Pillar 3 disclosures
30 June 2023

Schroders

Introduction

Regulatory Framework

Schroders plc (Schroders or the Group) is supervised in the United Kingdom (UK) on a consolidated basis by the Prudential Regulation Authority (PRA). The PRA sets capital requirements for the Group and monitors the Group's capital adequacy on an ongoing basis. Regulated subsidiaries within the Group are supervised by their local regulators who set and monitor local capital adequacy requirements.

The Group's regulatory capital is assessed under the Basel framework, as implemented in the UK in the Capital Requirements Directive (UKCRD)/ UK Capital Requirements Regulation (UKCRR) package and the PRA's rulebook. The Basel framework comprises three pillars:

- Pillar 1 sets rule-based minimum capital standards;
- Pillar 2 establishes the approach to supervisory review and the setting of individual capital requirements, taking into consideration the firm's own assessment of how much capital is required to support the business; and
- Pillar 3 sets disclosure requirements; these aim to promote market discipline by enabling market participants to access information relating to regulatory capital and risk exposures

Disclosure Policy and Attestation

This document sets out the consolidated Pillar 3 disclosures for the Group as at 30 June 2023. They are made in accordance with Part Eight of the UKCRR and the Group's internal disclosure policy. The document sets out information on the Group's key regulatory metrics. Some disclosures listed in Part Eight of the UKCRR are omitted on the grounds that they are non-material for the Group.

The disclosures are not subject to audit and have been produced solely for the purposes of satisfying the Pillar 3 regulatory requirements. Additional relevant information can be found in the Annual Report and Accounts, the full-year Pillar 3 disclosures and the Group's half-year results which are available on the Schroders corporate website (www.schroders.com/ir).

Richard Keers
Chief Financial Officer

Summary of the Group's capital position

As at 30 June 2023, the Group had total regulatory own funds of £2,014 million (as at 31 December 2022: £2,001 million), consisting entirely of Common Equity Tier 1 capital (CET1). The Group's overall regulatory capital requirement was £1,363 million at 30 June 2023 (as at 31 December 2022: £1,346 million). Therefore as at 30 June 2023 the Group had surplus capital of £651 million (as at 31 December 2022: £655 million). The Group's capital ratio was 18.6% (as at 31 December 2022: 18.6%).

The Group's overall capital requirement comprises a total capital requirement (TCR) which was £1,028 million as at 30 June 2023 (as at 31 December 2022: £1,022 million) and a capital requirement in respect of regulatory buffers and our insurance companies, which was £335 million as at 30 June 2023 (as at 31 December 2022: £324 million).

The TCR is the minimum amount of capital that the Group is required to maintain at all times. It incorporates our Pillar 1 regulatory capital requirement of £867 million (as at 31 December 2022: £862 million) which is calculated as 8% of risk weighted assets (RWA). It also includes a Pillar 2A requirement, which is an institution-specific requirement set by the PRA and takes the Group's Pillar 2 assessment into account.

The Group's regulatory buffer requirement combines a capital conservation buffer equal to 2.5% (as at 31 December 2022: 2.5%) of RWA and a countercyclical capital buffer equal to 0.58% (as at 31 December 2022: 0.47%) of RWA. The capital conservation buffer is designed to ensure that institutions have a certain level of capital buffer which can be drawn upon if required in periods of stress. The countercyclical capital buffer is used in a jurisdiction when excess credit growth is associated with an increase in system-wide risk. These buffers represent the capital the Group is required to hold in excess of the minimum, and are available to absorb losses in times of stress.

The Group is also required to calculate a leverage ratio. The leverage ratio is calculated by dividing the Group's regulatory own funds by its leverage ratio exposures, which are defined as the total of on- and off-balance sheet exposures less the deductions applied to Tier 1 capital and any exempt exposures.

The Group's key regulatory metrics are shown in table 1. As at 30 June 2023, the Group complied with all externally imposed regulatory capital requirements.

Table 1: Key regulatory metrics

£m	as at 30 June 2023	as at 31 December 2022
Available capital		
CET1 Capital[1]	2,014.3	2,000.8
Risk Weighted Assets		
Total Risk Weighted Assets	10,838.8	10,770.9
Capital Ratios (%)		
CET1 Capital Ratio	18.6	18.6
Additional CET1 buffer requirements as a % of RWA		
Capital Conservation Buffer (%)	2.50	2.50
Countercyclical Buffer (%)[2]	0.58	0.47
Total CET1 specific buffer requirements (%)	3.08	2.97
Leverage Ratio		
Total Leverage ratio exposure measure	6,511.4	6,644.4
Leverage ratio (%)	30.9	30.1

[1] CET1 capital includes the Group's interim 2023 profits following PRA approval received on 2nd August.
[2] The institution specific countercyclical buffer that applies to the Group is the weighted average of the countercyclical capital buffers that apply in the jurisdictions where the Group's relevant credit exposures are located. The UK countercyclical buffer rate is due to increase from 1% to 2% in July 2023. This will reduce the Group's capital surplus by approximately £40 million.

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