

Our risk management framework

We are exposed to a variety of risks as a result of our global business activities and are committed to operating within a strong system of internal control. Our Risk Management framework enables management to identify, manage and escalate risks so that we can pursue our business strategy without exposing the Group to significant regulatory breaches, losses or reputational damage.

As our business has continued to expand into areas of strategic growth, we have pivoted resources towards supporting these areas. We appointed a Head of Risk, Private Markets in 2023 to consolidate our oversight of the Schroders Capital business. Additionally, we have adapted our Risk and Compliance recruitment strategy to focus on recruiting staff with private markets experience to enable us to provide knowledgeable and effective oversight across our diverse business.

Managing risks

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

Non-executive oversight of the Risk Management framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee.

Risk management is embedded in all areas of the Group. The Group Chief Executive and Group Management Committee (GMC), as an advisory committee to the Group Chief Executive, regularly review the key risks we face. They are also responsible for monitoring that the individual behaviours in the teams they manage reflect the values and control standards of the business. Legal entity boards fulfil their obligations for managing risks in line with regulatory and legal requirements.

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer. The Chief Financial Officer

is responsible for the Group's risk and control framework, and chairs the Group Risk Committee (GRC). The GRC supports the Chief Financial Officer in discharging his risk management responsibilities. The GRC reviews and monitors the adequacy and effectiveness of the Group's Risk Management framework, including relevant policies and limits. It also reviews emerging risks and changes to existing risks.

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

Lines of defence

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

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

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

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

Risk appetite

Our risk appetite statements articulate the levels of risk the Board is willing to take in pursuit of the Group's strategy. They cover all our key risks (excluding strategic risk, as this risk type mainly comprises factors that are external to our operating model). We have a Group level risk appetite statement and a number of entity level statements.

Each risk appetite statement is supported by a number of metrics and tolerances to enable us to provide an assessment of risk position against risk appetite using a Red, Amber, Yellow, Green rating. In 2023, we reviewed the way we describe each rating and updated the descriptions to provide additional clarity to the Audit and Risk Committee and Board on the situations in which they would need to take action.

Market shocks (and volatility)

Market shocks in 2023 continued to test our emerging risk and crisis management processes. The collapse of Silicon Valley and First Republic Banks reiterated the need for us to maintain strong oversight enabling early identification of potential issues. Our ability to gather exposures quickly across the Group was tested and proved effective.

Credit Suisse's vulnerability was flagged by Group Credit Risk at an early stage. At the time of the eventual collapse of the bank we had immaterial exposures as the credit risk process and early warning signs mitigated any material business impact to portfolios and our corporate balance sheet.

We are mindful of a number of elections, globally, in 2024 which may impact the business environment in which we operate.

