b>

## 6. Tax expense (continued)

Analysis of tax credit reported in equity:

	<b>2021</b>	2020
<b>Year ended 31 December</b>	<b>£m</b>	£m
Current tax credit on Deferred Award Plan and other share-based remuneration	(3.7)	(2.7)
Deferred tax credit on Deferred Award Plan and other share-based remuneration	(0.8)	(0.5)
Deferred tax - effect of changes in corporation tax rates	(0.2)	(0.3)
<b>Tax credit reported in equity</b>	<b>(4.7)</b>	<b>(3.5)</b>

The UK standard rate of corporation tax for 2021 is 19% (2020: standard rate of 19%). The tax charge for the year is higher (2020: higher) than a charge based on the UK standard rate. The differences are explained below:

	<b>2021</b>	2020
<b>Year ended 31 December</b>	<b>£m</b>	£m
Profit before tax	764.1	610.5
Less share of profit of associates and joint ventures	(79.3)	(43.1)
<b>Profit before tax of Group entities</b>	<b>684.8</b>	<b>567.4</b>

Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	<b>130.1</b>	<b>107.8</b>
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### Effects of:

Different statutory tax rates of overseas jurisdictions	6.7	5.9
Permanent differences including non-taxable income and non-deductible expenses	6.9	10.0
Net movement in temporary timing differences for which no deferred tax is recognised	0.6	(4.0)
Deferred tax adjustments in respect of changes in corporation tax rates	(3.2)	4.6
Prior year adjustments	(0.8)	0.2
<b>Tax charge reported in the income statement</b>	<b>140.3</b>	<b>124.5</b>

### 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 (2020: none).

## 7. Earnings per share

Reconciliation of the figures used in calculating basic and diluted earnings per share:

	2021 Number Millions	2020 Number Millions
<b>Year ended 31 December</b>		
Weighted average number of shares used in the calculation of basic earnings per share	277.1	276.2
Effect of dilutive potential shares – share options	4.7	5.0
Effect of dilutive potential shares – contingently issuable shares	0.1	0.1
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>281.9</b>	<b>281.3</b>

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £14.7 million (2020: £14.2 million). After exceptional items, the profit after tax attributable to non-controlling interest was £11.9 million (2020: £9.7 million).

## 8. Dividends

	2022		2021		2020	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Prior year final dividend paid			217.3	79.0	216.0	79.0
Interim dividend paid			101.3	37.0	95.7	35.0
<b>Total dividends paid</b>			<b>318.6</b>	<b>116.0</b>	<b>311.7</b>	<b>114.0</b>
<b>Current year final dividend recommended</b>	<b>232.9</b>	<b>85.0</b>				

Dividends of £9.1 million (2020: £10.4 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 2021 final dividend of 85.0 pence per share (2020 final dividend: 79.0 pence), amounting to £232.9 million (2020 final dividend: £216.3 million). The dividend will be paid on 5 May 2022 to shareholders on the register at 25 March 2022 and will be accounted for in 2022.

In addition, the Group paid £9.8 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2021 (2020: £0.1 million), resulting in total dividends paid of £328.4 million (2020: £311.8 million).

The Company offers a dividend reinvestment plan (DRIP). The last date for shareholders to elect to participate in the DRIP for the purposes of the 2021 final dividend is 11 April 2022. Further details are contained on the Group's website.



## 9. Fair value measurement disclosures

### 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. The hierarchy also reflects the extent of judgements used in the valuation but this does not necessarily indicate that the fair value is more or less likely to be realised. 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, asset and mortgage backed securities, and loans held at fair value. 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; and

- 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 financial liabilities arising from prior acquisitions completed by the Group. 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. Fair value measurement disclosures (continued)

The Group holds certain assets and liabilities at fair value. Their categorisation within the fair value hierarchy is shown below:

	2021				Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	
<b>Financial assets at amortised cost:</b>					
Loans and advances to banks	-	-	-	153.0	153.0
Loans and advances to clients	-	-	-	614.0	614.0
Debt securities	-	-	-	109.9	109.9
	-	-	-	<b>876.9</b>	<b>876.9</b>
<b>Financial assets at fair value through other comprehensive income:</b>					
Debt securities	405.7	4.2	-	-	409.9
	<b>405.7</b>	<b>4.2</b>	-	-	<b>409.9</b>
<b>Financial assets at fair value through profit or loss:</b>					
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	28.5	49.3	-	-	77.8
	<b>1,375.7</b>	<b>322.5</b>	<b>147.3</b>	-	<b>1,845.5</b>
<b>Total financial assets</b>	<b>1,781.4</b>	<b>326.7</b>	<b>147.3</b>	<b>876.9</b>	<b>3,132.3</b>
<b>Trade and other receivables</b>	<b>2.5</b>	-	-	<b>998.4</b>	<b>1,000.9</b>
<b>Assets backing unit-linked liabilities</b>	<b>10,800.5</b>	<b>1,598.0</b>	<b>22.9</b>	<b>1,041.7</b>	<b>13,463.1</b>
	<b>12,584.4</b>	<b>1,924.7</b>	<b>170.2</b>	<b>2,917.0</b>	<b>17,596.3</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	-	-	-	3,748.3	3,748.3
Deposits by banks	-	-	-	69.9	69.9
Other financial liabilities	-	-	-	4.4	4.4
	-	-	-	<b>3,822.6</b>	<b>3,822.6</b>
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative contracts	29.8	58.5	-	-	88.3
Other financial liabilities	733.0	-	149.7	-	882.7
	<b>762.8</b>	<b>58.5</b>	<b>149.7</b>	-	<b>971.0</b>
<b>Total financial liabilities</b>	<b>762.8</b>	<b>58.5</b>	<b>149.7</b>	<b>3,822.6</b>	<b>4,793.6</b>
<b>Trade and other payables</b>	<b>200.2</b>	-	-	<b>914.8</b>	<b>1,115.0</b>
<b>Unit-linked liabilities</b>	<b>13,369.6</b>	<b>77.7</b>	-	<b>15.8</b>	<b>13,463.1</b>
	<b>14,332.6</b>	<b>136.2</b>	<b>149.7</b>	<b>4,753.2</b>	<b>19,371.7</b>

## 9. Fair value measurement disclosures (continued)

	2020				Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	
<b>Financial assets at amortised cost:</b>					
Loans and advances to banks	-	-	-	206.5	206.5
Loans and advances to clients	-	-	-	477.9	477.9
Debt securities	-	-	-	107.9	107.9
	-	-	-	<b>792.3</b>	<b>792.3</b>
<b>Financial assets at fair value through other comprehensive income:</b>					
Debt securities	343.0	246.5	-	-	589.5
	<b>343.0</b>	<b>246.5</b>	-	-	<b>589.5</b>
<b>Financial assets at fair value through profit or loss:</b>					
Loans and advances to clients	-	4.1	-	-	4.1
Debt securities	99.0	168.0	6.2	-	273.2
Pooled investment vehicles	668.5	62.8	108.8	-	840.1
Equities	293.7	21.5	23.3	-	338.5
Derivative contracts	0.6	33.5	-	-	34.1
	<b>1,061.8</b>	<b>289.9</b>	<b>138.3</b>	-	<b>1,490.0</b>
<b>Total financial assets</b>	<b>1,404.8</b>	<b>536.4</b>	<b>138.3</b>	<b>792.3</b>	<b>2,871.8</b>
<b>Trade and other receivables</b>	<b>3.1</b>	-	-	<b>837.2</b>	<b>840.3</b>
<b>Assets backing unit-linked liabilities</b>	<b>9,459.7</b>	<b>1,728.6</b>	<b>28.1</b>	<b>869.8</b>	<b>12,086.2</b>
	<b>10,867.6</b>	<b>2,265.0</b>	<b>166.4</b>	<b>2,499.3</b>	<b>15,798.3</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	-	-	-	3,550.3	3,550.3
Deposits by banks	-	-	-	72.8	72.8
Other financial liabilities	-	-	-	5.5	5.5
	-	-	-	<b>3,628.6</b>	<b>3,628.6</b>
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative contracts	3.9	29.1	-	-	33.0
Other financial liabilities	279.9	-	143.7	-	423.6
	<b>283.8</b>	<b>29.1</b>	<b>143.7</b>	-	<b>456.6</b>
<b>Total financial liabilities</b>	<b>283.8</b>	<b>29.1</b>	<b>143.7</b>	<b>3,628.6</b>	<b>4,085.2</b>
<b>Trade and other payables</b>	<b>178.0</b>	-	-	<b>749.7</b>	<b>927.7</b>
<b>Unit-linked liabilities</b>	<b>11,963.8</b>	<b>58.9</b>	-	<b>63.5</b>	<b>12,086.2</b>
	<b>12,425.6</b>	<b>88.0</b>	<b>143.7</b>	<b>4,441.8</b>	<b>17,099.1</b>

The fair value of financial assets at amortised cost approximates their carrying value. No financial assets were transferred between levels during 2021 (2020: none).

## 9. Fair value measurement disclosures (continued)

Movements in assets and liabilities categorised as level 3 during the year were:

	2021			2020		
	Financial assets £m	Assets backing unit-linked liabilities £m	Financial liabilities £m	Financial assets £m	Assets backing unit-linked liabilities £m	Financial liabilities £m
At 1 January	138.3	28.1	143.7	134.9	29.5	155.1
Exchange translation adjustments	(3.8)	(1.1)	(2.7)	3.0	(0.9)	4.6
Net gain or loss recognised in the income statement	42.4	10.4	59.0	4.1	3.4	14.6
Additions	29.3	-	1.1	23.3	2.1	18.4
Disposals	(58.9)	(14.5)	(51.4)	(27.0)	(6.0)	(49.0)
<b>At 31 December</b>	<b>147.3</b>	<b>22.9</b>	<b>149.7</b>	<b>138.3</b>	<b>28.1</b>	<b>143.7</b>

## 10. Associates and joint ventures

	2021			2020		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	211.0	194.2	405.2	200.2	197.8	398.0
Exchange translation adjustments	6.1	(0.1)	6.0	2.0	(0.1)	1.9
Additions	1.1	5.9	7.0	0.2	2.5	2.7
Disposals	(0.8)	-	(0.8)	(34.3)	-	(34.3)
Profit/(loss) for the year after tax	72.3	7.0	79.3	48.5	(5.4)	43.1
Gains recognised in other comprehensive income	0.1	-	0.1	0.1	-	0.1
Other movements in reserves of associates and joint ventures	-	-	-	0.2	-	0.2
Distributions of profit	(29.2)	(0.9)	(30.1)	(5.9)	(0.6)	(6.5)
<b>At 31 December</b>	<b>260.6</b>	<b>206.1</b>	<b>466.7</b>	<b>211.0</b>	<b>194.2</b>	<b>405.2</b>

## 11. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
<b>Cost</b>				
At 1 January 2021	188.7	19.7	157.5	365.9
Exchange translation adjustments	(0.8)	-	(1.6)	(2.4)
Additions	11.2	-	14.8	26.0
Disposals	(4.5)	-	(4.9)	(9.4)
<b>At 31 December 2021</b>	<b>194.6</b>	<b>19.7</b>	<b>165.8</b>	<b>380.1</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	(50.7)	(1.3)	(77.8)	(129.8)
Exchange translation adjustments	0.6	-	0.8	1.4
Depreciation charge	(13.6)	(0.5)	(17.1)	(31.2)
Disposals	4.5	-	4.9	9.4
<b>At 31 December 2021</b>	<b>(59.2)</b>	<b>(1.8)</b>	<b>(89.2)</b>	<b>(150.2)</b>
<b>Net book value at 31 December 2021</b>	<b>135.4</b>	<b>17.9</b>	<b>76.6</b>	<b>229.9</b>
Right of use assets (note 12)				330.1
<b>Property, plant and equipment net book value at 31 December 2021</b>				<b>560.0</b>

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
<b>Cost</b>				
At 1 January 2020	187.6	19.7	145.4	352.7
Exchange translation adjustments	-	-	0.9	0.9
Additions	4.9	-	14.0	18.9
Disposals	(3.8)	-	(2.8)	(6.6)
<b>At 31 December 2020</b>	<b>188.7</b>	<b>19.7</b>	<b>157.5</b>	<b>365.9</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	(34.0)	(0.9)	(60.2)	(95.1)
Exchange translation adjustments	(0.1)	-	(0.2)	(0.3)
Depreciation charge	(19.6)	(0.4)	(19.6)	(39.6)
Disposals	3.0	-	2.2	5.2
<b>At 31 December 2020</b>	<b>(50.7)</b>	<b>(1.3)</b>	<b>(77.8)</b>	<b>(129.8)</b>
<b>Net book value at 31 December 2020</b>	<b>138.0</b>	<b>18.4</b>	<b>79.7</b>	<b>236.1</b>
Right of use assets (note 12)				354.8
<b>Property, plant and equipment net book value at 31 December 2020</b>				<b>590.9</b>

## 12. Leases

	2021		2020	
	Right-of-use assets £m	Lease liabilities £m	Right-of-use assets £m	Lease liabilities £m
At 1 January	354.8	397.2	394.7	425.3
Exchange translation adjustments	(1.8)	(1.2)	0.1	(0.7)
Additions and remeasurements of lease obligations	14.5	14.5	4.4	5.0
Lease payments	-	(47.5)	-	(44.4)
Depreciation charge	(37.4)	-	(44.4)	-
Interest expense	-	10.8	-	12.0
<b>At 31 December</b>	<b>330.1</b>	<b>373.8</b>	<b>354.8</b>	<b>397.2</b>

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

## 13. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
<b>Cost</b>				
At 1 January 2021	811.7	362.8	413.2	1,587.7
Exchange translation adjustments	(8.3)	(3.2)	(0.8)	(12.3)
Additions	-	2.3	63.4	65.7
Disposals	-	-	(5.1)	(5.1)
<b>At 31 December 2021</b>	<b>803.4</b>	<b>361.9</b>	<b>470.7</b>	<b>1,636.0</b>
<b>Accumulated amortisation</b>				
At 1 January 2021	-	(220.2)	(159.5)	(379.7)
Exchange translation adjustments	-	0.9	0.6	1.5
Amortisation charge for the year	-	(33.5)	(60.7)	(94.2)
Disposals	-	-	4.9	4.9
<b>At 31 December 2021</b>	<b>-</b>	<b>(252.8)</b>	<b>(214.7)</b>	<b>(467.5)</b>
<b>Carrying amount at 31 December 2021</b>	<b>803.4</b>	<b>109.1</b>	<b>256.0</b>	<b>1,168.5</b>

### 13. Goodwill and intangible assets (continued)

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
<b>Cost</b>				
At 1 January 2020	761.8	326.0	340.6	1,428.4
Exchange translation adjustments	16.6	5.4	0.6	22.6
Additions	33.3	31.4	73.9	138.6
Disposals	-	-	(1.9)	(1.9)
<b>At 31 December 2020</b>	<b>811.7</b>	<b>362.8</b>	<b>413.2</b>	<b>1,587.7</b>
<b>Accumulated amortisation</b>				
At 1 January 2020	-	(182.7)	(112.3)	(295.0)
Exchange translation adjustments	-	(1.2)	(0.6)	(1.8)
Amortisation charge for the year	-	(36.3)	(48.5)	(84.8)
Disposals	-	-	1.9	1.9
<b>At 31 December 2020</b>	<b>-</b>	<b>(220.2)</b>	<b>(159.5)</b>	<b>(379.7)</b>
<b>Carrying amount at 31 December 2020</b>	<b>811.7</b>	<b>142.6</b>	<b>253.7</b>	<b>1,208.0</b>

The Group did not complete any business combinations during 2021 (2020: £29.1 million of intangible assets were acquired as a result of business combinations). The Group acquired £2.3 million (2020: £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 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 goodwill or an acquired intangible asset may be impaired. If any indication exists and a full assessment 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 cash-generating units (CGUs) that are expected to benefit from that business combination. For all relevant acquisitions, it is the Group's judgement that the lowest level of CGU used to determine impairment is segment level for Asset Management. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £574.9 million (2020: £583.1 million) is allocated to Asset Management and £228.5 million (2020: £228.6 million) is allocated to Wealth Management, of which £68.1 million (2020: £68.1 million) relates to Benchmark Capital.

### 13. Goodwill and intangible assets (continued)

#### Estimates and judgements (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 (2020: 2%), a pre-tax discount rate of 10% (2020: 10%), expected flows and expected changes to 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 (2020: 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.

### 14. Retirement benefit obligations

Movements in respect of the assets and liabilities of the UK defined benefit scheme, Schroders Retirement Benefits Scheme (the Scheme), are:

	<b>2021</b>	2020
	<b>£m</b>	£m
At 1 January	1,077.2	1,001.5
Interest on assets	14.8	20.7
Remeasurement of assets	20.1	91.5
Benefits paid	(40.5)	(36.5)
Administrative expenses <sup>1</sup>	(1.0)	-
<b>Fair value of plan assets</b>	<b>1,070.6</b>	<b>1,077.2</b>
At 1 January	(909.0)	(865.2)
Interest cost	(12.4)	(17.8)
Actuarial gains/(losses) due to change in demographic assumptions	1.0	(0.6)
Actuarial gains/(losses) due to change in financial assumptions	18.6	(74.8)
Actuarial (losses)/gains due to experience	(11.4)	12.9
Benefits paid	40.5	36.5
<b>Present value of funded obligations</b>	<b>(872.7)</b>	<b>(909.0)</b>
<b>Net assets</b>	<b>197.9</b>	<b>168.2</b>

<sup>1</sup> 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.



## 14. Retirement benefit obligations (continued)

The principal financial assumptions used for the Scheme are:

	2021	2020
	%	%
Discount rate	2.0	1.4
RPI inflation rate	3.3	2.8
CPI inflation rate	2.9	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.2	2.7
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.0

Average number of years a current pensioner is expected to live beyond age 60:

	Years	Years
Men	28	28
Women	30	29

Average number of years future pensioners currently aged 45 are expected to live beyond age 60:

	Years	Years
Men	29	29
Women	30	30

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.

### Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine 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% (2020: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2020: 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 (2020: 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.

## 15. Share capital and share premium

	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
<b>At 31 December 2021</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>124.2</b>

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2020	282.5	226.0	56.5	282.5	124.2
<b>At 31 December 2020</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>124.2</b>

	2021 Number of shares Millions	2020 Number of shares Millions
<b>Issued and fully paid:</b>		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	<b>282.5</b>	<b>282.5</b>

## 16. Own shares

Own shares include the Group's shares (both ordinary and non-voting ordinary) that are held by employee benefit trusts.

Movements in own shares during the year were as follows:

	2021 £m	2020 £m
At 1 January	(159.8)	(169.1)
Own shares purchased	(75.3)	(58.3)
Awards vested	84.9	67.6
<b>At 31 December</b>	<b>(150.2)</b>	<b>(159.8)</b>

During the year 2.1 million own shares (2020: 2.4 million own shares) were purchased and held for hedging share-based awards. 3.1 million shares (2020: 2.6 million shares) awarded to employees vested during the year and were transferred out of own shares.

The total number of shares in the Company held within the Group's employee benefit trusts comprise:

	2021			2020		
	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	3.3	5.2	8.5	2.4	6.2	8.6
Non-voting ordinary shares	-	-	-	0.1	-	0.1
	<b>3.3</b>	<b>5.2</b>	<b>8.5</b>	<b>2.5</b>	<b>6.2</b>	<b>8.7</b>

## 17. Reconciliation of net cash from operating activities

	<b>2021</b>	2020
	<b>£m</b>	£m
Profit before tax	764.1	610.5
<b>Adjustments for income statement non-cash movements:</b>		
Depreciation of property, plant and equipment and amortisation of intangible assets	162.8	168.8
Net gain on financial instruments	(20.5)	(71.6)
Share-based payments	89.5	56.1
Net charge/(release) for provisions	1.9	(5.3)
Other non-cash movements	(8.0)	6.3
	<b>225.7</b>	<b>154.3</b>
<b>Adjustments for which the cash effects are investing activities:</b>		
Net finance income	2.0	(1.1)
Interest expense on lease liabilities	10.8	12.0
Share of profit of associates and joint ventures	(79.3)	(43.1)
	<b>(66.5)</b>	<b>(32.2)</b>
<b>Adjustments for statement of financial position movements:</b>		
(Increase)/decrease in loans and advances within Wealth Management	(96.1)	77.8
Increase in trade and other receivables	(10.5)	(6.9)
Increase in deposits and client accounts within Wealth Management	212.9	453.6
(Increase)/decrease in trade and other payables, other financial liabilities and provisions	149.4	(26.7)
	<b>255.7</b>	<b>497.8</b>
<b>Adjustments for Life Company and consolidated pooled investment vehicles movements:</b>		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(1,211.5)	113.4
Net increase/(decrease) in unit-linked liabilities	1,376.9	(339.7)
Net increase/(decrease) in cash within consolidated pooled investment vehicles	84.1	(34.2)
	<b>249.5</b>	<b>(260.5)</b>
Tax paid	(194.3)	(137.4)
<b>Net cash from operating activities</b>	<b>1,234.2</b>	<b>832.5</b>

## 18. Events after the reporting period

The Group has completed two acquisitions after the reporting period with a further acquisition announced and not yet completed.

On 31 January 2022, the Group acquired 100% of the issued share capital of River and Mercantile Investments Limited, the Solution's Division of River and Mercantile Group PLC. The acquisition contributed £43.1 billion of Asset Management AUM and strengthens the Group's position in the UK fiduciary management market. The initial consideration was satisfied by means of a £237.2 million cash payment, of which approximately 70% is represented by goodwill and approximately 30% is represented by intangible assets.

On 31 January 2022, the Group acquired 100% of the issued share capital of Cairn Real Estate B.V., a European real estate asset management business. The acquisition contributed approximately £1.1 billion of Asset Management AUM and strengthens the Group's Private Asset capabilities. The initial consideration was satisfied by means of a £24.1 million cash payment, of which approximately 75% is represented by goodwill and approximately 25% is represented by intangible assets.

Due to the timing of the acquisitions, the determination of the final amounts is ongoing and subject to review. The results for the year ended 31 December 2021 for these acquisitions have not been included in these financial statements.

The Group announced an agreement to acquire a majority interest in Greencoat Capital Holdings Limited and expects the transaction to complete in 2022.

## Key risks and mitigations

### Our risk management framework is integral to achieving our business objectives

We are exposed to a variety of risks as a result of our global business activities and are committed to operating within a strong system of internal control. Our risk management framework is underpinned by a strong control culture with clear oversight responsibilities. The framework is integral to achieving our business objectives and delivering excellent investment performance for our clients.

### Managing risk

The Board is accountable for the maintenance of a sound 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. We embed risk management within all areas of the business at a Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as the principal advisory committee to the Group Chief Executive, have responsibility for regularly reviewing the key risks we face. They are also responsible for monitoring that individual behaviours reflect the culture and core values of the business.

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. The Chief Financial Officer chairs the Group Risk Committee (GRC), which normally meets ten times a year. The GRC supports the Chief Financial Officer and GMC in discharging their 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 our existing risks. The GRC is supported by a number of sub-committees, including the Group Conflicts of Interest Committee and the Group Regulatory Oversight Committee, which review and challenge risks and report significant risk matters to the GRC.

### Lines of defence

The first line of defence against undesirable outcomes is the business functions themselves and the line managers across the Group. Heads of each business area 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.

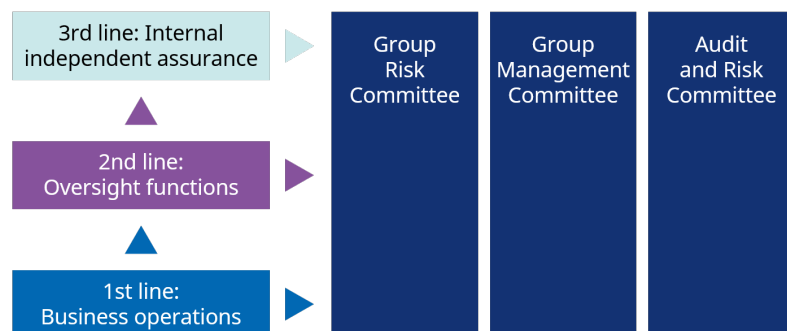
Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme includes reviews of risk management processes and recommendations to improve the control environment, supplemented by external assurance from the 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.

## Lines of defence overview

External independent assurance

### Three lines of defence



## 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). They cover Asset Management, Wealth Management and the Group itself. Tailored versions of the risk appetite statements have been created for some of our legal entities and the coverage of these was expanded in 2021.

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.

## Group policies

Our control framework is underpinned by a set of Group policies, which are reviewed regularly to ensure they remain relevant. Our approach is to have simple, principles-based policies that are adopted across the Group. This means our employees are supported with clear guidance on what they should and should not do. The Group policy framework helps our newly acquired businesses understand the culture of the Group and the parameters within which we expect them to operate.

## 2021 developments

In 2021 a number of initiatives were undertaken to progress our management of risk. Some of these are summarised below:

- ESG has been embedded and integrated into our investment risk oversight processes, supported by our continued investment in a range of proprietary tools to enable us to monitor our portfolios in the transition to sustainability. ESG Risk Dashboards have been enhanced to provide quick access to proprietary internal measures and external ESG ratings. Our compliance monitoring systems and processes have been enhanced to provide alerts based on ESG criteria. Day-to-day dialogue, review and challenge of ESG risk, that occurs within the first and second line of defence, have been complemented by more formal discussions at quarterly Asset Class Risk and Performance Committees.
- Following the establishment of Schroders Capital, and to reflect growth in private assets and alternatives, we have strengthened the governance structure to enable greater focus on identifying and managing the risks that are most pertinent to this business. We have documented the key components of our risk and controls framework in a Private Assets Organisational Handbook. We have also added a dedicated Asset Class Risk and Performance Committee in addition to the existing Management, Pricing and Product Development Committees focusing on private assets.

- The Information Security Risk Oversight Committee sponsored an independent information security review to benchmark the Group's cyber security capabilities against our peers and industry best practice. The review showed an increase in the maturity of Schroders' cyber security framework and good progress over the last two years. Attacks by organised crime groups (for example targeted ransomware) remain a risk for financial services and Schroders is no exception.
- The UK Investment Firm's Prudential Regulation (IFPR) sets new capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an Internal Capital Adequacy and Risk Assessment (ICARA) on a solo-firm basis for relevant UK entities. We are now identifying, assessing and managing risk of harm to clients, markets and the firm itself under the ICARA requirements.
- Within operational risk:
  - Our operational risk system has been upgraded to improve the workflow for risk events which has made the process of entering a risk event and raising actions more efficient.
  - Our RCAs are a core part of our operational risk framework and help us to 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 our risk profile. RCAs are in place for all areas of the business and we work with acquired firms to develop these over time. We further developed our RCA methodology by implementing a top-down view of broader risks to consider.
  - An interactive dashboard has been developed to provide operational risk data to GMC members.
- We have launched the first phase of a new integrated credit risk dashboard which has improved our ability to manage credit risk within client portfolios. It provides better data insights, enhanced reporting and a reduction in operational risk, resulting from better integration to other Schroders systems, all of which allow us to spend more time focusing on the credit-worthiness of counterparties.
- To prepare for the launch of our China-based wholly owned fund management company and our wealth management company venture with Bank of Communications, we established a programme of work to define the organisational structure, target operating model, governance framework, recruitment, policies and key risk management processes so that our control standards and culture are reflected in both firms.
- We made significant developments to our operational resilience framework and flexible working approach which are summarised below.

### Spotlight on operational resilience

The three core components to our operational resilience (business continuity, technology resilience and vendor resilience) operated well during 2021 and allowed us to continue to demonstrate a robust response to the Covid-19 pandemic. Our business continuity framework remained key to helping us co-ordinate activities across the firm throughout the pandemic.

The operational resilience programme, which has been a material focus in 2021, has resulted in us gaining a better view of our important business services. This enables us to focus our resources and priorities on ensuring our business services are robust. We are on track to meet the regulatory deadline of 31 March 2022 for completion of our self-assessment document. We are continuing to challenge ourselves to enhance resilience by developing a broad range of severe but plausible scenarios. We test ourselves against these scenarios to ensure comprehensive recovery and response plans are in place. A core element of operational resilience is cyber resilience. Geo-political unrest can result in state-sponsored cyber attacks and we continue to enhance cyber controls in response.

The technology infrastructure supporting our business processes has remained resilient and systems coped well in our new hybrid working model. We have continued to increase the stability of remote working and now have access to Office 365 (corporate email, tools and resources).

We are undertaking a strategic initiative to migrate IT systems and services to the cloud. This has many business benefits, one of which is to increase our technology resilience.

Vendor resilience remains an important area given our business model relies on a number of key processes being delivered by third parties. The depth and breadth of oversight of the resilience of our critical third parties has increased this year and we have continued to maintain ongoing dialogue with critical third parties to ensure we are informed of any potential significant risks at the earliest opportunity.

### Embracing a flexible working approach

The pandemic has shown us that we can be flexible about when and where we work, and that we can meet the needs of our clients and maintain strong business performance in a flexible working environment. Flexible working has resulted in benefits from an individual and a business perspective and we continue to adapt and evolve this new way of working, ensuring that meeting the needs of our clients is at the centre of our decision-making.

To ensure our control environment reflects our new way of working, we re-wrote our Remote Working Policy to adapt our controls to the flexible working model. Wide scale adoption of secure collaborative technology allowed us to optimise productivity whether staff chose to work from their home or our offices.

### 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. 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, geo-political 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 Risk Control Assessments, 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 Group Risk Committee prior to the GMC, Audit and Risk Committee and Board.

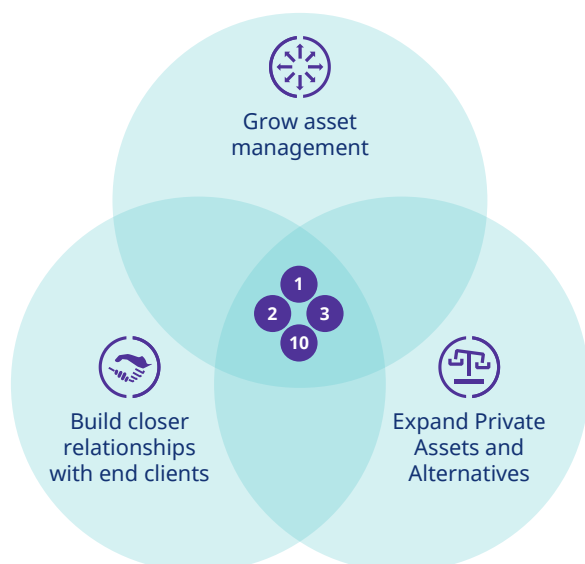
We have reviewed the list of internal key risks and identified a sub-set that are the most material to the firm. They are not designed to be an exhaustive list of all risks, but instead capture the principal and emerging risks that are most likely to impact our strategy, business model, external reputation and future performance. They are split into two sections:

- Material risks: those that were at the forefront of our minds in 2021.
- Other significant risks: those that are inherent in our business model and strategy.

We have also included trend arrows showing movement during the year and a diagram to show the risks that are mitigated by our strategy. Commentary to explain why risks have increased, since the prior year, can be found over the page.



## Our strategy mitigates our strategic risks



Material risks		2021	2020
1	Business model disruption	↑	↔
2	Changing investor requirements	↔	↔
3	Fee attrition	↔	↑
4	Investment performance risk	↔	↓
5	Reputational risk	↔	↔
Other significant risks		2021	2020
6	Conduct and regulatory risk	↔	↔
7	ESG including climate change	↑	↓
8	Financial instrument risk	↔	↔
9	Information security and technology	↑	↔
10	Market returns	↑	↔
11	Operational process risk	↔	↑
12	People and employment practices	↑	↑
13	Product strategy and management	↔	↓

Movement during the year	Categories of risk
↑ Increased	● Strategic risk
↓ Decreased	● Business risk
↔ Remained the same	● Operational risk
● Increased in 2021	





## Material risks

Our material risks are those that were at the forefront of our minds during 2021. They are risks that: have had a significant change to the way they presented compared to last year; or a material change to the way we managed them; or no changes but they remain significant risks to the firm.

We have spent time understanding the nature of these risks and developing strategies to manage them effectively.

## Material risks impacting the Group





Description	How we manage this
<p><b>1 Business model disruption:</b> Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Geo-political turmoil, including sanctions and conflict, could also impact our business and this risk has increased in 2021. For example a significant escalation of disputes between China and the West could lead to impacts on our China-based businesses or where we invest in their markets.</p>	<p>↑ We continue to deliver efficiencies and insights through technology. Digital initiatives are in progress to improve client experience, engagement and servicing. We continue to invest in our technology platform to support scalability, agility in our product offering and our expanding Private Assets and Alternatives business. A key focus on leveraging data by our Data Insights Unit has supported this. We regularly monitor developments in countries subject to geo-political risk and take steps to protect our people and assets where necessary.</p>

Description	How we manage this
<p><b>2 Changing investor requirements:</b> 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>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. This is particularly important in Schroders Personal Wealth (SPW) and Benchmark Capital.</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 (in line with recently set ESG targets leveraging our SustainEx™ tool) to support product innovation for future growth.</p> <p>We deliver our value proposition using an approach based on our strategic capabilities, focusing attention where we believe we are able to make a significant difference for our clients or where we have current or planned future capabilities.</p>
<p><b>3 Fee attrition:</b> Fee attrition caused by clients allocating more of their assets to passive products and a lower allocation to public markets, and a smaller pool of capital allocated to active fund managers resulting in increased competition on price.</p> <p>Investment firms that move towards vertical integration are winning revenue from those who fail to adapt.</p>	<p> We have continued to focus on Solutions and outcome-oriented strategies, thematic products and Private Assets and Alternatives, which diversify our fee income. We are also increasingly diversifying our product offering, supporting long-term profitability.</p> <p>Our strategic investment into Benchmark Capital and our joint venture with Lloyds Banking Group (SPW) provides the opportunity to engage in business along different parts of the value chain in the UK.</p>
<p><b>4 Investment performance risk:</b> 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 our investment objectives. 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 2021, 79% of client assets outperformed benchmarks over three years and 78% outperformed benchmarks over five years.</p>
<p><b>5 Reputational risk:</b> 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 to joint ventures (including SPW) and associates. Reputational issues in joint ventures and associates where we do not have full 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 maintain 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 and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.</p>

## Other significant risks

In addition to our material risks there are a number of other significant risks inherent in our business model and strategy. Some are operational risks which could occur in all business processes and activities, others are business risks which could impact our ability to attract and retain clients. Every year we develop further strategies to manage our inherent risks and bring them within risk appetite.

### Other significant risks

Description	How we manage this
<p><b>6 Conduct and regulatory risk:</b> 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.</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><b>7 Environmental, social and governance (ESG) risk including climate change:</b> Failure to understand, accurately assess and manage ESG risk within assets and portfolios and to appropriately represent these to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer ESG products, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk increased in 2021 due to the higher demands and greater expectations of external stakeholders.</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. In 2021 we further enhanced our framework and tools to respond to current and future regulatory change. 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.</p>
<p><b>8 Financial instrument risk:</b> We face market, credit, liquidity and capital risks from the instruments we use when managing AUM, as well as those arising from holding investments where we act as principal.</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><b>9 Information security and technology risk:</b> 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 lead to a negative impact on the Schroders business and our client experience. Cyber threats have increased due to highly capable criminal organisations and state-sponsored threats. This is reflected in the increased risk rating.</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 benchmark our cyber security capabilities against best practice and in 2021 commissioned an external independent review. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation.</p>

## Description

**10 Market returns:** 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 geo-political 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.

Economic uncertainty driven by Covid-19 and the UK/EU relationship remained a risk in 2021. 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.


This risk has increased due to a material weakening in market outlook.

**11 Operational process risk:** 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 and the ineffective management of joint ventures and associates.


**12 People and employment practices risk:** 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. We consider this risk increased in the industry in the post Covid-19 working environment as people are re-evaluating their relationship with work.


**13 Product strategy and management:** 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 objective(s) for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.


## How we manage this

 We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Solutions, Private Assets and Alternatives and Wealth Management increased from £310 billion in 2020 to £333 billion in 2021 further increasing our diversification.

Our focus on growing our Private Assets and Alternatives product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets. The creation of Schroders Capital in 2021 is a key reflection of this ongoing work.

 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 have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier lifecycle to identify potential risks which may impact the quality or continuity of service.

 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, diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.

 Risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee.

We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. In 2021 one of the key developments to our framework was the introduction of a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) could be notified to relevant teams rapidly, to reduce liquidity risk issues.

## Directors' responsibility statement

To the best of their knowledge and belief, each of the Directors listed below confirms that:

- The consolidated financial statements of Schroders plc, prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of Companies Act, which give a true and fair view of the assets, liabilities, financial position and profit of Schroders plc and the undertakings included in the consolidation taken as a whole;
- The announcement includes a fair summary of the development and performance of the business and the position of Schroders plc and the undertakings included in the consolidation taken as a whole and a description of the principal risks and uncertainties that they face;
- So far as each Director is aware, there is no relevant audit information of which Schroders plc's auditors are unaware; and
- They have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Directors:

Michael Dobson	Chairman
Dame Elizabeth Corley	Independent non-executive Director and Chair designate
Peter Harrison	Group Chief Executive
Richard Keers	Chief Financial Officer
Ian King	Senior Independent Director
Sir Damon Buffini	Independent non-executive Director
Rhian Davies	Independent non-executive Director
Rakhi Goss-Custard	Independent non-executive Director
Deborah Waterhouse	Independent non-executive Director
Matthew Westerman	Independent non-executive Director
Claire Fitzalan Howard	Non-executive Director
Leonie Schroder	Non-executive Director

2 March 2022

## Five year consolidated financial summary

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
<b>Before exceptional items</b>					
Profit before tax	836.2	702.3	701.2	761.2	800.3
Tax	(143.2)	(133.5)	(140.5)	(163.3)	(171.6)
<b>Profit after tax</b>	<b>693.0</b>	<b>568.8</b>	<b>560.7</b>	<b>597.9</b>	<b>628.7</b>

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
<b>After exceptional items</b>					
Profit before tax	764.1	610.5	624.6	649.9	760.2
Tax	(140.3)	(124.5)	(128.9)	(145.2)	(165.8)
<b>Profit after tax</b>	<b>623.8</b>	<b>486.0</b>	<b>495.7</b>	<b>504.7</b>	<b>594.4</b>

	2021 Pence	2020 Pence	2019 Pence	2018 Pence	2017 Pence
<b>Pre-exceptional earnings per share:</b>					
Basic earnings per share <sup>1</sup>	244.8	200.8	201.6	215.8	226.9
Diluted earnings per share <sup>1</sup>	240.6	197.2	198.0	211.8	222.4

	2021 Pence	2020 Pence	2019 Pence	2018 Pence	2017 Pence
<b>Post-exceptional earnings per share:</b>					
Basic earnings per share <sup>1</sup>	220.8	172.4	178.9	183.1	215.3
Diluted earnings per share <sup>1</sup>	217.1	169.3	175.8	179.7	211.0

	2021	2020	2019	2018	2017
<b>Dividends</b>					
Cost (£m)	318.6	311.7	312.3	311.7	267.6
Pence per share <sup>2</sup>	116.0	114.0	114.0	114.0	98.0

<b>Total equity (£m)</b>	4,425.7	4,085.9	3,847.5	3,621.2	3,471.0
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<b>Net assets per share (pence)<sup>3</sup></b>	1,567	1,446	1,362	1,282	1,229
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<sup>1</sup> See note 7 for the basis of this calculation.

<sup>2</sup> 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.

<sup>3</sup> Net assets per share are calculated by using the actual number of shares in issue at the year-end date.

## Exchange rates – closing

31 December	2021	2020	2019	2018	2017
<b>Sterling:</b>					
Euro	1.19	1.12	1.18	1.11	1.13
US dollar	1.35	1.37	1.32	1.27	1.35
Swiss franc	1.23	1.21	1.28	1.26	1.32
Australian dollar	1.86	1.77	1.88	1.81	1.73
Hong Kong dollar	10.56	10.60	10.32	9.97	10.57
Japanese yen	155.97	141.13	143.97	139.73	152.39
Singaporean dollar	1.83	1.81	1.78	1.74	1.81
Chinese renminbi	8.63	8.89	9.23	8.74	8.81

## Glossary

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<b>Basic or diluted earnings per share before exceptional items</b>	Profit after tax but before exceptional items divided by the relevant weighted average number of shares. The presentation of earnings per share before exceptional items provides transparency of recurring revenue and expenditure from our operational activities to aid understanding of the financial performance of the Group.
<b>Payout ratio</b>	The total dividend per share in respect of the year divided by the pre-exceptional basic earnings per share.
<b>Profit before tax and exceptional items</b>	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.
<b>Ratio of total costs to net income</b>	Total Group costs before exceptional items divided by net income before exceptional items. A 65% ratio is targeted to ensure costs are aligned with net income, although we recognise that in weaker markets the ratio may be higher than our long-term target.
<b>Total compensation ratio</b>	Pre-exceptional compensation costs divided by pre-exceptional net income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.

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