

Viability and going concern statement

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

Assessment of prospects

The five-year period to December 2028 is consistent with the Group's strategic business planning and forecasting period. The Group's strategic and financial planning process includes a detailed review of the business model and key assumptions. It is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams. The outlook was most recently updated in February 2024. The business planning process considers the risks that may materially impact the Group, and assesses the need for business model changes. The business plan reflects the Group's strategy and diversified business model, which is summarised on pages 14 to 17 and 20 to 21 respectively.

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

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

Assessment of viability

The assessment of the Group's viability requires the Directors to consider the principal risks that could affect the Group, which are outlined on pages 40 to 43. The Directors review the key risks regularly and consider the options available to the Group to mitigate these risks so as to ensure the ongoing viability of the Group.

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

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

- A deterioration in the value of our AUM, for example as a result of a severe period of market stress, the return of significant inflationary pressures combined with a marked slowdown in global growth, or the early crystallisation of certain climate change risks.
- A significant decline in net operating revenue margins reducing projected revenues.
- The impact of a material operational risk event or poor performance which could lead to reputational damage and significant outflows of our AUM.
- An increase in the ratio of total operating expenses to net operating income.

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

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

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

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

Going concern

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

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

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

Pages 1 to 47 constitute the Strategic report, which was approved by the Board on 28 February 2024 and signed on its behalf by:

Peter Harrison
Group Chief Executive

28 February 2024






GOVERNANCE





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Leading a world class business

- N** Nominations Committee
R Remuneration Committee

- AR** Audit and Risk Committee
Chair

	Skills, experience and contribution	Current external appointments
 <p>Dame Elizabeth Corley Chair</p> <p>N</p>	<p>Elizabeth was appointed as an independent non-executive Director in September 2021 and became Chair at the conclusion of the 2022 Annual General Meeting.</p> <p>Elizabeth is a non-executive Director of BAE Systems plc, Chair of the Impact Investing Institute and a Trustee of the British Museum. She was previously the CEO of Allianz Global Investors and a non-executive Director of Morgan Stanley Inc. and Pearson plc.</p> <p>Elizabeth is a leading figure in financial services with over 45 years' experience. Elizabeth is active in representing the investment industry and developing standards. Elizabeth has significant expertise in asset management, impact investing and sustainability and brings a wealth of investor, governance and boardroom experience to the Board.</p>	<ul style="list-style-type: none"> • Non-executive Director of BAE Systems plc • Chair of the Impact Investing Institute • Trustee of the British Museum
 <p>Peter Harrison Group Chief Executive</p>	<p>Peter was appointed as Group Chief Executive in April 2016. He was an executive Director and Head of Investment from May 2014.</p> <p>Peter began his career at Schroders and subsequently held roles at Newton Investment Management, J.P. Morgan Asset Management as Head of Global Equities and Multi-Asset, and at Deutsche Asset Management as Global Chief Investment Officer. He was Chairman and Chief Executive of RWC Partners before re-joining Schroders as Global Head of Equities in March 2013.</p> <p>Having spent his whole career in the asset management industry, Peter brings a long and successful track record in asset management and extensive industry and leadership experience to the Board.</p>	<ul style="list-style-type: none"> • Chair of Business in the Community • Member of the UK Capital Markets Industry Taskforce • Director of the Investment Association • Member of the Advisory Board of Antler Global • Director of FCLT Global
 <p>Richard Oldfield Chief Financial Officer</p>	<p>Richard was appointed as an executive Director and Chief Financial Officer on 2 October 2023.</p> <p>Richard is a chartered accountant and was Network Vice Chairman and Global Markets Leader at PricewaterhouseCoopers (PwC) until October 2023 where he led market-facing activities, initiatives and strategy. Prior to this, he was a member of PwC's UK Executive Board for five years, during which time he was Head of Clients and Markets and Head of Strategy and Communications. He also led the UK firm's Banking and Capital Markets Assurance practice and was part of the Assurance Leadership team. His experience includes time spent working across Africa, Europe, Asia and North America.</p> <p>Richard brings a deep capability in leading an international business, combined with technical and strategic capabilities. His global perspective and his experience in advising large multinational financial services organisations will help us to continue to deliver our strategy.</p>	<ul style="list-style-type: none"> • Trustee and Audit Committee Chair of The Duke of Edinburgh's International Award Foundation

	Skills, experience and contribution	Current external appointments
 <p>Ian King Senior Independent Director</p> <p>N R</p>	<p>Ian was appointed to the Board as an independent non-executive Director in January 2017, and was appointed as Senior Independent Director in April 2018.</p> <p>Ian was Chief Executive of BAE Systems plc from 2008 to 2017, having been originally appointed to the BAE board as Chief Operating Officer, UK and Rest of the World. Prior to this, he was Chief Executive of Alenia Marconi Systems. Ian also served as a non-executive Director and Senior Independent Director of Rotork plc until June 2014.</p> <p>Having held a number of leadership positions in major multinational companies, and having capital markets experience both as an executive and non-executive director, Ian brings strong global leadership experience, which is of great value to the Group as we continue to grow our business internationally.</p>	<ul style="list-style-type: none"> • Senior Adviser to the board of Gleacher Shacklock LLP • Chairman of Senior plc • Director of High Speed Two (HS2) Limited and lead non-executive Director for the Department for Transport
 <p>Rhian Davies Independent non-executive Director</p> <p>N AR R</p>	<p>Rhian was appointed as an independent non-executive Director in July 2015, and was appointed as Chair of the Audit and Risk Committee in 2016.</p> <p>Rhian is a chartered accountant and was a partner at Electra Partners, an independent private equity fund manager, until June 2015, and then a Senior Adviser until March 2017. Rhian previously worked in PwC's audit and insolvency practice before joining Electra in 1992.</p> <p>Rhian's background as a qualified accountant is a specific strength given her role as Chair of the Audit and Risk Committee. With extensive experience as a partner of a private equity fund manager, Rhian brings financial and industry knowledge to the Board, particularly in the area of private markets.</p>	<ul style="list-style-type: none"> • Director of Alexander Square Partners
 <p>Claire Fitzalan Howard Non-executive Director</p> <p>N</p>	<p>Claire was appointed as a non-executive Director in April 2020.</p> <p>Claire is a non-executive Director of Caledonia Investments plc, Director and Trustee of the Schroder Charity Trust and a Trustee of a number of charitable foundations. She was previously a non-executive Director of Gauntlet Insurance Services.</p> <p>Claire brings experience of family-owned businesses in financial services and from her non-executive roles. Claire is a descendant of John Henry Schroder, co-founder of the Schrodgers business in 1804. Claire's appointment reflects the commitment to Schrodgers of the Principal Shareholder Group, which has been an important part of Schrodgers' success over the long term.</p>	<ul style="list-style-type: none"> • Director and Trustee of the Schroder Charity Trust • Trustee of a number of charitable foundations • Non-executive Director of Caledonia Investments plc
 <p>Rakhi Goss-Custard Independent non-executive Director</p> <p>N AR</p>	<p>Rakhi was appointed as an independent non-executive Director in January 2017.</p> <p>Rakhi is an experienced executive in digital retailing, having spent 12 years at Amazon where she was Director of UK Media. Prior to joining Amazon, she held roles at TomTom and in management consultancy in the US. She was previously a non-executive Director of Intu plc and Rightmove plc.</p> <p>Rakhi's experience in the digital world through her work at Amazon, and more recently through her experience as a non-executive director on other boards, is highly valuable to the Group as digital has an increasingly important impact on the asset management industry.</p>	<ul style="list-style-type: none"> • Non-executive Director of Trainline plc • Non-executive Director of Kingfisher plc • Non-executive Director of Nisbets plc (unlisted)

	Skills, experience and contribution	Current external appointments
 <p>Iain Mackay Independent non-executive Director</p> <p>N AR</p>	<p>Iain was appointed as an independent non-executive Director on 1 January 2024.</p> <p>Iain is a chartered accountant and was Chief Financial Officer at GSK plc until 2023. He was a member of the GSK leadership team and was responsible for Global Finance and several of GSK's key global functions, including Investor Relations, Digital & Tech and Global Procurement. Prior to joining GSK, Iain was Group Finance Director at HSBC Holdings plc, a position he held for eight years. Iain has lived and worked in Asia, the US and Europe and, before HSBC, was at General Electric, Schlumberger Dowell and Price Waterhouse.</p> <p>In addition to his experience as Chief Financial Officer of FTSE 100 companies, Iain brings considerable knowledge of global organisations operating in many of the international markets where we operate.</p>	<ul style="list-style-type: none"> • Non-executive Director and Chair of the Audit and Risk Committee of National Grid plc • Member of the Court of the University of Aberdeen and Chair of its Remuneration Committee • Non-executive Director of UK Government Investments
 <p>Leonie Schroder Non-executive Director</p> <p>N</p>	<p>Leonie was appointed as a non-executive Director in March 2019.</p> <p>Leonie is currently a Director and Trustee of the Schroder Charity Trust and has held a number of roles in the charity sector.</p> <p>Leonie is a descendant of John Henry Schroder, co-founder of the Schrodgers business in 1804. Leonie's appointment reflects the commitment to Schrodgers of the Principal Shareholder Group which has been an important part of Schrodgers' success over the long term.</p>	<ul style="list-style-type: none"> • Director and Trustee of the Schroder Charity Trust • Director of a number of private limited companies
 <p>Annette Thomas Independent non-executive Director</p> <p>N R</p>	<p>Annette was appointed as an independent non-executive Director on 1 September 2023.</p> <p>Annette has 25 years' experience in leading global publishing and data analytics businesses, across academic, educational and consumer media verticals. Most recently, she served as CEO of Guardian Media Group, a position she held until June 2021. Prior to this, Annette was CEO of the Web of Science Group at Clarivate PLC, a data, analytics and software business focused on research and higher education. She has also served as CEO of Macmillan Publishers and led the digital and global transformation of Nature Publishing Group.</p> <p>Annette brings her experience in leading global publishing and data analytics businesses with her digital, data and analytics expertise, which is of great benefit to the Group as we continue to invest in these important areas.</p>	<ul style="list-style-type: none"> • Non-executive Director of Pearson plc • Non-executive Director of EcoVadis • Non-executive Director of OpenClassrooms • Senior Advisor to General Atlantic
 <p>Frederic Wakeman Independent non-executive Director</p> <p>N AR</p>	<p>Fred was appointed as an independent non-executive Director on 1 January 2024.</p> <p>Fred was Managing Partner and Head of TMT at Advent International, a leading global private equity investor. During his 23-year career, Fred managed Advent's London and New York offices and served on both their European and North American Investment Advisory Committees.</p> <p>Fred brings insights into the sustainability and conservation sectors. He also brings experience of private equity and private markets more generally, which is of great benefit as we continue to build Schrodgers Capital, our private markets business.</p>	<ul style="list-style-type: none"> • Founder of Blue Endeavor Ventures • Co-Founder of Scale-Up Fund

Skills, experience and contribution

Current external appointments

**Deborah Waterhouse**

Independent non-executive Director



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

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

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

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

**Matthew Westerman**

Independent non-executive Director



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

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

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

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

**Graham Staples**

Group Company Secretary

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

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

Graham brings great experience in corporate governance and company law.

- Director and Trustee of Sherborne Girls School Charitable Foundation

Composition of the Board at 28 February 2024**Board composition**

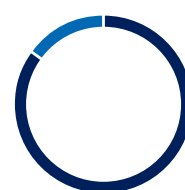
● Executive Directors	15%
● Non-independent non-executive Directors	15%
● Independent non-executive Directors	70%

Non-executive Directors' tenure

● 0-3 years	36%
● 3-6 years	36%
● 6-9 years	28%

Board gender diversity

● Male	46%
● Female	54%

Board ethnic diversity

● White	85%
● Ethnically diverse	15%

Developing strategy for the long term



Dame Elizabeth Corley
Chair

I am pleased to present our governance report for 2023, my first full year as Chair. The following pages discuss our governance arrangements, the operation of the Board and its Committees and how we discharged our responsibilities during the year.

In my last report I said the Board was focusing on strategy, talent and culture. This continued during 2023. As I mentioned in my statement earlier, the Company has been implementing a successful diversification strategy for our business for several years. This positioned us in areas of higher growth, with improved longevity of client relationships, whilst continuing to focus on delivering good investment performance. This strategy has helped the Group to withstand forces of long term change in our sector, which have grown steadily more powerful.

Nevertheless, as the Board has a long term orientation, we continued to place strategy – both execution and evolution – at the heart of our discussions in 2023, reflecting on trends in the asset management industry. The Board has dedicated additional time to analysing industry developments, in order to remain well informed in a period of increased pace of change, alongside our oversight of business performance, our people strategy, and maintaining a healthy culture. Building on prior strategic diversification, both organic and inorganic, we have dedicated time, with management, to a rigorous assessment of our performance and delivery, with the aim of making the Company the best that it can be.

In most years the Board will undertake a formal strategic review each November at our strategy offsite. This is in addition to regular business area-specific reviews through the year. Given the deterioration in the external environment in 2023, heightened by increased geopolitical tensions and the economic consequences of inflation and higher interest rates, we increased our focus on strategy in the second half of the year. We also supplemented formal Board meetings with periodic

Board calls so that the whole Board could be kept up to date on our agreed actions. This approach has worked well according to feedback from our end-of-year Board performance evaluation, and has enabled management to keep the Board informed in a more dynamic and volatile environment. Additional time with the Board has demanded more from the management team and I am grateful to them for consistently delivering what the Board has required, while at the same time maintaining an intense focus on running the business in more demanding circumstances. Strategy will rightly remain one of our major priorities for 2024.

Ensuring we attract, develop and retain high quality talent is central to our ability to deliver for our clients and shareholders. In 2023, in addition to reviewing our people and diversity and inclusion strategy, the Board focused attention on the continuous development of our current and next generation senior leaders. Members of the Group Strategy Committee (GSC) now regularly attend sections of our Board meetings. We have all benefitted from this, with richer discussions as a result of their attendance. For example, the Board obtained valuable insights from the GSC members on all aspects of our strategy. With the establishment of the Client Group in 2023, having the heads of our client-facing functions at our meetings has enabled the Board to deepen our understanding of client needs and market developments.

In 2022, the Board re-started visits to overseas offices following the Covid pandemic. Unfortunately, we had to defer the planned visit to our Paris office due to industrial action just as we were about to depart. We are looking forward to being there in May 2024. We see these visits as important opportunities to understand better how well the culture we see clearly in London has travelled in our global business.

We have had further change on the Board this year at both executive and non-executive level. The details of, and background to, these changes are set out in the Nominations Committee report. My intention now is for relationships within the Board to have the opportunity to develop and settle into a new equilibrium. I am confident we have a Board that can continue to evolve our strategy to deliver for the long-term benefit of clients, shareholders and all our stakeholders.

It is clear to the Board that the industry is facing unusually high levels of change. No matter how resilient our strategy, or good our company, we know we must remain alert to opportunities and the unexpected. Continuing to be relevant and close to clients during volatile times is vital, so the performance of our Client Group will be on our agenda alongside reviews of growth business areas: Wealth Management, Solutions and Private Markets. In addition, our commitment to active management and sustainability means that the Board is always keen to understand how we are delivering investment performance and service to our clients. These will be priorities in 2024, as will the continued development of our talent, which we see as the bedrock on which the business is built.

I would like to finish with a comment on governance in the UK. There has been much comment on whether the UK has become too rigid in applying the letter of the governance code, with suggestions that our regulatory approach has stifled entrepreneurship and discouraged companies from listing in London. We have seen steps of late to allow companies more freedom in which to operate. Schroders broadly welcomes these initiatives, both as a listed company and as a major investor in UK companies. Comply or explain has been a foundation of UK corporate governance and, taken seriously, with transparency, should provide a framework for strong governance. For this to work, companies must have the right culture. I have no doubt that we have the right culture and our robust governance framework will enable us to continue to focus on doing what is right for all our stakeholders over the long term.

Dame Elizabeth Corley
Chair

28 February 2024

2023 Board and Committee attendance

Directors are expected to attend all meetings of the Board and Committees on which they serve. Details of Board and Committee attendance are included in the table below. Iain Mackay and Frederic Wakeman were appointed to the Board on 1 January 2024, and therefore do not feature in the table.

Where a Director is unable to attend a meeting, their views are sought in advance and shared with the Board.

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

1. There were six scheduled Board meetings held during the year and one additional meeting to consider strategy.

2. Richard Keers stepped down from the Board on 2 October 2023 and was succeeded as Chief Financial Officer by Richard Oldfield from that date.

3. Damon Buffini stepped down from the Board at the conclusion of the 2023 AGM on 27 April 2023.

4. Rhian Davies was unable to attend one meeting of the Board and one meeting of the Nominations Committee, which occurred on the same day, due to a family commitment.

5. Paul Edgecliffe-Johnson stepped down from the Board on 31 August 2023.

6. Leonie Schroder was unable to attend one meeting of the Board and one meeting of the Nominations Committee, which occurred on the same day, due to her honeymoon.

7. Annette Thomas was appointed to the Board and as a member of the Nominations Committee and Remuneration Committee on 1 September 2023.

The Board and its Committees

The Board has collective responsibility for the management, direction and performance of the Company. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. In discharging its responsibilities, the Board takes appropriate account of the interests of our wider stakeholders, including clients, employees, external service providers, regulators and wider society. Certain decisions can only be taken by the Board, including on the Group's overall strategy, significant new business activities, and the strategy for management of the Group's investment capital. These are contained in the Schedule of Matters Reserved to the Board, which can be found on the Company's website¹ and are summarised on page 56.

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

The Chair also has regular meetings with the non-executive Directors without the executive Directors being present. These meetings are for informal discussions and do not have fixed agendas. At least once a year the Chair also meets with just the independent non-executive Directors.

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

1. www.schroders.com/board-matters

2. www.schroders.com/board-committees

Governance framework

Board

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

Matters reserved to the Board

The Group's overall strategy

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

Significant new business activities

Remuneration strategy

Annual Report and financial and regulatory announcements

Annual budgets and financial commitments and strategic or key acquisitions

Risk management framework, risk appetite and tolerance limits

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

Corporate governance arrangements, including Board conflicts of interest

Maintenance of an effective system of internal control and risk management

Dividend policy

The full Schedule of Matters Reserved to the Board can be found on the Company's website, www.schroders.com/board-matters

Chair

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

Group Chief Executive

The Group Chief Executive is responsible for the executive management of the Company and its subsidiaries. He is responsible for proposing the strategy for the Group and for its execution. He is assisted by members of the GSC, GMC and GSI.

Chief Financial Officer

The Chief Financial Officer is responsible for firm-wide operations along with direct responsibility for financial management, risk management, technology, capital and treasury. He is assisted by members of the GRC and Group Capital Committee.

Senior Independent Director (SID)

The SID acts as a sounding board for the Chair, oversees the Chair's evaluation, and serves as an intermediary for other Directors if needed. He is also available as an alternative point of contact for shareholders and stakeholders if needed. He is the designated non-executive Director responsible for engagement with the workforce.


Non-executive Directors

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

Nominations Committee

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

Chair: Dame Elizabeth Corley

 See page 64 for more information.

Audit and Risk Committee

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

Chair: Rhian Davies

 See page 66 for more information.

Remuneration Committee

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

Chair: Matthew Westerman

 See page 74 for more information.

Group Strategy Committee (GSC)

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

Group Management Committee (GMC)

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

Group Sustainability and Impact Committee (GSI)

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

Group Capital Committee

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

Group Risk Committee (GRC)

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

Independence

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

Claire Fitzalan Howard and Leonie Schroder are not considered independent as they are both members of the Principal Shareholder Group. The Nominations Committee believes the judgement and experience of Claire Fitzalan Howard and Leonie Schroder continues to add value to the Board and the Group. The Board will therefore recommend their re-election at the 2024 Annual General Meeting (AGM).

Director appointments and time commitment

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

In accordance with the Articles of Association, Iain Mackay, Richard Oldfield, Annette Thomas and Frederic Wakeman will resign and offer themselves for election at the AGM on 25 April 2024. All other Directors are required to seek re-election on an annual basis unless they are retiring from the Board. Rhian Davies will not be seeking re-election as a Director and will stand down at the conclusion of the 2024 AGM. Details of the Directors' length of tenure are set out on page 53.

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

For details of executive Directors' service contracts, termination arrangements and non-executive Directors' letters of appointment, please refer to the Remuneration report from page 74.

Board training

The Board believes that the ongoing development and briefing of Directors is an important part of the Board's agenda. The Board receives regular briefings throughout the year to provide them with a deeper understanding of the Group. The Chair and Group Company Secretary discuss briefing topics annually and agree what these should cover.

During 2023, a briefing was provided by our Chief Economist on the challenging macroeconomic environment and how it affects Schroders. Our Global Head of Sustainable Investment and Global Head of Corporate Sustainability provided a briefing session which covered how sustainability trends are shaping our industry, as well as our progress on key issues including climate change, biodiversity, human rights and community investment. The Board also received briefings on our private markets strategy, on our strategy in Asia and on the benefits, risks and use of artificial intelligence (AI) at Schroders.

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

Board induction

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

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

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

Following the appointments of Annette Thomas in September 2023, Richard Oldfield in October 2023 and Iain Mackay and Frederic Wakeman in January 2024, comprehensive and tailored induction programmes were provided and are ongoing. The induction processes involve:

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



Chief Financial Officer induction

During 2023, I had the privilege of being appointed to the Schroders Board. A comprehensive and tailored induction programme was provided to me, which began even before my formal appointment, reflecting the organisation's commitment to ensuring a smooth transition for new Board members.

The induction process was immersive and included meeting all members of the GSC, the GMC and members of their teams. This provided me with valuable insight into the opportunities and challenges within their respective areas of responsibility. Additionally, one-to-one meetings with other senior management across the Group, including those in the first, second, and third lines of defence, including Risk and Compliance, Legal, Governance and Internal Audit, helped me understand Schroders' internal control and risk management framework. I also had the opportunity to meet with external advisers, auditors and regulators, as appropriate.

I am grateful to my colleagues on the Board for their unwavering support. I have had the pleasure of meeting people from various areas of the business, both before and after my appointment, and have been impressed by the depth of Schroders' culture that runs throughout the organisation. These interactions have accelerated my understanding of the business and its operations.

Overall, the induction has been a comprehensive and enriching experience, equipping me for my role at Schroders.

Richard Oldfield
Chief Financial Officer






Compliance with the 2018 UK Corporate Governance Code (Code)¹

During 2023, the Board complied with the Code and applied all its principles and provisions.



The following table sets out examples of how the Board has applied each principle, assisting our shareholders to evaluate our Code compliance.

Code principle

Board leadership and company purpose

A Role of the Board	<p>The Company is led by an effective Board which is collectively responsible for the long-term sustainable success of the Company, ensuring that due regard is paid to the interests of our stakeholders, who include our clients, shareholders, employees, external service providers, regulators and wider society.</p> <p> See the Key areas of focus during the year on page 60.</p>
B Our purpose, values and strategy	<p>The Board has collective responsibility for the management, direction and performance of the Company. Certain decisions can only be taken by the Board, including decisions on the Group's overall strategy, significant new business activities and the strategy for management of the Group's investment capital.</p> <p> See Stakeholder interests and engagement on page 61.</p>
C Resources and controls	<p>The Board reviews the financial performance of the Group at each scheduled meeting and is ultimately responsible for the Group's control framework. The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control on behalf of the Board.</p> <p> See the Audit and Risk Committee report on pages 66 to 73.</p>
D Engagement	<p>The Board recognises that engaging with and taking account of the views of the Group's stakeholders is key to delivering the strategy and long-term objectives of the Group.</p> <p> See page 61.</p>
E Workforce engagement	<p>The Board receives updates on our people and inclusion and diversity strategy during the year. Ian King is our designated non-executive Director responsible for gathering workforce feedback and he chairs the Global Employee Forum.</p> <p> See pages 60 to 61.</p>

Division of responsibilities

F The role of the Chair	<p>The roles of the Chair and Chief Executive are separate. The Chair has overall responsibility for the leadership of the Board and for its effectiveness in all aspects of its operation. Elizabeth Corley became Chair at the conclusion of the 2022 AGM and was considered independent on appointment.</p> <p> Job descriptions for the Chair and Chief Executive can be found at www.schroders.com/board-matters</p>
G Board composition	<p>The Board is committed to its stated policy of having an absolute majority of independent Directors. The Board believes that it operates most effectively with an appropriate balance of executive Directors, independent non-executive Directors and Directors who have a connection with the Company's Principal Shareholder Group. No individual or group of individuals is in a position to dominate the Board's decision-making.</p> <p> See page 53.</p>
H Role of the non-executive Directors	<p>Non-executive Directors are expected to provide independent oversight and constructive challenge and help develop proposals on strategy, performance and resources, including key appointments and standards of conduct.</p>
I Group Company Secretary	<p>All Directors have access to the advice and support of the Group Company Secretary and their team. Through them, Directors can arrange to receive additional briefings on the business, external development and professional advice, independent of the Company, at the Company's expense.</p>

1. The Code is available at www.frc.org.uk

2023 Board evaluation

The 2023 Board evaluation was undertaken internally by the Chair. As part of this process, the Chair interviewed each Director, together with the Group Company Secretary, and the discussions focused on:

- the extent to which the Board has delivered on its priorities in 2023;
- how the Board and the management team performed over the year;
- whether the Committees have discharged their responsibilities effectively, and the quality of the reporting to the Board;
- the process for selecting the new Chief Financial Officer and new non-executive Directors;
- the induction process for the new Chief Financial Officer and new non-executive Directors; and
- the business areas that the Board should focus on in 2024.

The overall conclusion was that the Board had broadly delivered on its 2023 objectives, although the objectives had shifted more towards strategy through the course of the year in light of the deteriorating external environment. Wealth was one area the Board felt we could have spent more time on, although this was discussed at our meeting in January 2024.

The focus on strategy was felt to be comprehensive and thorough. This focus was tilted towards the second half of the year and we may look to spread that out in future. Directors were keen to continue with our more informal channels of communications, such as Board dinners and Board calls between meetings. These are seen as helpful in building the relationship between the executive and non-executive teams. The attendance at the Board meetings of members of the Group Strategy Committee is seen as a very positive step and the Board has seen their contribution increase over the year.

The feedback on our key Committees was positive. The Audit and Risk Committee and the Remuneration Committee have both performed their duties with rigour and reporting from those Committees to the Board is effective. The Nominations Committee has performed well in a busy year with the appointment of three new non-executives and a new Chief Financial Officer. We may look to increase the Nomination Committee's remit to include more on talent development and succession below Board level.

2024 Board objectives

Using the findings of the internal evaluation process as context, the Board agreed a number of objectives under three major themes, strategy, people and Board effectiveness, while continuing to focus on operational priorities.

Strategy

- Strategic alliances and partnerships.
- Client relationships and competitive positioning.
- AI and Blockchain: the implications for our business model.

People

- Senior leadership development and succession plans.
- Employee value proposition.

Board effectiveness

- Integrate new Directors and build cross-Board relationships.
- Increased Board exposure to high potential talent.

Delivering change



Dame Elizabeth Corley
Chair of the Nominations Committee

Committee membership

Dame Elizabeth Corley (Chair)
Sir Damon Buffini (until 27 April 2023)
Rhian Davies
Paul Edgecliffe-Johnson (until 31 August 2023)
Claire Fitzalan Howard
Rakhi Goss-Custard
Ian King
Iain Mackay (from 1 January 2024)
Leonie Schroder
Annette Thomas (from 1 September 2023)
Frederic Wakeman (from 1 January 2024)
Deborah Waterhouse
Matthew Westerman

[See page 55 for meeting attendance](#)

In my report last year, I set out the priorities for the Committee in 2024, which were to focus on executive succession and to continue to evolve the Board to ensure it has the right skills to support the delivery of our strategy. I also commented that succession planning was something we intended to think about constantly to ensure we were well placed for both foreseen and unforeseen changes to the Board and its Committees.

This point was well illustrated in 2023 when Paul Edgecliffe-Johnson had to step down from the Board to focus on his new executive role. We were sorry to see Paul go, but fully understood his reasons and he left with our best wishes.

We had anticipated that Paul would succeed Rhian Davies as Chair of the Audit and Risk Committee as she was nearing the end of her term on the Board. We were able to overcome this as we had been having ongoing discussions with Iain Mackay, someone we had identified as having key skills we were looking for, in particular knowledge of complex global organisations operating in many of the international markets in which we operate. His experience as Chief Financial Officer of two major FTSE 100 companies, also addressed one of our identified skills needs. In April we announced that Iain would join the Board in January 2024, once he had retired from GSK. Iain has joined the Audit and Risk Committee and will become Chair of the Committee when Rhian steps down at the AGM.

We made two other non-executive appointments in the year. Both of these were as a result of our analysis of the skills we need to ensure the Board can support the delivery of our strategy. As we went into 2023, we had already identified one gap: that we needed to have more private markets experience on the Board. We continued to use the services of Russell Reynolds for our non-executive searches. We have benefitted from this continuity as they fully understand our needs on an holistic basis. Other than for advice on Board positions, they do not have any other relationship with the Company.

The search for someone with the right private markets experience who would fit our culture and add wider value to the Board was a challenging brief. We considered many highly credible candidates. As is usual with us, all Directors meet with all short-listed candidates to ensure we have full support from the Board for any appointment. Frederic Wakeman emerged as our preferred candidate. His experience in private equity spans over 20 years in both the US and UK and will be invaluable as we continue to grow our private markets business.

Given the specific nature of this search, we also involved the head of our private markets business in the process. We were delighted to announce Fred's appointment to the Board from 1 January this year.

Our other non-executive search followed the same process. Our focus was on another key skill, digital disruption. Annette Thomas was identified early in the process as an outstanding candidate. Her data driven mindset and her experience will contribute significantly in a number of areas including sustainability, data, diversity, family or foundation owned companies and disrupted industries. She also had recent experience of being a Chief Executive. Given all the attributes Annette would bring, the Committee was clear we had found an ideal candidate and unanimously recommended the appointment of Annette to the Board. Annette joined us in September 2023.

Extensive references on all three non-executives were excellent.

The Committee's focus has not just been on non-executive succession. Richard Keers let us know in 2022 that he would like us to plan for his retirement once a successor had been identified. To ensure a comprehensive and unbiased evaluation of potential candidates, both internal and external, we collaborated with Spencer Stuart, the executive search firm. In addition to this assignment, Spencer Stuart provide executive search and assessment services to us, including coaching services.

Responsibilities of the Nominations Committee

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

The Committee's terms of reference are available on the Company's website at www.schroders.com/board-committees.

Biographical details and experience of the Committee members are set out on pages 50 to 53.

The detailed candidate specification was centred on our overall strategic objectives and the integral role the Chief Financial Officer would play in achieving these. This was pivotal in defining the required competencies and experiences for the prospective Chief Financial Officer.

Spencer Stuart employed their proprietary executive intelligence evaluation tool to assess the competencies of both internal and external candidates, in order to assess all candidates on an equal footing and to ensure that the selection process was objective and fair.

Following a rigorous assessment and selection process in which we interviewed five short listed candidates, we were delighted to announce the appointment of Richard Oldfield as our new Chief Financial Officer. Richard's extensive experience, including his tenure as a partner at PwC, combined with his alignment with Schroders' strategic direction and values, made him the standout candidate for this critical role. Richard joined us on 2 October 2023.

Directors standing for election and re-election

Rhian Davies will stand down at the conclusion of the AGM in April and is therefore not offering herself for re-election. At our February 2024 meeting the Committee reviewed all Directors standing for election or re-election and concluded that each makes a valuable contribution to the Board's deliberations and recommends their election and re-election. This recommendation includes Ian King and Rakhi Goss-Custard, both of whom have served on the Board for more than six years. In making this recommendation, the Committee took into account feedback from the evaluation interviews undertaken by me and our Company Secretary.

As required by the UK Listing Rules, the appointment of independent Directors must be approved by a simple majority of all shareholders and by a simple majority of the independent shareholders. Further details are set out in the 2024 Notice of AGM.

Evaluating the performance of the Committee

The internal evaluation process for 2023 is set out in detail on page 63. The overall conclusions for the Committee were that we had delivered well on our core succession challenges. The process we follow is thorough and can be quite lengthy given our policy of having all Directors meet shortlisted candidates. Committee members are aware that this process can lead to delays in reaching conclusions, but felt that we benefit from having everyone involved and not delegating to a smaller group to make these important decisions. We will therefore continue with this approach for future appointments.

Policy on Board Diversity

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

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

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

There is a full description of our approach to diversity and inclusion on pages 18 to 19 and 96. Our gender diversity statistics for both the Board and senior management can be found on page 96.

Priorities for 2024

We have seen considerable change on the Board in the recent past. Four of the Board have been appointed in the last year and only three Directors have served more than five years. Our focus will be on integrating the new members of the Board and establishing an effective dynamic across the whole Group.

We will also continue to focus on executive succession, building on the work undertaken in 2022 and 2023. The key members of the executive team now attend Board meetings so that the Board can benefit from their input but also to help develop the team by involving them in the Board's discussions.

Dame Elizabeth Corley

Chair of the Nominations Committee

28 February 2024

Strengthening our controls to respond to new challenges



Rhian Davies

Chair of the Audit and Risk Committee

Committee membership

Rhian Davies (Chair)

Paul Edgecliffe-Johnson (until 31 August 2023)


Rakhi Goss-Custard

Iain Mackay (from 1 January 2024)

Frederic Wakeman (from 1 January 2024)

Deborah Waterhouse

Matthew Westerman

 See page 55 for meeting attendance

I am pleased to present the Committee's report for the year ended 31 December 2023. The Committee plays a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's system of internal control and financial and risk management.

We are grateful for the support of management and the assurance and challenge provided by Group Internal Audit and Ernst & Young (EY) as external auditor. During the year, the Committee considered the proposed legislative and regulatory changes following the UK Government's review of corporate reporting and corporate governance and remains actively engaged with assessing the implications. The Committee also continued to focus on its responsibility for monitoring and oversight of the Group's control environment and system of internal control and the Group's management of risk and compliance-related activities.

Operational resilience remains a key focus for the Committee, and in line with the Financial Conduct Authority's and the Prudential Regulation Authority's operational resilience regulations, the Group's operational resilience self-assessment was considered by the Committee and recommended to the Board for approval. The self-assessment identifies our important business services, provides information on oversight of critical third parties, sets out impact tolerances to avoid intolerable harm to our clients, and identifies areas where we should enhance our operational resilience. The Committee also considered various operational stress scenarios to support the Board's conclusions on the viability statement and going concern set out on page 47.

The Committee continues to play an important role in reviewing conduct and culture risk in the Group and in overseeing the evolution of Schroders' conduct risk framework, which is designed to identify emerging trends and heightened areas of risk. Conduct and culture risk is informed by a number of elements, including conduct risk appetite statements, employee opinion surveys and oversight by the second and third line of defence functions. We believe that Schroders' conduct risk framework aligns with regulatory standards.

A large part of our agenda during the year was devoted to considering regulatory change. We received a briefing in May and a report in November that covered topics such as sustainability regulations, Consumer Duty, prudential regulatory change and corporate reporting. We also received briefings on business and thematic topics during the year, including on the private markets business and global standards for client-facing materials.

In the face of escalating cyber attack threats, the Committee continues to prioritise cyber security and data privacy whilst considering metrics, challenging progress and evaluating the necessary technology and operational models to assess the Group's readiness for evolving threats. Additionally, the Committee considered the impact of AI, understanding how it can strengthen the Group's defences whilst also recognising its potential risks when exploited by adversaries.

Climate-related risks remain an important topic for the Committee and are considered in our quarterly reports. In addition, the Board received a briefing which covered how sustainability trends are shaping our industry, as well as our progress on key issues, including climate change, biodiversity, human rights and community investment.

I would like to welcome Richard Oldfield as our new Chief Financial Officer, alongside Iain Mackay and Frederic Wakeman, who joined the Committee on 1 January 2024. I would like to thank Richard Keers for his contribution over ten years and also thank Paul Edgecliffe-Johnson for his time on the Committee.

I am grateful to all members of the Committee for their support in 2023.

Rhian Davies

Chair of the Audit and Risk Committee

28 February 2024

Role of the Audit and Risk Committee

The principal role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting, financial controls and audit, risk and internal controls. All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on pages 50 to 53.

The Board has determined that, by virtue of their previous experience gained in other organisations, members collectively have the competence relevant to the sector in which the Group operates. In addition, the Board considers that Rhian Davies, a chartered accountant, has the recent and relevant financial experience required to chair the Committee. Invitations to attend all Committee meetings are extended to the Chair, Group Chief Executive and Chief Financial Officer and Directors who are not members attend on an ad hoc basis. Other regular attendees who

advised the Committee were the Global Head of Finance, the Chief Risk Officer, the Head of Group Internal Audit and the Group General Counsel. Other members of senior management were also invited to attend as appropriate. The Chair of the Wealth Management Audit and Risk Committee (WMARC), who is an independent non-executive Director of Schroder & Co. Limited, attended one meeting of the Committee and provided an update to each meeting on matters related to the wealth management business. Representatives from EY, including James Beszant, Lead Audit Partner for the 2023 financial year, attended all of the Committee's scheduled meetings.

Private meetings are held with the external auditor without management present. Private meetings were also held with the Chief Financial Officer, Chief Risk Officer, and Head of Group Internal Audit. These meetings provide an opportunity for any matters to be raised confidentially.

The Committee's primary responsibilities are the oversight of:

Financial reporting, financial controls and audit

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

Risk and internal controls

- The Group's risk and control framework, whistleblowing procedures and the financial crime framework.
- The Group's ICAAP, ILAAP, wind-down plan, risk appetite, recovery plan and resolution process and operational resilience self-assessment.
- The Group's regulatory compliance and conduct processes and procedures, and its relationships with regulators and compliance monitoring.
- The Group's Internal Audit function.
- The Group's legal risk profile and disputes.
- Emerging and thematic risks that may have a material impact on the Group's operations.
- Information and cyber security, technology risk and resilience, and the emerging risk of AI.

Key areas of focus during 2023

The key areas that the Committee considered are set out below. In addition, at each quarterly meeting, the Committee received updates from Internal Audit, Compliance, Risk, Legal and external audit, covering ongoing projects and the key issues that had arisen since the last meeting, and reviewed a dashboard of metrics to monitor key risks. The dashboard also includes metrics covering Internal Audit and the status of relevant change projects and sustainability targets.

Financial reporting and financial controls

- As part of the Group's annual reporting cycle, the Committee considered the 2022 Annual Report and Accounts and 2023 half-year results, including financial estimates and judgements and governance considerations. Ahead of preparing the 2023 Annual Report and Accounts, updates were provided on the effectiveness of our internal controls, and on the Group accounting policies. The going concern and viability statements, Pillar 3 regulatory disclosures and climate-related disclosures were also considered.
- The Group Head of Tax updated the Committee on the Group's tax strategy, our approach to tax risk, the key tax risks facing the Group and how the Group's effective tax rate is expected to evolve in the coming years.

External audit

- When considering the 2022 Annual Report and Accounts, the Committee assessed the oversight and independence of the external auditor and audit effectiveness.
- In relation to audit quality and effectiveness, the Committee discussed the results of the external auditor feedback questionnaire and noted the areas of improvement that had been identified. EY presented plans to respond to the feedback, and these were discussed by the Committee. The Committee reviewed EY's audit plan for 2023, including key audit matters and focus areas. Fees for non-audit services were reviewed and approved by the Committee.
- Policies for safeguarding the independence of the external auditor were considered and re-approved.

Internal Audit

- As part of the governance considerations for the 2022 Annual Report and Accounts, the Committee considered the annual assessment of the Group's governance and risk and control framework, conducted by Group Internal Audit.
- The Committee approved the appointment of a new Head of Group Internal Audit.
- The Internal Audit Charter was reviewed and re-approved with minor amendments.
- Looking ahead to 2024, the Committee considered and approved the 2024 Internal Audit and Compliance Testing plan, which is based on an assessment of the risks the business faces.

Risk and internal controls

- When reviewing the 2022 Annual Report and Pillar 3 disclosures and 2023 half-year results, the Committee considered the Group's key risks and risk management framework. The Chair of the WMARC provided an update on the activities of the WMARC and its oversight of the financial reporting, risk management and internal controls of the entities within Wealth Management.
- The Committee considered the ICAAP, ILAAP, Group wind-down plan, Group recovery plan and operational resilience self-assessment for recommendation to the Board. The approach taken for the Group's resolution process was also considered. The Committee approved the stress scenarios for use in the Internal Capital and Risk Assessment required for Schroder Investment Management Limited under the Investment Firms Prudential Regime.
- The Group Head of Financial Crime Compliance provided a review of financial crime risk, including updates on the regulatory landscape and effectiveness of the Group Financial Crime framework, and on the Group's Financial Crime control systems.
- Thematic issues were considered throughout the year, including operational resilience, whistleblowing, and our conduct and culture risk oversight.
- The findings of the auditor's assessment of our cyber security capabilities in light of the cyber risks posed to the Group were presented to the Committee.
- The Committee reviewed climate-related disclosures in line with the TCFD framework and recommended the Group's Climate Report 2022 to the Board for approval. Sustainability risks were also considered as part of the Committee's review of key risks. The Financial Reporting Council (FRC) performed a limited scope review of our TCFD disclosures of metrics and targets in our 2022 Annual Report and Accounts as part of a thematic review and raised no issues.
- The Global Head of Finance provided an update on the proposed legislative and regulatory changes following the UK Government's review of corporate reporting and corporate governance.

Significant accounting estimates and judgements

The preparation of the financial statements requires the application of certain estimates and judgements. The material areas of either estimation or judgement are set out in the note on the presentation of the financial statements on pages 152 and 153. Each of these areas is considered by the Committee based on reports prepared by management. EY presents to the Committee the audit procedures performed, challenges raised to management, and conclusions reached on areas of judgement and estimation. Further information on how EY challenged management is included within the independent auditor's report on pages 175 to 181. The significant estimates and judgements considered in respect of the 2023 financial statements and the Committee's agreed actions are summarised below.

Significant estimates and judgements	Action and conclusion
Pension schemes	
<p>The Group's principal defined benefit pension scheme (Scheme) is in respect of certain UK employees and former employees. The Scheme was closed to future accrual on 30 April 2011 and, as at 31 December 2023, had a funding surplus. The pension obligation, which was valued as £575.1 million at the year end, is estimated based on a number of assumptions, including mortality rates, future investment returns, interest rates and inflation. The Scheme's assets are invested in a portfolio designed to generate returns that closely align with known cash flow requirements and to hedge the interest rate and inflation risks.</p> <p> Please refer to note 23 for more information on the estimates and judgements made in respect of the Scheme.</p>	<p>Group Finance provided the Committee with a report that included the key financial assumptions, which had been applied by the independent qualified actuaries, Aon Solutions UK Limited, to determine the Scheme surplus. EY's report to the Committee set out its audit procedures and conclusions on the pension assets and liabilities, including those procedures completed by EY's specialists. The Committee considered and challenged the proposed assumptions and was satisfied that the estimates were appropriate.</p>
Carried interest	
<p>The Group recognises carried interest from its private markets business. This revenue stream is dependent on the future value of certain investments that may not crystallise until an uncertain date in the future. The Group is contractually committed to make payments based on a relevant proportion of carried interest received to various parties, including as part of deferred consideration arrangements.</p> <p>For financial reporting purposes, the Group is required to estimate the value of carried interest receivable, in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers; and the fair value of related amounts payable based on the requirements of IFRS 9 Financial Instruments.</p> <p>The key inputs used in determining carried interest comprised the fair value of the relevant assets on which carried interest may be earned, future growth rates, the expected realisation dates and the discount rates.</p> <p> Please refer to note 2 for the estimates and judgements made in respect of carried interest receivable and amounts payable in respect of carried interest.</p>	<p>The Committee received a report from Group Finance, which reviewed the assumptions and inputs for estimating the amounts receivable and payable in respect of carried interest. The Committee also received a presentation from the Schroders Capital senior management team on the framework for the valuation of relevant assets, which is an important input into the calculation of carried interest. The Committee challenged management and considered the judgement applied in determining the principal assumptions, and the sensitivity of the relevant balances to those assumptions.</p> <p>The Committee discussed the accounting for carried interest with EY and considered the findings from its audit work. Once the Committee was satisfied with the estimates and judgements applied, the estimated carrying values were approved.</p> <p>The Committee considered the disclosures presented in respect of 2023 and concluded that they were appropriate.</p>
Restructuring costs	
<p>The consolidated income statement separately presents items that are restructuring in nature. This presentation is permitted by accounting rules for specific items of income or expense that are considered material. The presentation involves judgement by the Group to identify the items that warrant specific disclosure in accordance with accounting standards.</p> <p> Please refer to note 3 for more information.</p>	<p>The Committee considered, and was satisfied with, the presentation of restructuring costs within a separate line item on the consolidated income statement. Restructuring costs are one-off in nature and have been incurred in reorganising parts of the Group to drive cost efficiencies and allow reinvestment in building the skills needed to support the future growth of the business. They principally comprise compensation-related costs and project expenditure.</p> <p>This presentation is considered appropriate as it provides a transparent view of the restructuring activity undertaken. In forming their conclusions, the Committee considered the audit work completed by EY and their conclusions.</p>

Financial reporting and financial controls

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements, including those summarised on page 69. The Committee is also required to report to shareholders on the process it followed in its review of significant estimates and judgements that it considered during the year, as set out on page 153.

Financial reporting is reliant on there being an appropriate financial control environment. The Committee receives reports on the existing control environment as well as plans to enhance controls in the future, along with progress made against previous planned changes. These reports provide a detailed summary of the controls that exist across the Finance function globally and support the Group's risk and control assessments. For more details, see pages 38 to 43. In 2023, the reports focused on the risks involved in integrating acquired businesses with our finance operating platforms and key operational changes, including the transfer of our transfer agency platform to HSBC and migration of our principal banking relationship from Citibank to HSBC.

The Committee considers other controls that might have an impact on financial reporting. During 2023, the Committee considered EY's assessment of the cyber risks posed to the Group. The Committee also reviews the Group's tax strategy annually, which is discussed with the external auditors.

The financial control environment, including our information technology environment, is also subject to audit procedures by the Group's internal and external auditors. After considering reports from Group Finance, Internal Audit and EY, the Committee considered that an effective system of internal control had been in place during the course of 2023.

The Committee conducted an in-depth review of the Group's financial projections and the application of appropriate stress scenarios. The Committee took into account the impact of risks, including climate change and prevailing macroeconomic factors, so that it can recommend that the Board can make the viability statement, as set out on page 47, and to support the going concern basis of preparation of the financial statements.

Legal

Legal reports provide the Committee with information about emerging legal risks and notable developments in new law and regulation. The reports also provide detail on any material ongoing disputes and litigation in which the Group is interested or may have exposure. During the year, notable topics on which the Committee was briefed included global developments on sustainable finance regulation, UK regulatory reform proposals and data privacy.

Risk and internal controls

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

The Committee carried out the annual assessment of the effectiveness of internal controls during 2023, including those related to the financial reporting process. The Committee also considered the adequacy of the Group's risk management arrangements in the context of the Group's business and strategy. In carrying out this assessment, the Committee reviews the results of the annual risk and control assessments, any significant risk events, and actions taken to remediate these. The Committee also considered reports from the Global Head of Finance, Group General Counsel, Chief Risk Officer, Head of Group Internal Audit and EY. This enabled an evaluation of the effectiveness of the Group's internal control framework. As part of the internal controls process, each member of the GMC has attested to the appropriateness and adequacy of risk management arrangements in their area, and has confirmed that appropriate controls are in place. The Group continually works to enhance systems to support and improve the control environment.

Fair, balanced and understandable

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

key messages communicated in the 2023 Annual Report and Accounts, as well as the information provided to the Committee and the Board as a whole during the year.

The Committee, having completed its review, recommended to the Board that, when taken as a whole, the 2023 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Risk and Compliance

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

The reports outlined the Group's management of key regulatory engagements and change programmes throughout the year and the planning and execution of the compliance assurance programme covering testing, monitoring and automated surveillance. Additional specific reports allowed the Committee to consider a range of factors when determining the key emerging and thematic risks and uncertainties faced by the Group. These included assessments of risk tolerance and stress testing of the Group's capital position, as well as the production of the Group's operational resilience self-assessment, recovery plan, resolution process and wind-down plan.

The Committee reviewed the Group's arrangements in relation to conflicts of interest, financial crime, operational resilience, information and technology risk, and conduct and culture risk. The Committee also considered regulatory change and the supervisory horizon, engagement with regulators, cyber resilience, office physical security, oversight of third-party suppliers, and the Group's whistleblowing arrangements. The programme of work for 2024 will include assessing the UK's Economic Crime and Corporate Transparency Act 2023.

Further information can be found in the Risk management section of the Strategic report set out on pages 38 to 43.

Internal Audit

The Committee has authority to appoint or remove the Head of Group Internal Audit, who reports directly to the Chair of the Committee. During 2023, the Committee approved the appointment of a new Head of Group Internal Audit, the Internal Audit Charter and the Internal Audit strategy.

The Committee also has responsibility for approving the Internal Audit budget and being satisfied that the function has appropriate resources and skills and continues to be an effective and valued assurance function within the Group. The function monitors developments in internal audit practices and undertakes quality and assurance activities. In satisfying itself as to the quality and expertise of the function, the Committee reviews reports on progress against a rolling plan of audits approved annually by the Committee. These reports include any significant findings from audits performed, including any observations on culture and recommendations to improve the control environment, and their subsequent remediation. In addition, the Committee had regular interaction with the Head of Group Internal Audit, both at Committee meetings and also through other regular meetings outside the formal schedule.

The Committee also reviewed progress against the 2022 independent external audit quality assessment of the Internal Audit function and was pleased to note the introduction of internal audit KPIs to enhance transparency. The function also made good progress in its development of a data analytics capability to deliver additional insights and efficiencies, and these will continue in 2024.

During 2023, a broad range of audits were conducted across the business, both in the UK and overseas. The 2023 Internal Audit plan was continually reassessed by the Committee and Internal Audit to allow for the appropriate allocation of resources and to remain in line with the risk profile of the business. The annual compliance testing and Internal Audit plans are developed using a risk-based approach to provide proportionate assurance over the Group's controls for the key risks set out on pages 38 to 43. For example, as in previous years, in 2024 a range of audits will be undertaken by IT auditors to test the adequacy of aspects of the Group's cyber security and other technology risks. Planned audits also include: investment teams across business segments; sustainability-related processes; Schroders Capital; key back-office activities; a broad range of business activities in Asia Pacific; infrastructure functions and Wealth Management. As well as undertaking internal audit projects, senior Group Internal Audit staff attend relevant oversight and management committees and regulated entity board meetings to provide input and challenge on the topics discussed.

Oversight of the external auditor

Auditor oversight conclusion

The Committee is satisfied with EY's work and that it is objective and independent. Accordingly, the Committee has recommended to the Board that a resolution be put to the 2024 AGM for the reappointment of EY as external auditor, and the Board has accepted this recommendation.

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

The external audit was last put out to tender in 2016, with EY replacing PwC as the Group's auditor for the financial year commencing 1 January 2018. The next external audit tender will take place within ten years of EY's appointment, and by 2027 at the latest. We periodically perform an assessment to maintain the highest possible audit quality and will conduct a competitive tender process in advance of this date if it is considered to be in the best interests of the Company. In line with requirements, the lead audit partner has been rotated after five years and James Beszant has taken over as Lead Audit Partner for the 2023 audit. The Committee confirms that the Company has complied with, throughout the year under review and as at the date of this report, the provisions of the Competition and Markets Authority (Penalties) Order 2014 relating to the UK audit market for large companies.

During the 2023 financial year, the Committee commissioned EY to perform “agreed upon procedures” over climate and financial metrics included within the executive Directors’ scorecard. There were no other changes requested, as the Committee considered the scope of the audit and concluded that it was sufficient.

Assessment of audit quality and effectiveness

The Committee is responsible for evaluating the performance of the external auditor. In February 2023, ahead of the consideration of the 2022 Annual Report and Accounts, the Committee received initial feedback on the conduct of the 2022 audit, which identified no significant areas of concern. A full assessment of the external auditor was carried out by way of a questionnaire prepared in accordance with the FRC’s guidance and completed by key stakeholders. Interviews with senior managers and Group Finance were also held. The findings of the questionnaire were presented to the Committee in May 2023. EY generally scored highly in the auditor effectiveness questionnaire and was assessed to have further improved in the fifth year of its audit. Areas of improvement were identified and discussed with EY to allow for enhancements to be made ahead of the 2023 audit.

The Committee reviewed the 2023 external audit plan presented to the Committee in May 2023, and the amendments required to that plan as a result of the findings of the FRC Audit Quality Review (AQR) of the 2022 audit, and additional work undertaken. The plan included considering the impact of continued market volatility as a result of global macroeconomic and political factors. Updates were received from the external auditor throughout the year, demonstrating that professional scepticism had been applied through challenge of judgements, estimates and disclosures. Matters arising from the audit were communicated to the Committee on an ongoing basis.

The Committee reviewed EY’s transparency report and discussed the findings from the EY audit quality inspection report published by the FRC. The Committee discussed the impact on the Schroders audit plan, how EY maintains and monitors a high-quality audit generally through its UK Sustainable Audit Quality Programme. EY undertakes a range of processes that are designed to promote, embed and monitor audit quality. The structure of the audit team has been designed by the Lead Audit Partner to deliver and maintain a high-quality audit. EY continues to assess the structure, experience and knowledge of the team, with a view to maintaining and enhancing audit quality. In making this assessment, the Committee and EY have discussed and considered several Audit Quality Indicators (AQIs). These include: audit planning milestones; hours spent; internal and external reviews and results; training undertaken and experience of the team; senior team members’ responsibilities and their time commitments; and the extent to which specialists are involved in the audit.

The FRC AQR team, responsible for monitoring the quality of UK audits, reviewed the EY audit file for the Group’s 31 December 2022 year end as part of its regular cycle of audit inspections. The Committee have reviewed the FRC’s report on the audit and the AQR’s areas for improvement with respect to revenue and general

ledger journal entry testing. In the February meeting, the Committee discussed with EY the amendments made to their approach in the 2023 audit, including additional testing, and were satisfied with the changes made.

In February 2024, ahead of the consideration of the 2023 Annual Report and Accounts, the Committee received initial feedback on the conduct of EY’s 2023 audit, including how the AQR findings were addressed. The detailed assessment of EY’s 2023 audit will be considered by the Committee at its May 2024 meeting and any findings will be implemented for the 2024 audit.

Independence and non-audit services

The Committee has responsibility for monitoring the independence and objectivity of the external auditor. Since its appointment, EY has continued to confirm its independence and this remained the case during 2023 and prior to issuing its opinion on the Annual Report and Accounts. In addition to the annual review of effectiveness, the Committee considered EY’s independence and objectivity throughout the year. No Committee member has a connection with the external auditor.

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

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

Non-audit fees, excluding audit-related assurance services required under regulation, equated to 19% of audit fees (2022:15%).

During 2023, non-audit services mainly comprised assurance services in respect of controls reports and regulatory reporting normally conducted by the Group’s external auditor. These services are assurance in nature and are not considered to present a risk to independence.

Audit Committees and the External Audit: Minimum Standard

In May 2023, the FRC published the *Audit Committees and the External Audit: Minimum Standard*, which took effect immediately for FTSE 350 companies on a comply or explain basis. This report describes how the Committee has complied with each relevant provision of the Minimum Standard during the year.

Evaluating the performance of the Committee

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

The findings relating to the Committee were discussed with the Committee Chair, who is considered diligent with an inclusive style. The Committee operates efficiently and management are well prepared and collaborative.

Committee's assessment of internal control and risk management arrangements

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

Priorities for 2024

As well as considering the standing items of business, the Committee will also focus on the following areas in 2024:

- Cyber and technology risk.
- Thematic risks, including climate.
- Operational resilience.
- Regulatory change.

By order of the Board.

Rhian Davies

Chair of the Audit and Risk Committee

28 February 2024

Paying for performance in a sustainable and transparent way



Matthew Westerman

Chair of the Remuneration Committee

Structure of the remuneration report

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Committee membership

Matthew Westerman (Chair)
Sir Damon Buffini (until 27 April 2023)
Rhian Davies
Ian King
Annette Thomas (from 1 September 2023)
Deborah Waterhouse

 See page 55 for meeting attendance and page 56 for a summary of the responsibilities of the Committee.

Changes made to the implementation of our policy... served to reinforce our commitments to sustainability.

On behalf of the Remuneration Committee, I am pleased to provide an overview of both executive Director and wider workforce remuneration for the 2023 financial year.

As a Committee, the year was focused on implementing the remuneration policy which was well received by shareholders at the 2023 AGM. Last year, we engaged in discussions with investors regarding the changes made to the implementation of our policy, which served to reinforce our commitments to sustainability within our executive reward framework. A summary of our shareholder-approved executive Director remuneration policy is shown on page 77.

Appointing a new Chief Financial Officer

In April 2023, we announced that, after a long and distinguished career, Richard Keers had decided to retire. He stepped down as Chief Financial Officer on 2 October 2023 and continued as an employee of Schroders until 31 December 2023. Richard Keers was eligible for a bonus for the year worked, based on his performance and contribution during this period. After completing ten years with Schroders, he will retain the deferred portions of bonuses earned in previous years. His outstanding LTIP awards will be pro-rated to reflect the time elapsed through his departure date. He will not receive an LTIP grant in 2024 and shareholding requirements will continue to apply for two years after stepping down.

Richard Oldfield succeeded Richard Keers as Chief Financial Officer and executive Director on 2 October 2023. Given Richard Oldfield's extensive experience, qualifications and appointment to the same role, the Committee decided to maintain the same salary and maximum total compensation levels for the role. Executive Director salary levels have remained unchanged since 2014; total compensation caps have remained unchanged since their introduction in 2020. No buyout or guaranteed bonus awards were offered to Richard Oldfield. He was eligible for and received a bonus for the portion of 2023 he worked.

2024 remuneration approach

No changes are proposed to our remuneration policy, which received strong support from shareholders at the 2023 AGM. The implementation of that policy will also remain unchanged in 2024. This means executive Director salaries will stay the same and the performance measures applying to the 2024 annual bonus and LTIP scorecards will be consistent with prior years.

By contrast, the overall increase in salary budget for 2024 for the wider workforce was 4.5%. Seeking to balance the cost implications with the inflationary pressures faced by our employees in different regions, our budget and allocation approach were designed to protect lower-paid staff based on their geographic location and larger increases were targeted towards individuals with significant increases in role or responsibilities.

2023 remuneration outcomes

In 2023, our financial performance remained resilient, showcasing the benefits of our client-led strategy in the face of what continue to be challenging market conditions. The investments made in our strategic growth areas of Wealth Management, Private Markets and Solutions in recent years, alongside our know-how in public markets, have positioned us with the complete platform to achieve growth.

Performance against predetermined financial targets makes up 70% of the executive Director annual bonus scorecard. For 2023, the financial portion paid out at 55%, reflecting our financial results given industry headwinds, favourable investment performance for clients and progress against our sustainability objectives. A comprehensive review of performance against non-financial targets gave rise to an 'on-target' outcome for the Group Chief Executive and former Chief Financial Officer, and 80% of maximum for the new Chief Financial Officer.

Role of the Remuneration Committee

The principal role of the Committee is to assist the Board in fulfilling its oversight of executive and wider workforce remuneration. All members of the Committee are independent non-executive Directors. Biographical details and the experience of members are set out on pages 50 to 53.

The Board has determined that, by virtue of their previous experience gained in other organisations, members collectively have the competence relevant to the sector in which the Group operates.

The Committee's primary responsibilities include:

- Reviewing the Group's remuneration strategy and recommending the Directors' remuneration policy to the Board

- Determining the remuneration of the Group Chair and the executive Directors within the policy approved by shareholders
- Determining the level and structure of remuneration for other senior executives and the Group Company Secretary; reviewing the remuneration of the Chief Risk Officer and Head of Group Internal Audit; monitoring the level and structure of remuneration for other Material Risk Takers; and overseeing remuneration more broadly across the Group
- Recommending to the Board the annual spend on fixed and variable remuneration

- Reviewing the design and operation of share-based remuneration, other deferred remuneration plans and employee carried interest-sharing arrangements
- Overseeing any major change in the employee benefits structure throughout the Group
- Reviewing remuneration disclosures and compliance with relevant requirements
- Receiving and considering feedback from shareholders and representative shareholder bodies

The Committee's terms of reference are available on our website at www.schroders.com/board-committees

Key areas considered by the Committee in 2023

- Overall fixed and variable compensation spend for the year
- Review of compensation outcomes, including control function input, sustainability of earnings, diversity and competitiveness
- Review of Gender and Ethnicity Pay Gaps
- Review of remuneration disclosures
- Executive Director remuneration, including scorecard measure and target setting, review and approval of outcomes
- Terms of the Chief Financial Officer appointment and departure
- Regulatory matters, including Material Risk Takers framework, annual internal audit of remuneration and Group Risk Adjustment framework
- Shareholder and voting agency feedback on remuneration
- Annual reviews of terms of reference, advisers and GMC shareholding levels

Mindful of the challenging market conditions and wider stakeholder experience, the Group Chief Executive requested the Committee consider a downwards adjustment to his bonus. In considering whether to make an adjustment, the Committee noted the year-on-year outcome versus all employees looked favourable. However it also recognised that in 2022, the executive Directors experienced a decline in bonus of approximately (50)%, a significant disconnect versus the median employee experience of (17)%. While the Committee ultimately decided against utilising positive discretion to improve alignment last year, it makes the year-on-year comparison for 2023 misleading. The overall stakeholder experience over multiple years was therefore particularly relevant this year.

The Committee determined that a £250,000 downwards discretionary adjustment to the Group Chief Executive's bonus would be appropriate, resulting in a bonus outcome of 72% of maximum. This bonus outcome is (26)% on 2021, which is in line with the median employee bonus experience over the same period.

Normally, the 2020 LTIP granted to executive Directors would also be vesting this year. However, in 2020, the Group Chief Executive and former Chief Financial Officer chose to waive voluntarily their LTIP awards in response to the societal challenges of the Covid-19 pandemic. These LTIP awards with total grant date face value of £1 million have therefore already been forfeited in full. This further lowers the total compensation received by the executive Directors.

Comparing executive Director outcomes to the change in total compensation for employees shows a more favourable experience for employees. This reflects the executive Director LTIP waiver and the absence of salary increases since 2014. Over this time, employees have received regular increases, including significant increases where relevant for cost of living considerations. The resulting median change in UK employee total compensation since 2020 is +13% versus the CEO single figure movement over the same period of (2)%.

Change in median UK employee total comp. since 2020

+13%

CEO total compensation over same period: -2%

Mean annual salary increase for employees in 2023

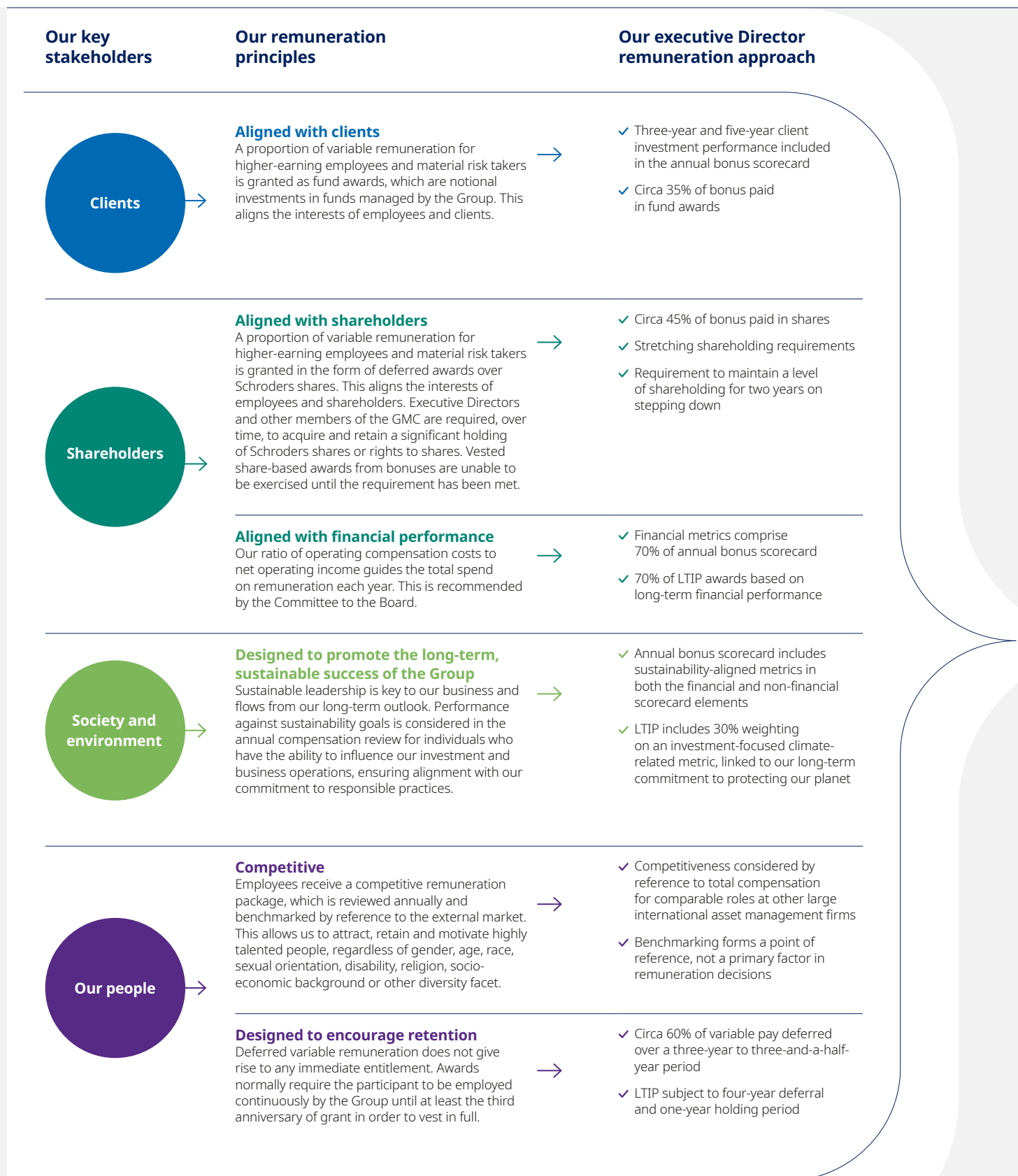
+8%

Executive Director salaries frozen since 2014

Our remuneration philosophy

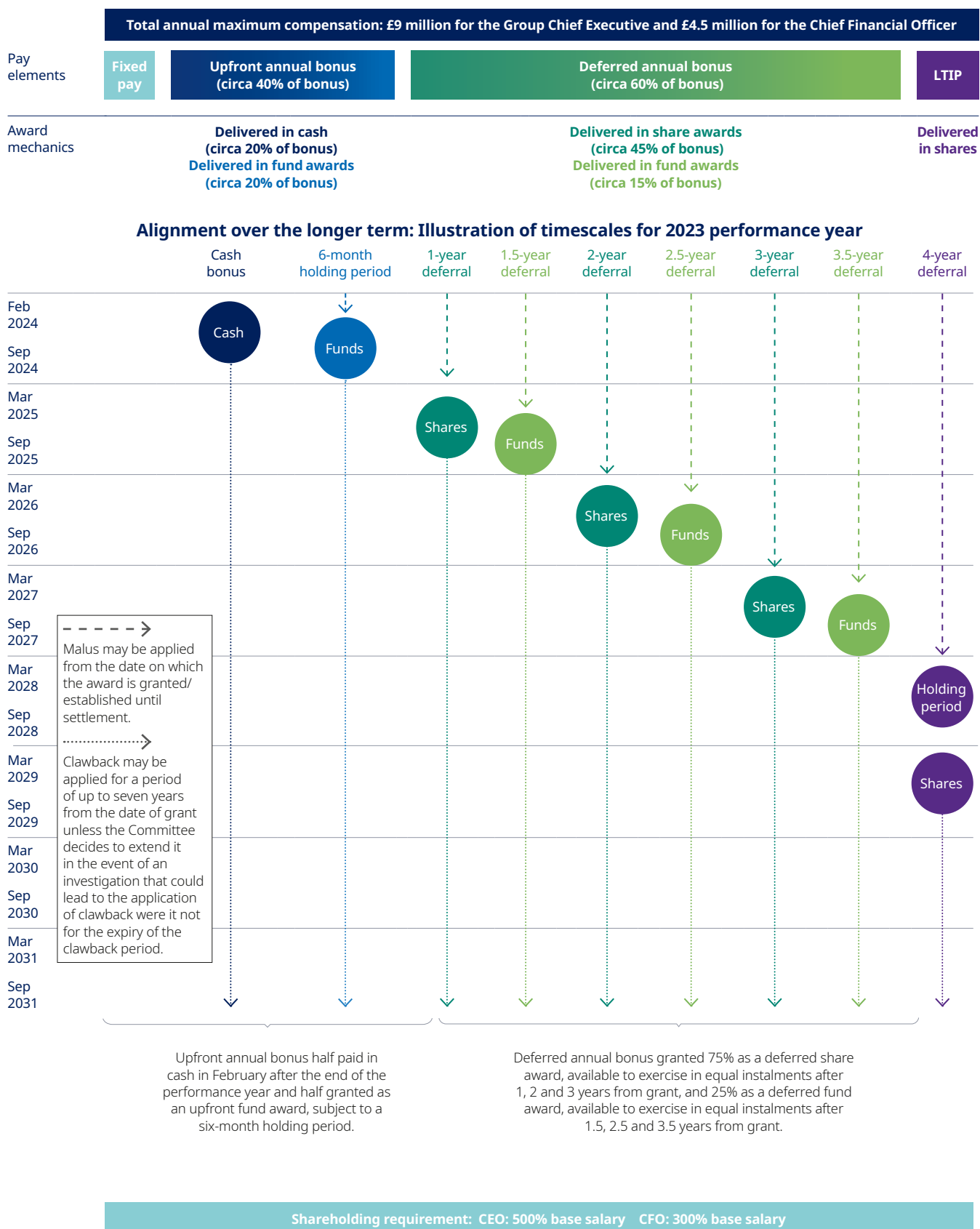
Our purpose is to provide excellent investment performance to clients through active management. By serving clients, we serve wider society. Channelling capital into sustainable and durable businesses accelerates positive change in the world. Paying our people based on the value we create for our stakeholders will secure our ability to deliver our purpose. This is why the remuneration principles underpinning how all our people are paid is centred on creating alignment with our key stakeholder groups.

How our approach to remuneration creates alignment with our key stakeholders



The remuneration principles underpinning how we pay all our employees also apply to our executive Directors. The graphic below summarises the key pay elements that apply to our executive Directors, along with the timescales over which the remuneration is released. Full details of our remuneration policy approved by shareholders at the 27 April 2023 Annual General Meeting can be found on our website at www.schroders.com/rempolicy

Illustration of our executive Directors remuneration policy



2023 outcomes

Performance context

In 2023, we generated growth through positive net inflows of £9.7 billion (excluding joint ventures and associates). Our financial performance remained resilient, showcasing the benefits of our client-led strategy in the face of continued challenging market conditions. We reported an operating profit of £661.0 million (2022: £723.0 million) and profit before tax of £487.6 million (2022: £586.9 million). The Board has recommended a final dividend of 15.0 pence per share. This results in a total dividend for the year of 21.5 pence per share (2022: 21.5 pence per share).

The investment we have made in our strategic growth areas of Wealth Management, Private Markets and Solutions in recent years, alongside our know-how in public markets, have positioned us with the complete platform to deliver growth. The value of this is highlighted by the positive net new business we generated across these strategic growth areas, and the net operating revenue generated by them now accounts for 48% of our total net operating revenue (2022: 46%). This year we made progress in increasing the scalability of our operating platform to enable us to focus more resources on adding value to our clients. For more information on our strategic and financial performance, please see the Group Chief Executive's and Chief Financial Officer's statements, beginning on page 10 and page 24, respectively.

Group-wide remuneration outcomes

The balance between strong cost management and the need to support our talent and continue to invest in strategic growth areas was front of mind as the Committee discussed remuneration outcomes for the year. Increased headcount from our continued investment in strategic priority areas was largely offset by our targeted streamlining of our operations. Our people are paramount to the successful delivery of our strategy and we are proud that 96% of our key talent was retained in 2023.

The Committee considered both financial and non-financial performance when setting the bonus pool, as well as an assessment of overall market conditions and wider stakeholder experience. The Committee and Board concluded that a bonus pool of £293 million struck the right balance across relevant stakeholders, including shareholders, clients and employees. When combined with salary increases made earlier in 2023, the total compensation experience for employees was generally between (-1)% and +8%.

Individual bonus and salary amounts were determined according to our Fair Pay for Performance framework, summarised to the right. In reviewing outcomes, the Committee evaluated analytics on differentiation, diversity and competitiveness and were satisfied that the year-end process was rigorous and that outcomes reflected financial and non-financial performance, including conduct.

The salary increase budget for 2024 was set mindful of the implications for our cost base as well as the cost pressures faced by our people in many parts of the world. Allocation of the resulting 4.5% salary increase budget was designed to protect lower-paid employees and larger increases were targeted towards individuals with significant increases in role or responsibilities.

2023 Bonus Pool	2023	2022
Operating compensation ratio	46%	45%
Bonus-eligible employees	6,014	5,999
Bonus pool	£293m	£351m
Employee experience:		
% change bonus (median)	-15%	-17%
% change total compensation (median)	+3%	+1%

Key performance and remuneration metrics

Net operating income		Operating earnings per share	
2023	-2%	2023	-13%
2022	-2%	2022	-13%
Net operating profit		Dividend per share	
2023	-9%	2023	0%
2022	-14%	2022	0%
Headcount		Annual bonus pool	
2023	0%	2023	-16%
2022	12%	2022	-16%
Fixed remuneration costs		Total remuneration costs	
2023	3%	2023	-1%
2022	16%	2022	-2%

Fair pay for performance

Remuneration outcomes for our employees are governed by our Fair Pay for Performance framework. This framework, available to all employees on our intranet, describes the variety of factors considered in making pay decisions at Schroders, including:

- **Annual performance** – including individual performance/contribution, behaviours and conduct, business and sub-business line performance as well as Group-wide performance and affordability.
- **Individual achievement** – including an individual's skills/experience, progression, succession and future potential as well as consideration of multi-year performance context.
- **Market context** – consideration of market pay levels for a given role/geography and review of relevant competitor insights, local market conditions and general market outlook.
- **Relativities and diversity** – ensuring fairness of outcomes versus peers and market.

