Schroders

IFPR Disclosures

31 December 2022

Contents

Section 1 Introduction

1.1 Scope

This document sets out the IFPR disclosures for the MiFIDPRU investment firms within the Schroders Group as at 31 December 2022. The Schroders entities covered in this document are listed below, and are hereafter referred to as an 'entity' or collectively as the 'entities':

– Best Practice IFA Group Limited (**BPL**)

– Evolution Wealth Network Limited (**EWNL**)

– Fusion Wealth Limited (**FWL**)

– Schroder Investment Management Limited (**SIML**)

– Schroder Investment Management North America Limited (**SIMNAL**)

– Schroders IS Limited (**SISL**)

– Schroder Real Estate Investment Management Limited (**SREIML**)

– Schroder Wealth Management (US) Limited (**SWUSL**)

Schroders Greencoat is also required to produce disclosures under the MiFIDPRU rules. These disclosures are published separately.

All entities are categorised for MiFIDPRU purposes as non-small non-interconnected (non-SNI) firms[1]. The disclosures have been prepared in accordance with MiFIDPRU 8, in line with the governance policy and processes agreed by each legal entity board. This document discloses information on the entities' risk management objectives and policies, governance arrangements, own funds, and remuneration policies and practices. Aggregating the disclosures for multiple Schroders entities in a single document aligns with the approach to management of the Schroders plc Group and the legal entities within it.

Given the size of SIML's balance sheet[2], this entity is required to meet certain additional obligations in relation to its Board committees, remuneration, and its investment policy.

These are the entities' first disclosures under the IFPR regime. The disclosures are published alongside the entities' Annual Report and Accounts (**ARAs**). Going forward they will be produced annually. They are not subject to audit and have been produced solely for the purposes of satisfying the MiFIDPRU 8 regulatory requirements. Additional relevant information can be found in the entities' ARAs, which are available on the Schroders corporate website (Subsidiary disclosures | Schroders global).

1.2 Business overview

Schroders plc and its subsidiaries (**the Group**) is a global investment manager offering a distinctive set of advice and investment capabilities. Clients seek advice to help them with a range of complex challenges. By building trusted partnerships with them, the Group is able to nurture deeper, long-lasting relationships. The Group's business is organised across two segments – Asset Management and Wealth Management – with four distinct business offerings.

In Asset Management, the Schroders Investment Management business offers active management across a full range of asset classes through mutual funds and institutional mandates. This is supplemented by a complete private assets business, Schroders Capital, whilst Schroders Solutions brings the Group's public and private asset management capabilities together to offer complete investment solutions to clients.

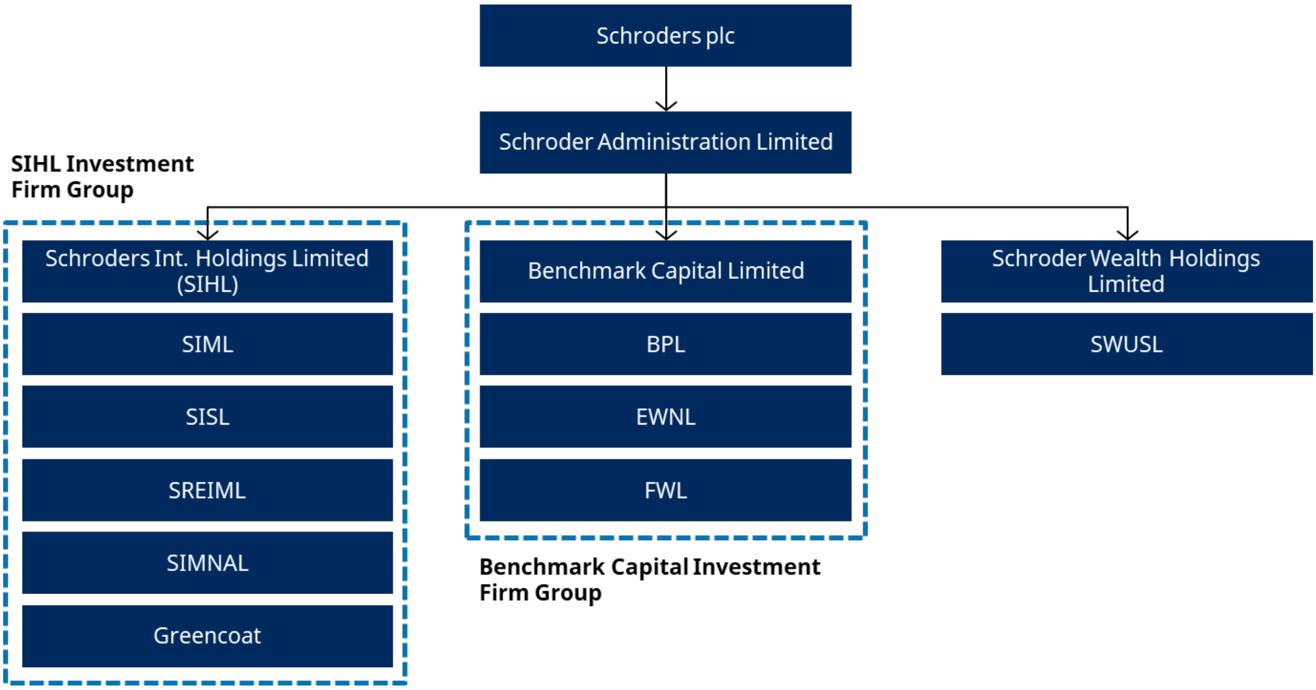
[1]As set out in MiFIDPRU 1.2.

[2]It does not meet the criteria set out in MiFIDPRU 7.1.4 and SYSC 19G.1.

Schroders Wealth Management offers advice across the wealth spectrum through various brands, providing services in three distinct ways; – through advice, managing assets on behalf of clients and through the platform services which advisers use to manage investments, track portfolios and manage compliance.

The Group's ARA and Pillar 3 disclosures provide more information on the Group. These are available on the Schroders website (www.schroders.com/ir).

Figure 1: Simplified Group structure as at 31 December 2022[3]



BPL – BPL is part of the Wealth segment of the Group. The principal activity of BPL is operating a network for financial advisers, providing an IT platform and support function through which more than 300 financial advisers can conduct their business activities. The entity's objective is to provide a market leading suite of software and adviser solutions that offers a differentiated user interface and experience to clients and that differentiates it from competitor offerings. The entity is authorised and regulated by the FCA.

EWNL – EWNL is part of the Wealth segment of the Group. The principal activity of EWNL is operating a network for restricted financial advisers, providing an IT platform and support function through which financial advisers can conduct their business activities. The entity's objective is to provide a market leading suite of software and adviser solutions that offers a differentiated user interface and experience to clients and that differentiates it from competitor offerings. The entity is authorised and regulated by the FCA.

FWL – FWL is part of the Wealth segment of the Group. The principal activity of FWL is that of an investment trading platform, providing Financial Advisers based in the UK with access to wealth markets and relevant financial products from third party providers. The entity is authorised and regulated by the FCA.

SIML – SIML sits across the Asset Management segment of the Group. The principal activities of SIML are investment management and advisory services. SIML is authorised and regulated by the FCA and is one of the principal investment management companies in the Schroders plc Group. It is the main employing entity for the Group's UK employees.

SIMNAL – SIMNAL is part of the Investment Management business, in the Asset Management segment of the Group. The principal activities of SIMNAL are investment management services. SIMNAL is authorised by the FCA and is registered with the Securities and Exchange Commission of the United States of America. It is also registered with the Alberta Securities Commission, British Columbia Securities Commission, Manitoba

[3]This chart only shows the entities included in this disclosure and their parent entities. There are other regulated and unregulated entities within the Group which are not shown. The Investment Firm Groups are set as required under the IFPR regulations.

Securities Commission, Nova Scotia Securities Commission, Ontario Securities Commission, Quebec Securities Commission, and Saskatchewan Financial Services Commission in Canada and the Monetary Authority of Singapore.

SISL – SISL is part of the Schroders Solutions business, in the Asset Management segment of the Group. The principal activity of SISL is as an advisory and investment solutions business. The business is organised into three product divisions, advisory, fiduciary management, and derivatives solutions. SISL is authorised and regulated by the FCA.

SREIML – SREIML is part of the Schroders Capital business, in the Asset Management segment of the Group. The principal activities of SREIML are real estate investment management and advisory services. SREIML is authorised and regulated by the FCA.

SWUSL – SWUSL is part of the Wealth segment of the Group. SWUSL's principal business activities are investment management and advisory services to internationally-minded US based investors and American expatriates living in the UK. The entity is registered as an Investment Adviser with the U.S Securities & Exchange Commission and is authorised and regulated by the FCA.

For more details on the key activities of each entity please refer to their ARAs.

1.3 Regulatory framework

The entities are supervised in the United Kingdom (**UK**) by the Financial Conduct Authority (**FCA**) under the Investment Firms Prudential Regime (**IFPR**). The IFPR is a bespoke prudential regime for UK investment firms, implemented through a new sourcebook incorporated into the FCA Handbook, the Prudential Sourcebook for MiFID Investment Firms (**MiFIDPRU**).

Section 2 Governance arrangements

2.1 Schroders' governance framework

The Group is a global asset management and wealth management business whose ultimate parent is listed on the premium segment of the London Stock Exchange. As a consequence, the Group operates within a robust governance framework consistent with the requirements of the Listing Rules, Disclosure Guidance and Transparency Rules and the principles and provisions of the UK Corporate Governance Code. This includes, at a Group level, the operation of a combined Audit and Risk Committee. For Wealth Management entities (SWUSL, BPL, EWNL and FWL), oversight is also provided by the Wealth Management Audit and Risk Committee (**WMARC**). In addition, the entities comply with local regulatory requirements relating to governance arrangements.

2.2 Governance

Each legal entity Board is collectively responsible for implementing that entity's strategy and operational performance to deliver long-term strategic success within the context of the Group's overall strategy. The Boards' role is to provide oversight rather than day to day management of the business, which is carried out by executive management. While the entities are Group subsidiaries and call on Group resources, including the deliberations of key Group Committees such as the Group Risk Committee (**GRC**), the WMARC (for Wealth Management entities only) and Schroders plc Audit and Risk Committee, to run the business, the Boards exercise independent judgement and powers in their decision-making.

To discharge their responsibilities, the Boards scrutinise and constructively challenge management information that is provided to them on a regular and frequent basis by their Chief Executive (where an entity has one) and senior managers of business, support and control functions within the Group. Each Board meets quarterly and ad hoc Board meetings are convened as required. The Boards also maintain regular contact with senior management outside Board meetings as appropriate to discuss strategic progress, matters that may fundamentally affect this, and options for remedial action. Certain strategic and operational decisions are reserved for the Boards and are also covered by the rolling agendas of management information considered each year.

The Boards' executive directors comprise senior individuals from relevant areas of the business that best represent the entities' activities. Independent non-executive directors have been appointed where it is considered prudent to acquire independent oversight from outside the business.

The SIML Board has determined that, in order to best discharge its duties and acquire independent oversight from outside the business, it should comprise independent non-executive directors in addition to the executive directors.

2.3 Directors' external directorships

As at 31 December 2022, the members of the Boards held the following directorships (excludes directorships of other Group companies and companies that have mainly non-commercial objectives):

Director	Company	Number of Executive directorships[4]	Number of Non-executive directorships[4]
Edward Dymott	BPL, EWNL, FWL	-	-
Craig Fitzsimons	BPL, EWNL, FWL	-	-
James Lasenby	BPL, EWNL, FWL	-	-

[4] The count in these columns excludes instances where the director is a director of a company listed in the 'company' column (i.e. it is the number of additional directorships).

Director	Company	Number of Executive directorships[4]	Number of Non-executive directorships[4]
David White	BPL, EWNL, FWL	-	-
Alexander Funk	FWL	-	-
Ilani Liebenberg	FWL	-	-
Richard Keers	SIML	-	-
Rory Bateman	SIML	-	-
Claire Glennon	SIML	-	-
Nigel Drury	SIML	-	-
George Efthimiou	SIML	-	1
James Grant	SIML	-	-
Emma Holden	SIML	-	-
Charles Prideaux	SIML	-	1
Peter Wilkin	SIML	-	1
Paul Chislett	SIMNAL, SISL	-	-
Andrew Moscow	SIMNAL	-	-
Chris Sandum	SIMNAL, SISL	-	-
Chris Taylor	SIMNAL	-	-
James Barham	SISL	-	-
Janet Lauder	SISL	-	-
Ross Leach	SISL	-	-
Matt Way	SISL	-	-
Georg Wunderlin	SREIML	-	-
Karen Archer	SREIML	-	-
Ravi Lamba	SREIML	-	-
Nick Montgomery	SREIML	-	5
Anne-Sophie van Oosterom	SREIML	-	-
Mary-Anne Daly	SWUSL	-	-
Dominic Emmerson	SWUSL	-	-
Helen Fitzgerald	SWUSL	-	-

2.4 Directors' conflicts of interest

Directors are expected to avoid conflicts of interest with their role on the Board to the extent possible and are obliged to declare any conflicts. The Group has a Subsidiary Governance Policy, Conflicts Framework and Conflicts Policy which set out the Directors' obligations in this respect.

2.5 Policy on promotion of Board diversity

The Group has a policy setting out its approach to inclusion and diversity. The Group's vision is for its people to reflect the diversity of the wider communities they are part of. Since 2021, the Group has been publishing granular data around the diversity of its workforce through a 'Workforce Diversity and Gender Pay Gap Report', which is published on an annual basis. Publication of this report reflects the Group's commitment to being transparent, so that meaningful aspirations can be set and the Group can be held to account on progress.

Generally speaking, Directors of legal entity Boards are drawn from the senior management of the Group, and therefore the diversity policy of the Group is an important factor in determining the diversity of legal entity Boards.

The entity Boards are required to adopt a policy on promoting diversity, including gender. The Boards recognise the importance of diversity and that it is a wider issue than gender and ethnicity. Each of the entity Boards have adopted the policy below:

– In selecting directors for Board appointments, the Board looks for diversity of *thought, driven by factors such as*[5] skills, experience and background, which are important for an effective Board. For executive directors, the entities inherently draw upon senior individuals who are responsible for key areas of the business, aligning the appointments with the selection of Senior Manager Functions under the FCA's Senior Managers and Certification Regime
– These factors will continue to be the primary criteria by which candidates for Board positions are selected. The Boards understand the importance of increasing diversity and are committed to increasing the proportion of diverse directors as its composition evolves over time, noting that appointments are based on merit

The entity Boards have applied the above policy on promotion of Board diversity during the year under review.

2.6 SIML additional governance disclosures

SIML is required to comply with additional governance requirements and to make additional disclosures on its compliance with these requirements.

In line with FCA requirements, the SIML Board has established a Nomination Committee, comprising a subset of the Board, chaired by a non-executive director, which considers, and makes recommendations to the Board on, its composition, taking into account factors that promote effective decision-making.

MiFIDPRU also requires SIML to establish a Risk Committee. However, in accordance with MiFIDPRU 7.4.7, SIML has obtained a modification that allows a Risk Committee established at Group level to satisfy the requirements in this respect. SIM also relies on the Group Remuneration Committee in accordance with MiFIDPRU 7.3.3.

The terms of reference for the Schroders plc Audit and Risk Committee may be found here: https://www.schroders.com/en/sysglobalassets/digital/global/investor-relations/barc-tor-2019.pdf.

[5] The text in italics does not apply to SIM. The entity is required under SYSC 4.3A.9 to also consider gender

Section 3 Risk Management objectives and policies

3.1 Risk management framework

Entity Boards are responsible for risk management within their entities. To manage risk, they apply the Group Risk Management Framework (**RMF**). This framework has been designed in order to allow management to identify, manage, and escalate risks.

The Schroders plc Board is accountable for the maintenance of a prudent and effective system of internal control and risk management for the Group. 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 RMF process with respect to standards of integrity, risk management and internal control is exercised through the Schroders plc Audit and Risk Committee. For Wealth Management entities, the WMARC provides non-executive oversight of the RMF process. The WMARC Chair provides an update to the Schroders plc Audit and Risk Committee on matters related to the Wealth Management business.

The Group Chief Executive and Group Management Committee (**GMC**), as an advisory committee to the Group Chief Executive, regularly review the key risks faced by the Group. They are also responsible for monitoring that individual behaviours, within the teams they manage, 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 delegates the development of the RMF and the provision of appropriate oversight and challenge of the Group's risks to the Chief Risk Officer. The Chief Risk Officer, and members of the Risk team, prepare Risk Reports summarising material risk matters relevant to each entity and present these to the entity Boards on a quarterly basis. Entity Boards satisfy themselves that the risk framework remains effective as they receive details of any significant risk matters reported or discussed at the Group Risk Committee and Schroders plc Audit and Risk Committee and review a number of outputs of the framework such as the results of Risk and Control Assessments (**RCAs**). They also set and approve their own legal entity risk appetite statements and approve the material risk assessment for their entity. Each entity Board has confirmed they have an effective risk and controls process supported by an appropriate governance framework. For further information on the RMF please refer to page 40 of the Group ARA.

3.1.1 Three lines of defence

The Group, and all entities within the Group, operate in accordance with the three lines of defence. The first line of defence in managing and mitigating risk is the business functions themselves and 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 the RCA process.

Line management is supplemented by oversight functions, including Group Risk and 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.

Group 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.

3.1.2 Risk identification and assessment

Emerging risks, and changes to existing risks, are identified throughout the year during the normal course of business, and are reviewed and discussed at relevant Risk Committees and Boards. In addition, on a periodic basis, a formal assessment of risks is performed using a 'top-down' and 'bottom-up' approach.

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

The 'bottom-up' approach uses the results from RCAs, trends in risk events and high-impact issues logged in the Group's operational risk database, Archer.

The results of these assessments are used to inform the Group's internal key risks which are presented to the GRC prior to the GMC, Schroders plc Audit and Risk Committee and Board. A summary of these risks and the potential harms that can arise, together with how they are managed and mitigated, reducing the potential for harm, is shown in appendix 1.

3.1.2.1 Entity level material risk assessment

All of the Group's key risks are relevant to all entities but some are inherently more material based on the entity's core activities and operating model. Each year, an assessment is undertaken to identify the material risks for each entity. This process supports the Internal Capital Adequacy and Risk Assessment ('**ICARA**') harm assessment; focusing on material harms to the clients, the firm and the market. In some cases, the material risk assessment also supports the design of operational risk scenarios used to quantify harm arising from operational risks and this, along with the material risk assessment, is presented to the respective entity Board for review and comment.

Appendix 2 provides a summary of the material risk assessment for each entity.

3.1.2.2 Business strategy and risk

The entities' business strategies are set within the context of the overall Group's business strategy. The RMF enables the entities to identify, monitor and manage risks which includes managing any potential risk of harm as a result of their business strategy. Each entity reviews the risks of harm associated with its business strategy at least annually as part of the ICARA process. In addition, the Group has identified four key strategic risks which are mitigated by the Group's strategy.

3.1.3 Risk appetite

All entities in scope of IFPR have risk appetite statements which reflect the harms identified in the solo-entity ICARAs. Each risk appetite statement is supported by a number of metrics, tolerances or early warning indicators to enable the entity to provide an assessment of risk position against risk appetite.

Entity-level risk appetite statements are set by leveraging the Group-level risk appetite statement framework including legal entity specific adjustments as required. Group-level risk appetite statements are set by the Schroders plc Board and cover all of the Group's internal key risks (excluding strategic risk as this risk type mainly comprises factors that are external to the Group's operating model). Regulatory thresholds and limits are considered as required throughout this process. The risk appetite process is owned by the plc Board and relevant entity Boards and is facilitated by the Group Risk function, with input from stakeholders throughout the firm. The Group Risk function also provides independent oversight and challenge before risk appetite statements are presented to entity Boards for review, discussion and approval. Any proposed changes to metrics and thresholds are presented to the entity Boards for approval.

A rating system is used to determine the current status of business against the risk appetite set by the Board. The plc Board and relevant entity Boards are informed if risks are outside appetite alongside mitigating measures and actions established by senior management.

Section 4 Own funds

4.1 Composition of Own Funds

The table below sets out the composition of the entities' own funds as at 31 December 2022, taking into account each entity's audited financial position and any foreseeable dividends[6]. The entities' own funds are exclusively comprised of CET1 capital items and consist entirely of paid up capital instruments and retained earnings[7].

BPL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**9,022**	
2	**Tier 1 Capital**	**9,022**	
3	**Common Equity Tier 1 Capital**	**9,022**	
4	Fully paid up capital instruments	5	Note 14
5	Share premium	3,996	Note 14
6	Retained earnings	5,158	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(137)	Note 7
19	CET1: Other capital elements, deductions and adjustments	–	

[6]Each entity discloses its regulatory own funds position in its ARA. The own funds position disclosed in each entity's ARA excludes audited profits.

[7] SISL's paid up capital instruments includes both ordinary shares and performance shares. Performance shares entitle the holder to share in the proceeds of winding up the company but do not carry a right to vote or entitlement to dividend. The remaining entities' paid up capital instruments consists entirely of ordinary shares.

EWNL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**723**	
2	**Tier 1 Capital**	**723**	
3	**Common Equity Tier 1 Capital**	**723**	
4	Fully paid up capital instruments	1	Note 10
5	Share premium	–	
6	Retained earnings	730	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(8)	Note 6
19	CET1: Other capital elements, deductions and adjustments	–-	

FWL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**20,583**	
2	**Tier 1 Capital**	**20,583**	
3	**Common Equity Tier 1 Capital**	**20,583**	
4	Fully paid up capital instruments	29	Note 13
5	Share premium	3,996	Note 13
6	Retained earnings	16,825	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(267)[8]	Notes 5 and 6
19	CET1: Other capital elements, deductions and adjustments	–-	

[8] £245k intangibles and £22k deferred tax

SIML

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**188,826**	**Note 17**
2	**Tier 1 Capital**	**188,826**	
3	**Common Equity Tier 1 Capital**	**188,826**	
4	Fully paid up capital instruments	155,000	Note 18
5	Share premium	-	
6	Retained earnings	456,957	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(423,131)[9]	Notes 12, 13 and 14
19	CET1: Other capital elements, deductions and adjustments	–	

SIMNAL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**21,230**	**Note 12**
2	**Tier 1 Capital**	**21,230**	
3	**Common Equity Tier 1 Capital**	**21,230**	
4	Fully paid up capital instruments	600	Note 13
5	Share premium	–	
6	Retained earnings	27,633	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(7,003)[10]	Note 10
19	CET1: Other capital elements, deductions and adjustments	–	

[9] Foreseeable dividends £110,000k, Intangibles £181,379k (ARA note 13), deferred tax assets £70,860k (ARA note 14), and investments £60,892k

[10] Foreseeable dividends £7,000k, and deferred tax assets £3k (ARA note 10)

SISL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**28,098**	**Note 12**
2	**Tier 1 Capital**	**28,098**	
3	**Common Equity Tier 1 Capital**	**28,098**	
4	Fully paid up capital instruments	7,033	Note 13
5	Share premium	162	
6	Retained earnings	21,059	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(156)	Note 10
19	CET1: Other capital elements, deductions and adjustments	–	

SREIML

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**20,147**	**Note 14**
2	**Tier 1 Capital**	**20,147**	
3	**Common Equity Tier 1 Capital**	**20,147**	
4	Fully paid up capital instruments	12,900	Note 15
5	Share premium	–	
6	Retained earnings	10,378	
7	Accumulated other comprehensive income	–	
8	Other reserves	–	
9	Adjustments to CET1 due to prudential filters	–	
10	Other funds	–	
11	(-) Total deductions from Common Equity Tier 1	(3,131)[11]	Notes 11 and 12
19	CET1: Other capital elements, deductions and adjustments	–	

[11] Intangibles £1,000k (ARA note 11), deferred tax assets £2,131k (ARA note 12)

SWUSL

No.	Item	Amount (GBP thousands)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**Own Funds**	**1,733**	
2	**Tier 1 Capital**	**1,733**	
3	**Common Equity Tier 1 Capital**	**1,733**	
4	Fully paid up capital instruments	4,000	Note 11
5	Share premium		
6	Retained losses	(2,058)	
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) Total deductions from Common Equity Tier 1	(209)	Note 9
19	CET1: Other capital elements, deductions and adjustments		

4.2 Reconciliation of Own Funds with capital in the balance sheet in the audited financial statements

This section shows the entity balance sheets as per their audited financial statements. This can be used to show further detail of the components of capital in section 4.1. Column c refers to the corresponding row in the own funds table in section 4.1.

BPL

	Amount in GBP (thousands)	a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets				
1	Cash and cash equivalents	6,443		
2	Trade and other receivables	16,217		
3	Deferred tax	137		11
	Total Assets	**22,797**		
Liabilities				
1	Trade and other payables	13,627		
2	Provisions	11		
	Total Liabilities	**13,638**		
Shareholders' Equity				
1	Fully paid up capital instruments	5		4
2	Share premium	3,996		5
3	Retained earnings	5,158		6
	Total Shareholders' Equity	**9,159**		

EWNL

Amount in GBP (thousands)	a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets			
1 Cash and cash equivalents	533		
2 Trade and other receivables	2,090		
3 Deferred tax	8		11
Total Assets	**2,631**		
Liabilities			
1 Trade and other payables	1,900		
Total Liabilities	**1,900**		
Shareholders' Equity			
1 Fully paid up capital instruments	1		4
2 Retained earnings	730		6
Total Shareholders' Equity	**731**		

FWL

Amount in GBP (thousands)	a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets			
1 Cash and cash equivalents	10,090		
2 Trade and other receivables	37,817		
3 Intangible assets	245		
4 Deferred tax	22		11
Total Assets	**48,174**		
Liabilities			
1 Trade and other payables	26,708		
2 Provisions	616		
Total Liabilities	**27,324**		
Shareholders' Equity			
1 Fully paid up capital instruments	29		4
2 Share premium	3,996		5
3 Retained earnings	16,825		6
Total Shareholders' Equity	**20,850**		

SIML

	Amount in GBP (thousands)	a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1 in section 4.1
Assets				
1	Cash and cash equivalents	94,628		
2	Trade and other receivables	540,384		
3	Current tax	29,863		
4	Property, plant and equipment	6,091		
5	Investments	89,696		11[12]
6	Intangible assets	181,379		11
7	Deferred tax	60,169		11[13]
	Total Assets	**1,002,209**		
Liabilities				
1	Trade and other payables	389,402		
2	Lease liabilities	225		
3	Provisions	625		
	Total Liabilities	**390,252**		
Shareholders' Equity				
1	Fully paid up capital instruments	155,000		4
2	Retained earnings	456,957		6
	Total Shareholders' Equity	**611,957**		

[12] Certain investments held by SIML represent holdings of common equity tier 1 instruments issued by entities that form part of the same investment firm group as SIML and do not meet the criteria in MiFIDPRU 3.3.14 and are therefore required to be deducted.

[13] Note that the net deferred tax asset of £60,169k includes a deferred tax liability of £10,691k. For the purposes of calculating the entity's regulatory own funds, the deferred tax liability has been excluded, and therefore £70,860 has been deducted.

SIMNAL

Amount in GBP (thousands)		a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets				
1	Cash and cash equivalents	10,552		
2	Trade and other receivables	31,286		
3	Deferred tax	3		11
	Total Assets	**41,841**		
Liabilities				
1	Trade and other payables	11,923		
2	Current tax	1,685		
	Total Liabilities	**13,608**		
Shareholders' Equity				
1	Fully paid up capital instruments	600		4
2	Retained earnings	27,633		6
	Total Shareholders' Equity	**28,233**		

SISL

Amount in GBP (thousands)		a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets				
1	Cash and cash equivalents	17,150		
2	Trade and other receivables	23,021		
3	Current tax	1,674		
4	Property, plant and equipment	158		
5	Deferred tax	156		11
	Total Assets	**42,159**		
Liabilities				
1	Trade and other payables	13,905		
2	Current tax	-		
	Total Liabilities	**13,905**		
Shareholders' Equity				
1	Fully paid up capital instruments	7,033		4
2	Share premium	162		5
3	Retained earnings	21,059		6
	Total Shareholders' Equity	**28,254**		

SREIML

Amount in GBP (thousands)		a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets				
1	Cash and cash equivalents	13,500		
2	Trade and other receivables	30,742		
3	Intangible assets	1,000		11
4	Deferred tax	2,131		11
	Total Assets	**42,159**		
Liabilities				
1	Trade and other payables	23,976		
2	Current tax	119		
	Total Liabilities	**24,095**		
Shareholders' Equity				
1	Fully paid up capital instruments	12,900		4
2	Retained earnings	10,378		6
	Total Shareholders' Equity	**23,278**		

SWUSL

Amount in GBP (thousands)		a Balanced sheet as in published/audited financial statements As at 31 December 2022	b Under regulatory scope of consolidation As at 31 December 2022	c Cross-reference to template OF1, in section 4.1
Assets				
1	Cash and cash equivalents	2,184		
2	Trade and other receivables	654		
3	Deferred tax	209		11
	Total Assets	**3,047**		
Liabilities				
1	Trade and other payables	1,105		
	Total Liabilities	**1,105**		
Shareholders' Equity				
1	Fully paid up capital instruments	4,000		4
2	Retained losses	(2,058)		6
	Total Shareholders' Equity	**1,942**		

Section 5 Own funds requirements

5.1 K-factor requirement and fixed overheads requirement

The K-factor requirement calculates a minimum amount of capital that an investment firm needs to hold in order to support its ongoing activities. The fixed overheads requirement (**FOR**) calculates a minimum amount of capital that an investment firm needs to hold in order to conduct an orderly wind-down. Section 5.2 sets out the approach to assess whether additional own funds are required to be held in order to ensure compliance with the overall financial adequacy rule (**OFAR**).

The K-factor own funds requirements are a mixture of activity- and exposure-based requirements. Which K-factors apply to an individual firm depends on the services and activities it undertakes. The FOR is equal to one quarter of the entity's relevant expenditure in the previous year, using the most recent audited annual financial statements. The approach requires firms to determine total expenditure. Firms may then deduct certain variable expenses such as fully discretionary staff bonuses and shared commission and fees payable (subject to meeting certain conditions) [14].

The table below show the entities' K-factor requirements, broken down into three groupings as required by MiFIDPRU 8.5, and their FOR as at 31 December 2022.

Item		Total amount in GBP (thousands)							
		BPL	EWNL	FWL	SIML	SIMNAL	SISL	SREIML	SWUSL
K-factor	∑ K-AUM, K-CMH, K-ASA	2,620	158	785	48,580	11,924	7,600	1,825	93
	∑ K-COH, K-DTF	4	0	55	4,161	–	–	33	–
	∑ K-NPR, K-CMG, K-TCD, K-CON	–	–	–	–	–	–	–	–
K-factor total		**2,624**	**158**	**840**	**52,741**	**11,924**	**7,600**	**1,858**	**93**
FOR		**1,818**	**123**	**6,868**	**111,921**	**762**	**8,543**	**11,206**	**400**

5.2 Approach to assessing adequacy of own funds

The entities assess and manage the adequacy of own funds in accordance with the MiFIDPRU rules and to ensure compliance with the OFAR. Through the ICARA process, the entities assess whether any additional own funds and liquid assets are required, compared to the minimum amounts set out above[15]. The level of own funds and liquid assets required in order to meet the OFAR are referred to as the own funds threshold requirement (**OFTR**) and liquid assets threshold requirement (**LATR**) respectively.

The ICARA is the core risk management process for FCA investment firms and its purpose is to ensure that a firm:

a. Has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business; and

b. Holds financial resources that are adequate for the business it undertakes.

In turn, the requirement for adequate financial resources is designed to achieve two key outcomes:

[14] The shared commission and fees payable must be directly related to commission and fees receivable, and the payment of the commission and fees payable must be dependent on the actual receipt of the commission and fees receivable.

[15] The minimum liquidity requirement is set at one third of the FOR and is known as the basic liquid asset requirement (BLAR)

a. To enable a firm to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities (including both regulated activities and unregulated activities); and

b. To enable the firm to conduct an orderly wind-down while minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

As part of the development of the ICARAs, each entity identified, assessed and quantified potential harms to clients, markets and the firm itself arising from each entity's business model and to support its ongoing activities. Where a material risk of harm was not fully mitigated by the risk management framework, the entities assessed the level of capital and liquidity which should be held to mitigate the residual risk of harm. Where relevant, this was compared to the minimum K-factor requirement.

The entities also assessed the level of capital and liquidity which would be required to support a wind-down. Reverse Stress Tests were conducted in order to understand the extreme conditions that have the potential to create an environment where the firm is no longer viable. Each entity assessed the potential impact of a wind-down together with detailed operational considerations. The ICARA then considered the financial resources that would be required in order to fund the cost of a wind-down. This was then compared to the FOR to determine if any additional resources are required to be held for each of the entities.

The higher of the assessments of capital and liquidity required for ongoing activities and wind-down were determined to be the entities' OFTR and LATR.

The ICARA also uses a range of scenarios to assess the impact of severe but plausible stress events on capital and liquidity resources and regulatory capital and liquidity requirements. The stress testing analysis is used to determine the appropriate size of any capital and liquidity buffers that should be held over and above the entities OFTR and LATR.

A set of Early Warning Indicators are designed to identify emerging periods of stress. They prompt consideration of the nature and severity of the stress event and the potential impact on the entity. Recovery Indicators are separately set to identify when the entity is facing capital and / or liquidity difficulties and approaching a recovery situation, with triggers set at a level to provide adequate time to take action.

ICARAs for all in-scope entities were approved by their respective boards during 2022. Each entity confirmed that it has sufficient capital and liquidity resources to meet its OFAR. The ICARAs will be updated and formally reviewed by the Boards on at least an annual basis, with more frequent reviews in the event of a fundamental or anticipated change to the business or the environment in which the entity operates.

Section 6 Remuneration policies and practices

These disclosures should be read in conjunction with the Remuneration report on pages 76 to 107 of the Group's 2022 Annual Report and Accounts (available on the Group's website – www.schroders.com/ir), which provides further information on the activities of the Remuneration Committee and the remuneration principles and policies.

6.1 The Remuneration Committee of the Board of Schroders plc

The Group has a Remuneration Committee, consisting of independent non-executive Directors of Schroders plc, which provides firm-wide remuneration oversight. The Remuneration Committee determines the Group remuneration policy and oversees its implementation across the firm globally. This includes oversight of the identification of Material Risk Takers (**MRTs**) across the Group and the level and structure of their remuneration. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration.

The Chair of the Audit and Risk Committee serves on the Remuneration Committee, to ensure the Remuneration Committee is adequately informed of risks facing the Group and the management of those risks. The Committee received advice from PricewaterhouseCoopers LLP and McLagan (AON) Limited during the year. The Committee assesses the performance of its external advisers annually, to ensure that the advice provided is independent of any services provided to management.

The role and activities of the Remuneration Committee, its composition and use of advisers are further detailed in the Remuneration report and the Committee's Terms of Reference (both of which are available on the Group's website).

6.2 Remuneration principles

The Remuneration Committee developed the Group's remuneration policy with a number of principles in mind. These principles and their application within the remuneration policy are reviewed annually by the Committee. The overall policy is designed to promote the long-term success of the Group. It is:

- **Aligned with clients:** A significant proportion of variable remuneration for higher-earning employees and MRTs is granted as fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients. This includes the executive Directors, other members of the GMC and other key employees such as senior fund managers
- **Aligned with shareholders:** A significant proportion of variable remuneration for higher-earning employees and material risk takers is granted in the form of deferred awards over Schroders' shares, thereby aligning the interests of employees and shareholders. Executive Directors and other members of the GMC are required, over time, to acquire and retain a significant holding of Schroders shares or rights to shares
- **Aligned with financial performance**: Our ratio of total costs to net income through the market cycle guides the total spend on remuneration each year. This is recommended by the Committee to the Board. This approach aligns remuneration with financial performance
- **Designed to promote the long-term, sustainable success of the Group:** Performance against net zero and sustainability goals forms part of the annual compensation review for those with roles able to influence our investment and business operations, including the executive Directors, other members of the GMC, fund managers, ESG investment team members, facilities managers and procurement staff
- **Competitive:** Employees receive a competitive remuneration package, which is reviewed annually and benchmarked by reference to the external market. This allows the Group to attract, retain and motivate highly talented people, regardless of gender, age, race, sexual orientation, disability, religion, socio-economic background or other diversity facet
- **Designed to encourage retention:** Deferred variable remuneration does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of the grant date in order to vest in full

6.3 Determining the firm-wide bonus pool

The overall size of the annual pool for variable performance-related pay is set at Group level and is a material component of the Group's total remuneration expense. Our ratio of total costs to net income through the market cycle guides the total spend on remuneration each year, as recommended by the Remuneration Committee to the Board. This ensures that the aggregate spend on variable performance-related pay is directly linked to the Group's performance.

In determining total compensation spend each year, the Remuneration Committee considers the market context for business performance and staff compensation, as well as risk factors including, but not limited to, risk consideration for financial performance and non-financial risk. The Remuneration Committee receives reports from heads of risk, legal, compliance and internal audit on any issues in those areas that they might want to take into consideration in setting the bonus pool or reviewing individual remuneration outcomes. The Committee also receives input on the sustainability of earnings, to help consider any changes to the risk profile of the firm as a result of internal or external changes during the year.

6.4 Individual performance management

Schroders operates an annual cycle to set objectives and then assess performance and behaviours against our values.

- Individual performance goals and objectives are set at the start of each year. Objectives typically combine both financial and non-financial goals and in addition all employees are subject to a non-financial performance assessment based on behaviours compared to Schroders values
- Performance check-ins are carried out during the year, to provide an opportunity for structured feedback and coaching
- Towards the end of the year, the annual appraisal assesses the performance of each employee against expectations (a 'performance snapshot'), by reference to the objectives set at the start of the year. For our investment teams, a key factor in any such assessment is the investment performance of the relevant investment desk, which is assessed over at least 1, 3 and 5-year periods
- Schroders has integrated the assessment of sustainability factors and risk across our managed assets. This means that when we assess the performance of our investment desks we do so having regard to investment performance that is in part derived from ESG-integrated investment processes. ESG integration, coupled with investment performance measured over at least a 5-year period, means that the consideration and management of sustainability factors and risks are a component of our remuneration decisions for our investment teams

The performance appraisal is a key input when determining individual compensation recommendations. Performance is assessed across three key areas:

- Business Excellence
- Behavioural Excellence
- Conduct

For Business and Behavioural Excellence there are four possible ratings: Exceptional, Excelling, Performing and Developing. For Conduct, the manager assesses whether the employee's behaviour met Schroders and regulatory expectations.

To further ensure a consistent and inclusive approach, each line of business calibrates their initial ratings before communicating them to employees to eliminate bias and give employees a greater sense of fairness in the outcomes.

This multi-faceted performance rating approach allows greater focus on rewarding those who are taking a 'whole firm' approach and demonstrating behaviours aligned to the firm's values, working collaboratively across the firm and demonstrating the behaviours we expect in a client-centric culture.

6.5 Conduct, compliance and risk management in remuneration

The Conduct Assessment Group (**CAG**), consisting of the control function heads, the global head of HR and legal counsel, independently review indicators of potential conduct or cultural issues, such as compliance breaches, risk events, grievances and disciplinary matters, to identify and investigate any instances where conduct and behaviours have fallen short of the Group's expectations. Any issues identified in this way are fed into the performance appraisal and compensation review processes and a report is provided to the Remuneration Committee after each meeting. This provides a further opportunity to reflect attitudes to risk and compliance and behaviours in line with our values in the determination or allocation of the bonus pool and in individual employee performance ratings and remuneration outcomes.

The Remuneration Committee has adopted a risk-adjustment framework for the firm-wide bonus pool and this is considered at each stage of the year-end compensation review process. The Chief Risk Officer, General Counsel and the Group Head of Internal Audit provide commentary to the Remuneration Committee on significant events (including matters discussed by the CAG) in relation to the firm's risk appetite for each of the risk categories (see Appendix 1 for a summary of the Group's principal risks). Awards may be modified to account for current or future risks where necessary at an individual or team level. Section 6.11 details circumstances in which the Remuneration Committee would consider the use of malus and/or clawback for awards.

MRTs are subject to enhanced scrutiny and oversight, including enhanced control function oversight of their activities and direct oversight of their remuneration by the Remuneration Committee.

6.6 Remuneration decision-making

The Group Chief Executive allocates the overall bonus pool between the divisions or functions headed by members of the GMC, taking into consideration both financial and non-financial performance. Remuneration recommendations for individual employees are in each case based on the line manager's assessment of the employee's performance against objectives, the performance of the relevant business area and the levels of reward for comparable roles in the market. Recommendations are reviewed up the management line and ultimately are recommended by members of the GMC to the Group Chief Executive, for review and approval. Individuals are not involved in determining their own remuneration.

The Remuneration Committee determines the remuneration for the executive Directors and Company Secretary of Schroders plc and for members of the GMC, reviews the remuneration of the heads of control functions, monitors the level and structure of remuneration for other MRTs and oversees remuneration more broadly across the Group.

6.7 Remuneration decision-making for control function roles

The performance of staff engaged in control functions is appraised based on the achievement of objectives that are specific and appropriate to their roles and functions, independently of the performance of the business areas that they oversee. Remuneration recommendations are based on those individual performance assessments.

Remuneration recommendations for control function employees are put forward by the management of the respective control function, taking into account the annual performance appraisal and market remuneration benchmarking data. The remuneration recommendations for key control function positions, including the Chief Risk Officer and the Group Head of Internal Audit, and other senior officers within the control functions, are reviewed and monitored by the Remuneration Committee, as are remuneration recommendations for all MRTs.

6.8 Remuneration structure

Employee remuneration at Schroders is made up of fixed remuneration, which does not vary with performance, and variable remuneration, which is performance-related. The fixed and variable components of remuneration are appropriately balanced to allow a fully flexible approach to variable remuneration, including the possibility of paying zero variable remuneration to an employee where warranted.

Fixed pay is principally comprised of salaries or fees. All MRTs receive either a salary (for employees) or fees (for non-executive directors) that reflect their responsibilities and the level of experience and expertise needed to undertake their roles.

Salaries and fees are paid in cash via payroll. Salaries are reviewed annually and any increases are normally effective on 1 March following the financial year-end. The financial situation of the firm and the performance of each individual are taken into account when determining the appropriate level of salary increase each year, if any. Schroders actively targets its spend on salary increases at lower-paid employees, for whom fixed remuneration forms a larger proportion of total remuneration. For higher-paid employees, base salaries are adjusted infrequently.

Fixed pay also includes appropriate benefits in kind to help recruit and retain talent, reflect local market practice and support employee health and wellbeing. Employee benefits vary between jurisdictions, reflecting local market practice and statutory requirements. Cash allowances may also be paid, typically following the phasing out of a benefit, in which case existing employees are offered cash in place of the phased out benefit. Additional benefits may be provided if required, for example to support international relocation.

Retirement benefits are also provided, to help recruit and retain talent, reflect local market practice and to enable and encourage provision for retirement. Schroders does not provide employees with discretionary pension benefits.

Variable performance-related pay is principally comprised of annual bonus awards, which aim to motivate employees to achieve financial, non-financial and personal objectives for the year and to reward employees for their individual contribution. Non-executive directors do not receive variable performance-related pay.

All permanent employees, including MRTs, are eligible to be considered for an annual bonus award each year. Bonuses for all employees take account of overall Group, team and individual performance against agreed objectives. In this context, performance includes financial and non-financial measures and in particular an assessment of the employee's behaviour and the extent to which it is in line with Schroders values of Integrity, Excellence, Innovation, Passion and Teamwork. The heads of control functions provide input to senior management and the Remuneration Committee on issues that should be taken into consideration in setting the bonus pool or reviewing individual remuneration outcomes. The CAG independently review indicators of potential conduct or cultural issues and any issues that are identified are fed into the performance appraisal and compensation review processes.

Schroders Group believes that a discretionary incentive approach is preferable to the use of formulaic arrangements, to ensure that good conduct and behaviours in line with our values are rewarded, to avoid reinforcing or creating conflicts of interest and to encourage a one team attitude.

The use of guaranteed bonuses is exceptional, so a guaranteed bonus may only be offered where strictly necessary in the context of hiring new staff, and then is limited to the first year of employment. Any termination payments reflect performance over time and are designed to not reward failure, taking into account the circumstances of the termination, on a case-by-case basis. All arrangements for MRTs who are leaving Schroders are reviewed and approved by the Remuneration Committee. Any severance payments are determined in accordance with the terms of the employment contract, as well as the rules of applicable deferred remuneration plans. There are no contractual provisions for employees to receive compensation upon termination beyond statutory requirements in the relevant jurisdiction.

6.9 Bonus deferral

Variable remuneration for all Schroders employees over certain threshold is subject to deferral, which works to increase the alignment of employee interests with those of clients and shareholders and as a mechanism to retain talent. There are significant differences in the level of total remuneration paid to different employees, and within that to different MRTs. This is in line with Schroders remuneration principles, reflecting the different competitive market rate for those roles, as well as differences in individual, team and business performance.

Employees across Schroders Group, including MRTs not subject to regulatory deferral requirements, see a proportion of their variable remuneration subject to deferral if the bonus is £52,000 or more (or the local currency equivalent). If the bonus is less than £52,000 then the bonus is paid all in cash (including for SIML MRTs). The level of deferral is conditional on the amount of the annual bonus award, and for employees receiving larger bonus awards, a significant proportion is deferred.

As SIML is subject to extended remuneration requirements under the MiFIDPRU Remuneration Code, for those who are SIML MRTs, at least 40% of any bonus is deferred, with the amount deferred increasing when the bonus exceeds £250,000 (or local currency equivalent), up to 60% of the total bonus for bonuses of £500,000 or more. At least 50% of the deferred annual bonus awards for SIML MRTs is delivered as a fund award, and the balance as a share award, subject to a minimum fund award of £10,000. In addition, for SIML MRTs, half of the upfront bonus (i.e. the portion that is not deferred) is paid in cash and half is delivered as an upfront fund award, which must be retained for a period following the end of the performance year.

Bonuses are deferred through awards under the Deferred Award Plan (**DAP**). Upfront fund awards for SIML MRTs are also granted under the DAP. The DAP aligns the interests of employees with those of clients and shareholders, provides an incentive for the employee to stay at Schroders and makes it more expensive for competitors to recruit talent from Schroders. Fund awards are conditional rights to receive a cash sum based on the value of a notional investment in a range of Schroders investment products, so the amount received from fund awards is directly determined by the Group's performance managing funds for our clients. Share awards are conditional rights to acquire shares in the Company at nil cost.

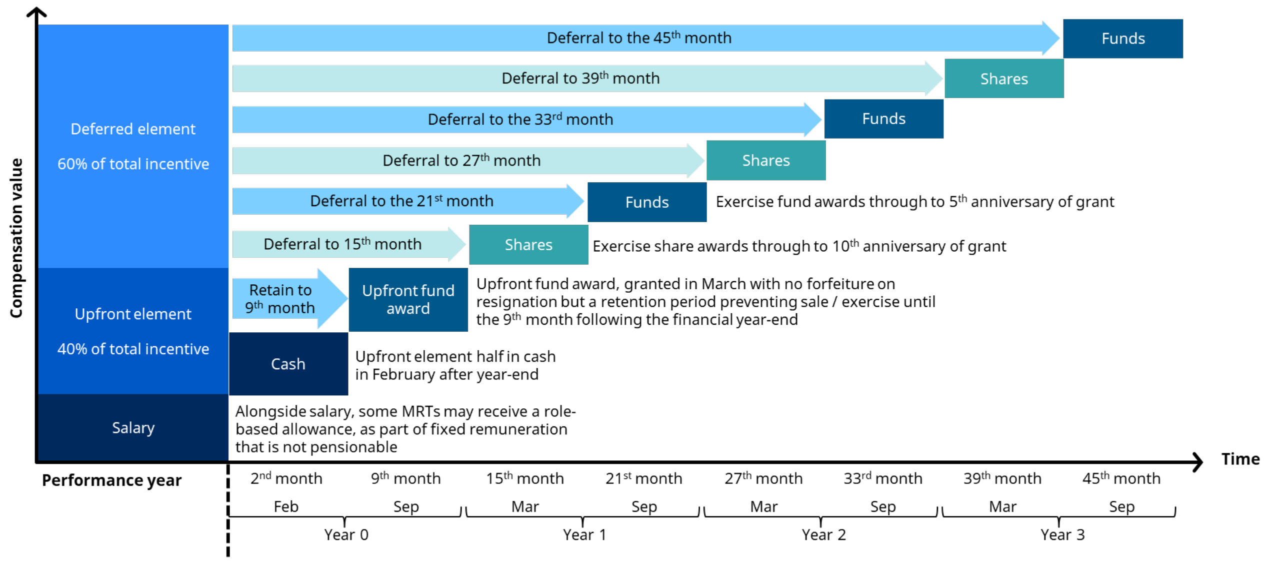
The table below sets out in more detail the remuneration structure for SIML MRTs:

Design feature	Remuneration structure for SIML MRTs (£ values shown in practice are the local currency equivalent)
Minimum bonus for this structure to apply	The remuneration structure below applies to all SIML MRTs with a bonus of £52,000 or more (or local currency equivalent). For SIML MRTs with a bonus below this level the bonus will be paid all in cash, in line with the approach under Schroders' standard remuneration framework (i.e. the remuneration framework that applies for employees who are not SIML MRTs).
Proportion deferred	– Total bonus is less than £52,000 – No deferral (see above) – Total bonus is £52,000 up to £250,000 – 40% deferral of the total bonus value – Total bonus is £250,000 to £500,000 – Linear interpolation of deferral value – Total bonus is £500,000 or more – 60% deferral of the total bonus value

Structure of the upfront element	– If total incentive is less than £52,000 then the bonus is payable all in cash in February following the end of the financial year via payroll
	– If the total incentive exceeds £52,000 the upfront element is instead split into two equal elements:
	  – Half paid in cash in February via payroll
	  – Half granted as a fund award in March following the end of the financial year, available for exercise in the 9th month following the financial year-end (September), subject to Schroders' standard malus and clawback terms
	– On release, upfront fund awards will be available to exercise or can be left in the scheme for the remainder of the award's five-year life

Structure of the deferred element	– Granted half in fund awards and half in share awards, in March following the end of the financial year, subject to a minimum £10,000 fund award – Vesting pro-rata over three years, so the right to exercise deferred share and fund awards vests in equal instalments over the deferral period – The right to exercise share awards will vest in equal instalments in the 15th, 27th and 39th months following the financial year-end (i.e. in March each year, on the first three anniversaries of grant) – The right to exercise fund awards will vest in equal instalments in the 21st, 33rd and 45th months following the financial year-end (i.e. in September each year, skipping the first September after the financial year-end). The later release of fund awards provides an additional retention period

Figure 2: Illustration of deferral structure for an MRT with a bonus of £500,000 or more



The remuneration framework for SIML MRTs ensures the following, for all MRTs where the bonus is £52,000 or more:

1. At least 40% of any bonus is deferred, with the proportion deferred increasing to 60% for higher bonuses
2. Across each of the upfront and deferred elements of the bonus, 50% of any bonus awarded is in the form of fund awards, aligned to the interests of clients
3. The upfront fund awards are subject to a retention period that ends in the 9th month following the end of the financial year
4. Deferred share awards vest 15th, 27th and 39th months following the end of the financial year. Deferred fund awards vest in the 21st, 33rd and 45th months following the end of the financial year, later than the vesting for share awards, providing an additional retention period

6.10 Other deferred remuneration awards

Additional deferred remuneration awards are used very selectively each year to recognise sustained high performance and potential, and to increase the alignment of employee interests with the interests of shareholders and clients. These awards operate in a similar way to deferred bonus awards, granted 50% in the form of a fund award and 50% in the form of a share award, but typically vest after five years. There is no upfront element to these awards. The awards are discretionary and subject to a thorough review process. Nominations are reviewed in consideration of the individual's performance (taking into account financial and non financial factors) and potential over at least one year.

For certain investment vehicles, the firm receives a 'carried interest' if investment returns for clients exceed a pre-agreed rate of return. Clients look for key employees to be eligible to receive a share of any carried interest earned, to align investment team interests with their own. With the Group retaining a share of carried interests this also aligns the team's interests with those of the firm. Schroders has agreed principles and a framework for how employee carried interest programmes operate. The allocation of carried interest entitlements to employees focuses on the individual's contribution to the investment vehicle and employee co-investment is encouraged. The vesting period for these entitlements is aligned to the lifecycle of the investment vehicle. These programmes are designed in such a way that they satisfy regulatory principles around long-term risk alignment without having to apply additional deferral at the point carry crystalizes. No SIML MRT currently participates in the Group's carried interest arrangements.

6.11 Malus and clawback terms

Under malus terms, deferred remuneration awards, including entitlements under employee carried interest programmes, may be reduced or lapsed, at the Remuneration Committee's discretion. Under clawback terms, amounts paid or released from such awards may be recovered for a period of 12 months from the date of payment or release, at the Committee's discretion. These terms can be used to risk-adjust deferred remuneration awards in a range of circumstances, set out in the Group's Malus and Clawback Policy. The circumstances in which malus and clawback may be triggered include:

- Fraud, misbehaviour or misconduct by the Participant
- Serious error by the Participant as a result of the Participant's negligent conduct or omission
- A significant failure of risk management for which the Participant has significant responsibility
- Failure to meet appropriate standards of fitness and propriety by the Participant
- There is a regulatory sanction or serious reputational damage where the conduct or omission of the Participant significantly contributed to the sanction and/or damage
- A material financial misstatement for which the Participant has significant responsibility or which has led to a greater portion of an award being released to the Participant than would otherwise have been the case
- Corporate failure or a significant downturn in financial performance for which the Participant has significant responsibility and the Committee considers that negligent conduct or an omission of the Participant has significantly contributed to that failure or downturn
- The Participant has participated in or was responsible for conduct which resulted in significant losses to the Group or any part of the Group
- The Group or any part of the Group suffers a material downturn in its financial performance
- The Group or any part of the Group suffers a material failure of risk management
- Any other circumstances that may justify it, including local regulatory obligations

More stringent malus/clawback terms may apply to certain individuals where required to comply with other regulatory requirements.

6.12 Identification of Material Risk Takers (MRTs)

The MiFIDPRU Remuneration Code sets out which roles must be subject to the remuneration structure rules. MRTs are staff whose professional activities are deemed to have a material impact on the risk profiles of the investment firms (where identified on a solo basis) or the investment firm group as a whole (where identified on a consolidated basis).

The following roles are identified by Schroders as MRTs under the MiFIDPRU Remuneration Code:

- Schroders plc Directors and GMC members
- Senior management of the regulated entities, including SMF role holders
- Heads of key business areas, including the Group Chief Investment Officer, Global Head of Equities and Global Head of Fixed Income
- Employees in control functions (Risk, Compliance and Internal Audit) who have oversight responsibility for the regulated entities
- Employees responsible for performing certain key functions, such as prevention of money laundering and information security
- Individuals responsible for a high proportion of revenue, such as heads of certain investment desks

The Remuneration Committee oversees the identification of MRTs for each MiFIDPRU entity, as well as the level and structure of their remuneration.

6.13 Quantitative disclosures

The below quantitative information in respect of the 2022 financial year has been provided in accordance with the requirements of MiFIDPRU 8. Additional quantitative information is provided for SIML as a non-SNI MiFIDPRU investment firm not meeting the conditions in SYSC 19G.1.1R(2).

Total remuneration awarded for the 2022 financial year

	Amount (£'000)	BPL	EWNL	FWL	SIML	SIMNAL	SISL	SREIML	SWUSL
Total staff[16]	Total remuneration[17]	–	–	–	437,565	–	57,142	–	–
	Fixed remuneration	–	–	–	269,995	–	21,465	–	–
	Variable remuneration	–	–	–	167,570	–	35,677	--	--
Total number of MRTs[18]		9	9	10	55	52	49	45	50
Senior management[19]	Total remuneration	2,139	2,139	2,205	41,882	42,148	45,075	42,977	44,153
	Fixed remuneration	1,405	1,405	1,433	11,939	12,231	12,602	12,014	12,917
	Variable remuneration	734	734	772	29,943	29,917	32,473	30,963	31,236
Other MRTs[20]	Total remuneration	–	–	–	15,134	9,302	1,997	1,997	2,027
	Fixed remuneration	–	–	–	3,187	2,044	940	940	1,023
	Variable remuneration	–	–	–	11,947	7,258	1,057	1,057	1,004
Other staff[21]	Total remuneration	–	–	–	380,549	–	10,070	–	–
	Fixed remuneration	–	–	–	254,869	–	7,923	–	–
	Variable remuneration	–	–	–	125,680	–	2,147	–	–

[16] BPL, EWNL, FWL, SIMNAL, SREIML and SWUSL had no employees during the financial year. Staff who are engaged in their business have contracts of service with and receive their emoluments from another Schroders Group company.

[17] Total remuneration for SIML and SISL includes remuneration paid to MRTs (some of whom are employed by a different Schroders Group entity) and will therefore differ from the total remuneration expense reported in the individual entity Annual Report and Accounts.

[18] Certain individuals (e.g. Schroders plc Directors and GMC members) may be identified as MRTs in respect of multiple entities. In the interests of transparency, the remuneration figures shown in the table reflect the full remuneration for all MRTs of every entity.

[19] Senior management are defined as members of the Schroders plc Board, GMC members and those holding Senior Management Functions for the entity.

[20] For BPL, EWNL and FWL entities, the total remuneration for senior management and other MRTs is aggregated in line with MiFIDPRU 8.6.8 (7).

[21] Other staff for SIML and SISL includes employees as at 31 December 2022 who are employed by the entity and not identified as MRTs.

Guaranteed bonuses and severance payments made to MRTs[22]

	Amount (£'000)	BPL	EWNL	FWL	SIML	SIMNAL	SISL	SREIML	SWUSL
Guaranteed bonuses	Number of MRTs	–	–	–	–	–	–	–	–
	Total amount	–	–	–	–	–	–	–	–
Severance payments	Number of MRTs	–	–	–	–	–	–	–	–
	Total amount	–	–	–	–	–	–	–	–
	Highest severance payment awarded to an MRT	–	–	–	100	–	30	–	–

Deferred remuneration for SIML MRTs for the 2022 financial year

Amount (£'000)	Senior management	Other MRTs	Total
Total variable remuneration	29,943	11,947	41,890
– Of which is cash	6,268	2,434	8,702
– Of which: non-deferred	6,268	2,434	8,702
– Of which: deferred	–	–	–
– Of which is shares	9,814	3,540	13,354
– Of which: non-deferred	–	–	–
– Of which: deferred	9,814	3,540	13,354
– Of which is share-linked instruments or equivalent non-cash instruments	–	–	–
– Of which: non-deferred	–	–	–
– Of which: deferred	–	–	–
– Of which is other forms (fund awards)	13,861	5,973	19,834
– Of which: non-deferred	6,168	2,434	8,602
– Of which: deferred	7,693	3,539	11,232

[22] No guaranteed variable remuneration or severance payments are disclosed in relation to all entities, either due to no MRT being awarded such payments during the financial year, or, for SIML and SISL, as permitted by the exemption set out in MiFIDPRU 8.6.8 (7) and to prevent individual identification of an MRT.

Outstanding deferred remuneration for SIML MRTs[23]

Amount (£'000)	Senior management	Other MRTs	Total
Amount of deferred remuneration awarded for previous performance periods	57,644	16,497	74,141
– Of which: due to vest in the financial year in which the disclosure is made	22,433	7,131	29,564
– Of which: due to vest in subsequent years	35,211	9,366	44,577
Amount of deferred remuneration due to vest in the financial year in which the disclosure is made	28,627	9,568	38,195
– Of which: is or will be paid out	28,627	9,568	38,195
– Of which: the amount was due to vest but withheld as a result of performance adjustment	–	–	–

6.13.1 Exemptions

No exemptions under SYSC 19G.5.9R were applied for any SIML MRT in the financial year.

[23] Deferred remuneration includes annual bonus, LTIP and other deferred awards based on value at grant.

Section 7 Investment policy (SIML only)

Given the size of SIML's balance sheet, and as set out in section 1.1, it is required to disclose additional information relating to its investment policy.

7.1 Proportion of voting rights (template IP1)

Note: some companies may appear twice as there were two events where SIML voted over the time period and the proportion of shares held differed for each event.

Country or territory	Company name	LEI	Proportion of voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
United Kingdom	Rutherford Health Plc	213800WYHWH3JXPZ1K75	26.33%
United Kingdom	Centrica Plc	E26EDV109X6EEPBKVH76	9.88%
United Kingdom	Tracsis Plc	2138005I15G3HBN2WD92	7.49%
United Kingdom	Sivota Plc	213800X6JMYWKEPLSE77	9.12%
United Kingdom	Chemring Group Plc	213800U9A54VQJ5P2J41	6.15%
Jersey	Invinity Energy Systems Plc	213800N2NKOTYUNRCU14	24.45%
United Kingdom	Shoe Zone Plc	21380016X1OWIRVRSI65	5.34%
United Kingdom	Tekmar Group Plc	213800839UQKQTV33E71	11.32%
United Kingdom	Autins Group Plc	2138006WN9R3JYOANR87	19.78%
United Kingdom	Tekmar Group Plc	213800839UQKQTV33E71	16.02%
United Kingdom	Parsley Box Group Plc	21380011BEY3JSQ3AU68	5.83%
United Kingdom	Guild Esports PLC	213800IE96YMHXDJ7H92	5.76%
United Kingdom	Pressure Technologies Plc	213800PTKN1VDP2DIN05	26.19%
United Kingdom	RM Plc	2138005RKUCIEKLXWM61	17.08%
United Kingdom	Drax Group Plc	549300YPSNTXR4ZHSR98	5.62%
United Kingdom	Aptitude Software Group Plc	2138009VHA1WI2VKMA28	11.77%
United Kingdom	International Personal Finance Plc	213800II1O44IRKUZB59	7.36%
United Kingdom	ITV Plc	ZLECI7ED2QMWFGYCXZ59	5.92%
United Kingdom	Pearson Plc	2138004JBXWWJKIURC57	5.77%
United Kingdom	Photo-Me International Plc	2138006YJ65EKBYYYX41	9.74%
United Kingdom	CPP Group plc	213800FRDE79FTQI4X25	10.06%
United Kingdom	Mpac Group Plc	213800J3KUDYLRHHU562	20.97%
United Kingdom	James Fisher & Sons Plc	213800J975E5OYR6S216	7.54%
United Kingdom	Quixant Plc	2138003VERWSQP561X71	5.32%
United Kingdom	Capita Plc	CMIGEWPLHL4M7ZV0IZ88	17.38%
United Kingdom	Gresham Technologies Plc	213800F71LW7L4Y7QL29	8.50%

Country or territory	Company name	LEI	Proportion of voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
Jersey	TP ICAP Group Plc	2138006YAA7IRVKKGE63	11.36%
United Kingdom	Tribal Group Plc	2138003DLFRH7CB89Z84	6.89%
United Kingdom	Anglo Pacific Group Plc	213800LXSV317746JZ71	10.43%
United Kingdom	Balfour Beatty Plc	CT4UIJ3TUKGYYHMENQ17	5.48%
United Kingdom	Eurocell Plc	213800RH62IQ7S9OFQ55	6.13%
United Kingdom	TT Electronics Plc	213800TJGBW5VFHQEV54	5.19%
United Kingdom	Equals Group Plc	213800CPI5S2GYB3RI27	8.41%
United Kingdom	The Vitec Group Plc	2138007H5DQ4X8YOCF14	6.72%
United Kingdom	Keller Group Plc	549300QO4MBL43UHSN10	9.45%
United Kingdom	Dialight Plc	2138001AD31KKD29Z495	11.99%
United Kingdom	musicMagpie Plc	213800QMKTKSDMQIR327	9.72%
United Kingdom	Xaar Plc	213800MXEC3KAOBBPO57	28.63%
United Kingdom	Zotefoams Plc	213800B6P256B5XN8D32	12.41%
United Kingdom	OnTheMarket Plc	213800UNVSN2LXD4W113	7.27%
United Kingdom	Staffline Group Plc	213800BVLF1BCOJUH828	11.03%
United Kingdom	Parsley Box Group Plc	21380011BEY3JSQ3AU68	5.78%
United Kingdom	Centrica Plc	E26EDV109X6EEPBKVH76	6.23%
United Kingdom	Kistos Plc	2138007DT1E5GTTVON57	5.97%
United Kingdom	Pod Point Group Holdings Plc	213800MY9U5MEDG21D89	7.08%
United Kingdom	Ferrexpo Plc	213800CEDKSNUTPAQZ41	6.76%
United Kingdom	NAHL Group Plc	213800FQN7XBX1S6U981	16.65%
United Kingdom	Directa Plus Plc	213800X2DQST3K5ND898	5.84%
United Kingdom	EnQuest Plc	2138008LJU6WFQWOXJ73	5.61%
United Kingdom	Pendragon Plc	213800VRSPZFOGMMIS18	10.18%
United Kingdom	Bonhill Group Plc	213800GBGKZ7WVF6C550	12.39%
United Kingdom	John Wood Group Plc	549300PLYY6I10B6S323	5.29%
Jersey	Team Plc	213800EP1CI5ANR7RP18	9.42%
United Kingdom	Vertu Motors Plc	213800GIKJEIUIGMI575	7.70%
United Kingdom	Warpaint London Plc	213800EBJ2CN6KIDCO78	13.54%
United Kingdom	ATOME Energy Plc	213800PLO4T7BYXL5I51	5.27%
United Kingdom	Lords Group Trading Plc	9845009A4D87F1CE5145	5.23%
United Kingdom	Provident Financial Plc	213800U93SZC44VXN635	12.65%
United Kingdom	Marks & Spencer Group Plc	213800EJP14A79ZG1X44	6.85%

Country or territory	Company name	LEI	Proportion of voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
United Kingdom	Land Securities Group Plc	213800V8IAVKS37D6B88	5.09%
United Kingdom	N Brown Group Plc	213800QFPJQF2NUVAP09	12.17%
United Kingdom	Pets At Home Group Plc	2138003Y9ULD24PD3J93	8.07%
United Kingdom	PayPoint Plc	5493004YKWI8U0GDD138	6.58%
United Kingdom	Royal Mail Plc	213800TCZZU84G8Z2M70	7.42%
United Kingdom	Johnson Matthey Plc	2138001AVBSD1HSC6Z10	5.43%
United Kingdom	QinetiQ Group plc	213800S8OBDOZMCMUW34	7.22%
United Kingdom	President Energy Plc	213800MA2ZN22I4ITA79	8.73%
United Kingdom	All Things Considered Group Plc	213800LC7EIESF7IXT53	10.00%
United Kingdom	De La Rue Plc	213800DH741LZWIJXP78	15.77%
United Kingdom	FirstGroup Plc	549300DEJZCPWA4HKM93	15.82%
United Kingdom	Ted Baker Plc	549300HN14450OU4IL77	10.49%
United Kingdom	Saietta Group Plc	213800OOUPLXQIFOO462	5.68%
United Kingdom	Trackwise Designs Plc	549300KQIX5EWTJMFK75	7.25%
United Kingdom	Sivota Plc	213800X6JMYWKEPLSE77	9.91%
Jersey	Invinity Energy Systems Plc	213800N2NKOTYUNRCU14	24.50%
United Kingdom	Carclo Plc	21380078MEM399JPI956	12.99%
United Kingdom	Trifast Plc	213800WFIVE6RWK3CR22	9.03%
United Kingdom	Currys Plc	2138001E12GWLLDQQF16	8.62%
United Kingdom	Speedy Hire Plc	213800U78SIYAZDYXM61	12.99%
United Kingdom	XPS Pensions Group Plc	2138004Y8OBPJEAACJ11	5.65%
United Kingdom	Tungsten West Plc	213800QNV72HX3JAFC56	9.36%
United Kingdom	Ilika Plc	213800TMDNIE3Z8XXD26	6.74%
Jersey	QUIZ Plc	213800A3QTOPTGSTNZ78	9.08%
United Kingdom	Shearwater Group Plc	213800ZRUKUYDJLKD504	13.17%
United Kingdom	Games Workshop Group Plc	213800RP9QJQYGWHNT41	5.22%
United Kingdom	Merit Group Plc	213800HG65J6TYGNJU20	7.47%
United Kingdom	ECO Animal Health Group Plc	2138009XN9DJ3YP7OB55	7.89%
United Kingdom	Cohort Plc	213800WE61C73LZZNW11	12.13%
United Kingdom	Redde Northgate Plc	213800B3ZUTDOZYVJB41	5.00%
United Kingdom	Smoove Plc	213800TDUOUSIQT2OT29	10.54%
United Kingdom	ActiveOps Plc	213800RHBFOK6YNI3B30	8.48%
United Kingdom	Colefax Group Plc	213800MQYDGZB7DABZ12	19.12%

Country or territory	Company name	LEI	Proportion of voting rights attached to shares held directly or indirectly in accordance with MIFIDPRU 8.7.4R
United Kingdom	Samarkand Group Plc	213800IYL86FVL5UJB61	9.08%
United Kingdom	Ted Baker Plc	549300HN14450OU4IL77	10.43%
United Kingdom	Saietta Group Plc	213800OOUPLXQIFOO462	6.17%
United Kingdom	Accrol Group Holdings plc	213800MC56M5G69RJ226	11.57%
United Kingdom	Thruvision Group Plc	213800IZG9GM6G2TZE04	17.52%
United Kingdom	TheWorks.co.uk Plc	894500W7PWBCCWBN9R03	19.22%
United Kingdom	Capita Plc	CMIGEWPLHL4M7ZV0IZ88	19.37%
United Kingdom	NCC Group Plc	213800DJCGZRB6523934	6.42%
Guernsey	Mercantile Ports & Logistics Ltd.	213800UT113BW8VXV311	9.92%
United Kingdom	Kier Group Plc	2138002RKCU2OM4Y7O48	10.54%
United Kingdom	MJ Gleeson Plc	21380064K7N2W7FD6434	8.12%
United Kingdom	De La Rue Plc	213800DH741LZWIJXP78	15.72%
United Kingdom	Blancco Technology Group Plc	2138008487QKMQTA5428	6.21%
Japan	Hosokawa Micron Corp.	549300BGD60QTKIDWF02	6.76%
United Kingdom	UP Global Sourcing Holdings Plc	213800Q5GWTVIW6KJW33	15.19%

7.2 Voting Behaviour (template IP2)

IP2.01 - Table on the description of voting behaviour

Row	Item	Value
1	Number of relevant companies in the scope of disclosure	98
2	Number of general meetings in the scope of disclosure during the past year	117
3	Number of general meetings in the scope of disclosure in which the firm has voted during the past year	116
4	Does the investment firm inform the company of negative votes prior to the general meeting?	Other – SIML typically plan to inform companies about its voting intentions in advance of, or after the meeting via email. With particularly contentious votes, especially where is has a large holding, SIML will often seek to discuss its voting intentions with the company to seek any additional views and perspectives before casting its votes.
5	On a consolidated basis, does the investment firm group possess a policy regarding conflicts of interests between	Yes

Row	Item	Value
	relevant entities of the group?	
6	If yes, summary of this policy	SIML accepts that conflicts of interest may arise in the normal course of business. Its ability to manage these conflicts effectively is essential to achieving good outcomes for clients. SIML follows the Group approach, which is to seek to identify all potential and actual conflicts and manage them in the best interests of its clients and in line with regulatory expectations. The Group Conflicts of Interest policy provides guidance on the identification, prevention, management and appropriate disclosure (measure of last result) of conflicts of interest that arise or might arise in the course of SIML carrying out its business, and which might entail a material risk of damage to: the interests of one or more of its clients; its ongoing activities in all markets it operates; and/or the reputation of the Schroders Group. The Group Conflicts of Interest Policy is reviewed annually. The Compliance team also carries out second line monitoring and review of conflicts management to determine if material conflicts have been identified and the Group Internal Audit provide a third line review of the Conflicts Framework.

IP2.02 – Template on voting behaviour

Row	Item	Number	Percentage
1	General meetings resolutions:	1395	98.8%
2	the firm has approved management's recommendation	1373	98.42%
3	the firm has opposed management's recommendation	22	1.58%
4	in which the firm has abstained[24]	2	0.14%
5	On a consolidated basis, does the investment firm group possess a policy regarding conflicts of interests between relevant entities of the group?	Yes	

** This statistics is asking for details on a meeting level therefore, the number provided is a percentage of meetings voted.

[24] Abstain votes are counted within both the 'abstained' and 'opposed management's recommendation' statistics

IP2.03 - Template on voting behaviour in resolutions by theme

Row	Item	Voted for	Voted against	Abstained	Total
1	Voted resolutions by theme during the past year:				
2	Board structure	538	7	1	546
3	Executive remuneration	95	8	1	104
4	Auditors	173	2	0	175
5	Environment, social, governance	236	0	0	236
6	Capital transactions	331	3	0	334
7	External resolutions	0	0	0	0
8	Other	0	0	0	0
9	Percentage of resolutions put forward by the administrative or management body that are approved by the firm			98.42%	

7.3 Use of proxy advisor firms (template IP3)

Explanation of the use of proxy advisor firms

SIML currently use the services of ISS for its voting and research requirements and it also subscribes to research from the Investment Association. ISS delivers vote processing through their Internet-based platform (Proxy Exchange), and SIML receives both ISS research and Custom guidelines for each event, with only a few resolutions referred to SIML for a final decision.

SIML complement this with analysis by its in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. ISS automatically votes all of SIML's holdings of which it owns less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions or such proposals that SIML have requested are referred to it for further analysis. This ensures consistency in SIML's voting decisions as well as creating a more formalised approach to our voting process.

7.4 Voting guidelines (template IP4)

8.7.4R: Short summary and, if available, links to non-confidential documents

SIML follow the Group Environmental, Social and Governance policy when making voting decisions.

Shareholders' Interests

SIML will oppose any proposal or action which materially reduce or damage shareholders' rights.

Status and Role

The boards of the companies in which SIML's clients' monies are invested should consider and review, amongst other things, strategic direction, the quality of leadership and management, risk management, relationships with stakeholders, the internal controls, the operating performance and viability of those companies.

Board members must be independent, competent and have relevant expertise. Independent non-executives can give shareholders a degree of protection and assurance by ensuring that no individual or non-independent grouping has unfettered powers or dominant authority.

Every member of the board should stand for re-election by shareholders no less than every three years. SIML generally only support yearly elections.

8.7.4R: Short summary and, if available, links to non-confidential documents

Board members should have enough time to devote to the role so that they can effectively discharge their duties. Members with multiple external appointments will be deemed over-boarded.

Board Leadership

The Groups' preference is for leadership of the board and leadership of the company to be separate. This reflects the important role the board plays in oversight and challenge of the senior management team. Where the Chairman and CEO are not separate there should be a Lead Independent Director identified to act an effective conduit for shareholders to raise issues.

Board Structure

Boards should consider the diversity and balance of the board, Board gender diversity is one of the most transparent metrics that is currently available on a global basis. SIML actively vote against individuals on boards that are not making enough progress on this area to hold them accountable.

Remuneration

In considering the pay arrangements of senior executives at companies, SIML are concerned with the structure of total compensation and to ensure that potential rewards are aligned with shareholder interests

Issuing Shares

Companies should not propose general authorities to allow unlimited or substantial capital authorisations or blank cheque preferred stock.

Auditors

In order to provide objectivity and a robust assessment of the accounts, the auditors should be independent. Where independence is compromised or perceived as being compromised due to a conflict of interest, a firm's suitability as auditor will be called into question. The tenure of an auditor should also be assessed to ensure rotation for independence.

Further information can be found in the Groups' document 'Environmental, Social and Governance Policy for Listed Assets 2022' https://mybrand.schroders.com/m/1c125fb581d51617/original/schroders-esg-policy.pdf

Appendix 1 Summary of Group key risks and mitigation

The below table summarises the Group's key risks and the corresponding mitigation, based on the Group's Risk Management Framework.

Table of Group key risks

Key risk	Mitigation
Business model disruption	
Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Geopolitical turmoil, including sanctions and conflict, could also impact our business. For example, heightened tension between China and the West may impact our China-based activities or Chinese assets which we invest in on behalf of our clients. This risk remains elevated.	We continue to invest in our technology platform to support our Schroders Capital business. We regularly monitor developments in countries subject to geopolitical risk and take steps to protect our people and assets where necessary.
Business concentration risk	
The risk of insufficiently diversified distribution channels, products, clients, markets, or income streams resulting in a decline in fee revenue if investor demands change. While we aim to ensure our business is broadly diversified by region and this mitigates our aggregate risk profile, it introduces additional risks in terms of operating cross-border and in multiple environments as a result of local business practices, customs and traditions, and regulations.	The broad range and scale of products and of distribution and investment channels that we have established mitigates our concentration risk and the dependency on any single sales or margin channel. We aim to avoid client concentrations in any particular market or channel becoming excessive. We have further diversification of income streams through the ongoing development of strategic relationships, acquisitions, and identifying alternative growth strategies.
Business services resilience risk	
The risk that we are unable to continue to operate our important business services in the event of a severe disruption. Many of our important business services are dependent on third parties and all are reliant on data and technology. Therefore there is the risk that we do not have sufficient processes and procedures in place to ensure that we can effectively continue to operate or recover our important business services in the event of a severe disruption at a third party, to a system or to the availability of data. This may adversely impact our financial position, our reputation, our regulatory compliance and/or our clients.	We have processes and procedures in place which ensure that we can respond to and recover from a number of plausible disruptions to service scenarios. We also have a third party governance framework which ensures we have appropriate oversight of the third parties that our critical/important business services are reliant on. This framework mandates our approach to appointing, managing and performing relevant due diligence of these providers. This includes regular reviews of performance against agreed service levels.
Changing investor requirements	
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	The acquisition of the River and Mercantile solutions business and Greencoat Capital have allowed us to evolve our products to meet a wider range of client needs. We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed

Key risk	Mitigation
to feature more heavily in future investment requirements and offerings. The advice gap means demand for wealth management products continues to be high. There is a risk we do not grow and evolve to respond to this demand and retain and attract the right people to serve our Wealth Management clients.	capital to support product innovation for future growth. We focus our attention where we believe we are able to make a more significant difference to our clients through current or planned future capabilities, in particular closing the UK private client advice gap.
Conduct and regulatory risk	
The risks of client detriment or reputational harm arising from inappropriate conduct of our staff or those of counterparties, suppliers and other third parties we engage, including failure to meet regulatory requirements (including those with respect to conflicts and financial crime), poor behaviour, or failing to meet appropriately our clients' expectations. This risk increased in 2022 due to regulators taking varying approaches to ESG, making implementation more difficult, and disruption in the UK gilt market resulting in increased regulatory scrutiny.	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.
Environmental, social and governance (ESG) risk including climate change	
Failure to understand, accurately assess and manage investment risk associated with ESG factors within assets and portfolios, and to appropriately represent the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate ESG products or to meet our clients' expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk has stabilised in 2022 due to improved data coverage of public assets, developments within SustainEx™ and the creation of a Schroders Capital Sustainability and Impact working group. The risk associated with regulators implementing different approaches to ESG, and their heightened scrutiny on the topic, is captured within Conduct and Regulatory risk above.	We have developed a range of proprietary tools to better understand the impacts of ESG risk including climate change on the portfolios we manage. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees. We have an Integration Accreditation Framework which we use to assess the integration of ESG factors into our investment desks' processes and re-accredit them on an annual basis. Regarding climate specifically, we have developed a Net Zero Dashboard which enables our investment teams and central risk function to monitor the temperature alignment of portfolios and track our progress against our firm-wide net zero commitment.
Fee attrition	
Fee attrition caused by clients allocating more of their assets to passive products, and less to active managers, coupled with a lower allocation to public markets, and a greater allocation to private markets. This has resulted in increased competition on price in the traditional active management market. We are also exposed to the risk of intermediaries taking more revenue streams.	We have continued to focus on solutions and outcome-oriented strategies, thematic products and private assets, which diversify our fee income. We have expanded our fiduciary business within Solutions and partnered with a number of new clients in 2022. We are also increasingly diversifying our product offering, supporting long-term profitability. We are moving to vertical integration and getting closer to clients allowing us to better understand their needs. This has also given us opportunities to access a greater share of available revenue.

Key risk	Mitigation
Financial instrument risk	
We face market, credit, liquidity and capital risks from movements in the financial markets in which we operate, arising from holding investments as principal. Due to geopolitical events resulting in inflation and movements in interest rates we have seen an increase in the volatility of several asset classes and shifts in correlations between asset classes which has resulted in an increase in Financial Instrument risk. Failure to manage market, credit and liquidity risks arising from managing AUM on behalf of clients would be considered an Operational Process risk.	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.
Fraud risk	
Fraud could arise from either internal or external parties who attempt to defraud the firm or our clients by circumventing either our processes and controls or the controls operated by our third party providers (e.g. within our outsourced transfer agency activities). In addition, the fraudulent impersonation of Schroders within the market may indirectly impact our reputation if members of the public are affected.	Group policies and procedures are in place to manage fraud risk. Controls in place to manage fraud risk are assessed as part of the RCA process. The Financial Crime team, in conjunction with Group Risk, investigates attempted or successful frauds. The Financial Crime Committee provides oversight of the management of fraud risk.
Information security and technology risk	
Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that leads to a negative impact on the Schroders business and our client experience. Cyber threats have remained at the elevated level reported last year due to the activities of highly capable criminal organisations and state-sponsored threats. Through our programme of testing we continue to have greater insight into the areas we should focus on to enhance our cyber defence capabilities.	We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation. We are also undertaking a migration of our infrastructure and systems to the Cloud. This will allow us to use the capabilities of cloud technologies and the expertise of the providers, further enhancing our resilience and reducing cyber risk.
Investment performance risk	
There is a risk that portfolios may not meet their investment objectives, including, where applicable, a sustainability outcome, or that there is a failure to deliver consistent and above-average performance. There is a risk that clients will move their assets elsewhere if we are unable to outperform competitors or unable to deliver the investment objectives. The change from a long-term low interest rate environment to rising interest rates can impact clients' performance expectations and our ability to meet them and may require adjustments within	We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge. Oversight of both risk and performance is embedded in our business processes and governance. In 2022, 73% of client assets outperformed benchmarks over three years and 76% outperformed benchmarks over five years.

Key risk	Mitigation
strategies. Strong investment performance is critical to the success of Schroders.	
Legal risk	
Legal risk may arise from Schroders or its counterparties, clients or suppliers and other third parties failing to meet their legal obligations; Schroders taking on unintended obligations; the consequences of Schroders' assumption of recognised legal risks; or resultant legal claims or enforcement action.	The Group Legal function supports the business so that legal risk is identified, managed and reflected in the terms on which business is undertaken. It also supports employees to consider the obligations assumed and to be responsible for compliance with them. The Group Legal Risk management policy sets out expectations with respect to key areas of legal risk.
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 geopolitical risks, for example in response to deteriorating relations with Russia. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies. Economic uncertainty driven by the energy crisis, continued strict Covid-19 measures in China, UK government changes and the UK/EU relationship presented a risk in 2022. The impact of rising inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM. Capital investment may be targeted at domestic growth rather than being allocated to cross-border initiatives. This risk has stabilised at the higher level reported last year because none of the factors above have eased.	We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Schroders Capital, Schroders Solutions, and Schroders Wealth Management increased from £368 billion in 2021 to £390 billion in 2022, further increasing our diversification. Our focus on growing our Schroders Capital product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets.
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 as there may be some risks whilst newly acquired firms are operating on different platforms, and before they are fully aligned to Schroders' policies. It also includes the ineffective management of joint ventures and associates. Overall this risk remains stable as our control environment continues to mature.	Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We work with acquired firms to move them onto our platforms (where appropriate) and to align our policies. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier life cycle to identify potential risks which may impact the quality or continuity of service.
People and employment practices risk	
People and employment practices risk may arise from an inability to attract or retain key employees to	We have competitive remuneration and retention plans, with appropriate deferred compensation

Key risk	Mitigation
support business activities or strategic initiatives; non-compliance with legislation; or failure to manage employee performance. This risk has reduced in 2022 as our early move to a flexible working charter has given us a competitive advantage over our peers when recruiting and retaining talent. We are also normalising to a pre-Covid environment with staff coming back to the office and this has boosted morale. This is also evidenced with our latest pulse survey results, with 96% of our employees still feeling proud to be working for Schroders.	targeted at key employees. We have sustainable succession and development plans. We have policies and procedures in place to encourage inclusion and diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.
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 objectives for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.	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. We have a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) would be notified to relevant teams rapidly, to reduce potential liquidity risk issues.
Reputational risk	
This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls. In recent years we have extended our brand through a number of new acquisitions. Reputational issues in joint ventures and associates where we have limited control of the outcome could adversely impact the Group.	We consider reputational risk when initiating changes to our strategy or operating model and focus on maintaining high standards of conduct. We have a number of controls and frameworks to address other risks that could affect our reputation, including: financial crime, investment risk, client take-on, client communications and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.
Tax risk	
The Group and its managed funds are exposed to tax compliance and reporting risks. This may include: the submission of late or inaccurate tax returns; transactional risks which include actions being taken without appropriate consideration of the potential tax consequences; and reputational risks, which cover the wider impact that our conduct in relation to our tax affairs can have on our relationships with our stakeholders.	Our approach to managing our tax affairs and tax risk is set out in our Tax Strategy. This is reviewed by the Schroders plc Audit and Risk Committee annually. It is supported by a tax governance framework, which aligns to the Group's wider risk and control framework. Independent monitoring and reporting of tax risks and controls is supported by Group Risk and key risks and issues related to tax are escalated to, and considered by, the GRC and the Schroders plc Audit and Risk Committee, on at least an annual basis.

Appendix 2 Entity material risks

This section summarises the material risks for the Entities.

The Group's legal entities are either directly responsible or have oversight responsibility for managing all the Group's key risks. All key risks are considered relevant for these entities but some are considered inherently material or of particular significance based on their core activities. Risks are assessed based on their potential inherent impact and without consideration to the control environment in place. Strategic risks are not assessed for this purpose as they are influenced by factors outside of the entities control. Due to the structure of the Group and relevant intragroup arrangements, legal entities can leverage the Group framework to help manage and monitor certain risks on a day to day basis, under the ultimate responsibility of legal entity Boards.

The table below outlines the material risks for each legal entity with a blue indicator.

Table of entity material risks

Group key risks	SIML	SREIML	SIMNAL	SISL	SWUSL	BPL	EWNL	FWL
Business risks								
Product Strategy and Management risk		•		•				
Investment performance risk	•	•	•	•	•	•	•	•
ESG risk including climate change	•	•	•	•	•	•	•	•
Financial instrument risk								
Reputational risk	•	•	•	•	•	•	•	•
Business concentration risk			•		•	•	•	•
Operational risks								
Conduct and regulatory risk	•	•	•	•	•	•	•	•
Business services resilience risk	•		•	•		•	•	•
Information security risk	•		•	•	•	•	•	•
Operational Process risk	•	•	•	•	•	•	•	•
Fraud risk		•						
Technology risk	•		•					
Legal risk	•	•		•				
Tax risk	•	•						
People and employment practices risk	•			•				