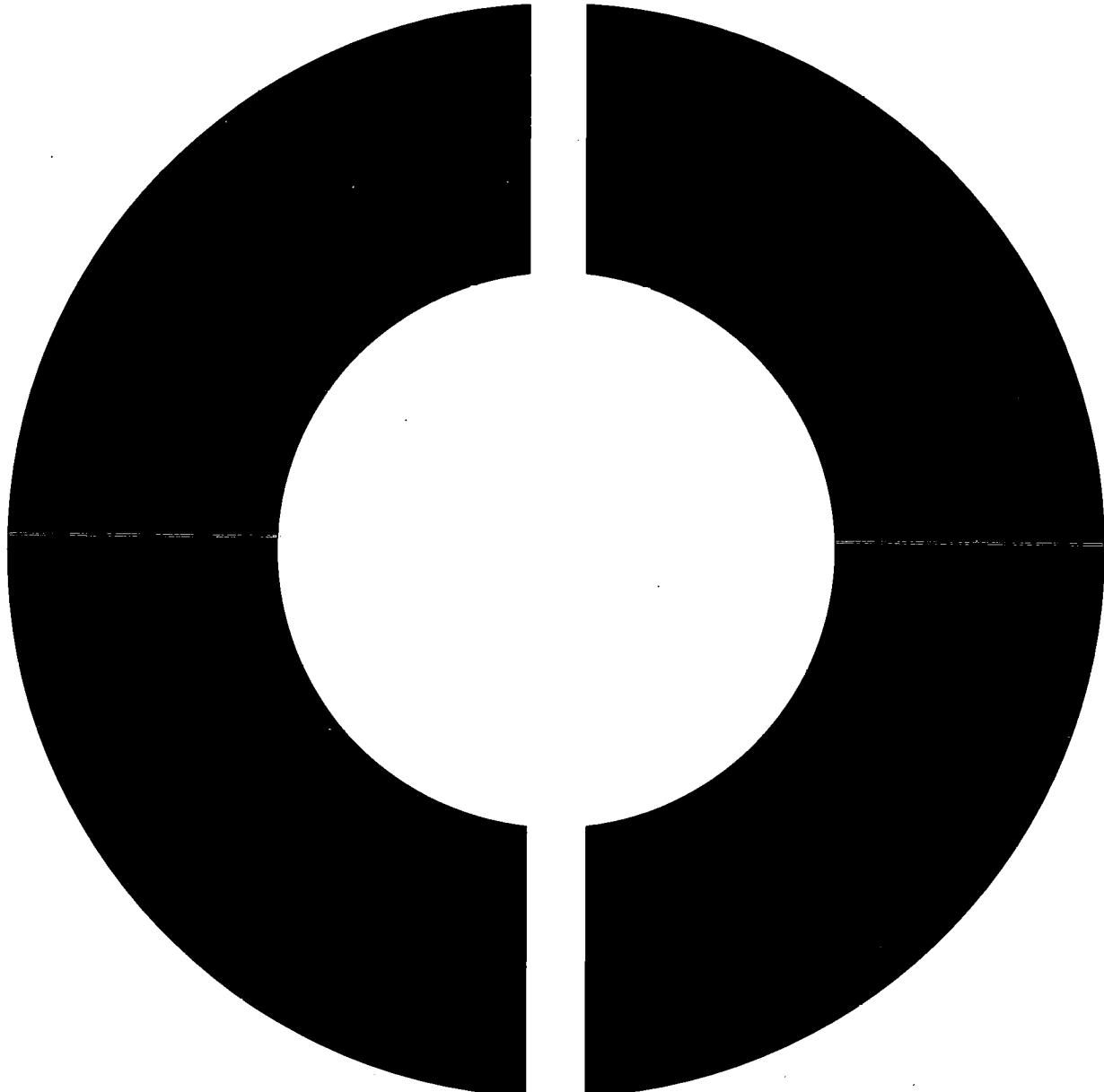


Schroders plc  
Company number: 03909886



We are a leading provider of active asset management, advisory and wealth management services. Recognised widely as a leader in sustainability. Few investment managers can match the combination of capabilities and global reach that we offer.

This breadth of services across public and private markets allows us to design distinctive solutions for the diverse needs of clients. They look to us to provide excellent long-term investment outcomes, and it is our duty always to act in their best interests.

That is a responsibility we take seriously – and we believe that when we succeed for clients, society and the wider world benefit too.

**Our Annual General Meeting (AGM) will be held at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 25 April 2024 at 11:30am.**

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**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.

Funding the future is a privilege; we use it wisely and responsibly.

# The outcomes we measure

## Net operating income (£m)

### Our objective

Net operating income comprises net operating revenue earned from the assets we manage, net gains on co-investments, share of profit of joint ventures and associates, and other income. We aim to grow net operating income over time.

### How we performed

**£2,419.0m**

Net operating income for 2023 was £2,419.0 million, down £56.5 million from 2022. Net operating revenue from our strategic growth areas of Wealth Management and Private Markets increased by £28.9 million and £53.0 million respectively.

## Basic operating earnings per share (p)

### Our objective

We aim to grow earnings per share consistently, recognising the potential impact of market volatility on results in the short term.

### How we performed

**32.5p**

In 2023, basic operating earnings per share was 32.5 pence, a decrease of 13% on 2022.

## Assets under management (£bn)

### Our objective

We aim to grow our AUM over time in excess of market growth through positive investment outperformance and net new business. As a sterling-denominated reporter, currency movements also impact asset levels.

### How we performed

**£750.6bn**

At the end of 2023, AUM stood at £750.6 billion, an increase of 2% on 2022. Investment performance increased AUM by £37.1 billion, offset by in year currency movements of £25.8 billion. Net new business increased total AUM by £1.0 billion.

## Net new business (£bn)

### Our objective

We seek to generate positive net new business across the Group.

### How we performed

**£1.0bn**

Net new business, excluding our joint ventures and associates, was £9.7 billion in 2023. Net new business, including joint ventures and associates, was £1.0 billion. Our strategic growth areas contributed strongly, with £23.1 billion of net new business.

## Client investment performance (%)

### Our objective

We target at least 60% of our AUM outperforming their stated comparator over a rolling three-year period.

### How we performed

**60%**

We have consistently delivered positive outcomes for clients over the medium and long term. With 60% of assets outperforming their relevant comparator over three years, and 77% over five years, we have successfully met our target for the past six consecutive years.

## Portfolio temperature score (°C)

### Our objective

We aim to achieve a portfolio temperature score of 2.2°C for our in-scope assets by 2030. This score is based on the targets set by investee companies across their Scope 1 and 2 emissions.

### How we performed

**2.5°C**

The portfolio temperature score of in-scope assets fell to 2.5°C at the end of 2023. This is ahead of the pace of reduction required to meet our target.

## Retention of highly-rated employees (%)

### Our objective

Developing and retaining talented people is key to our ongoing success. We actively monitor retention, focusing on those who have received a strong performance rating.

### How we performed

**96%**

Our highly-rated employees retention rate increased this year to 96%. This represents a committed and engaged workforce, aligned with our values.

## Dividend per share (p)

### Our objective

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%.

### How we performed

**21.5p**

The Board has recommended a final dividend of 15.0 pence per share, bringing the total dividend for the year to 21.5 pence per share. This represents a payout ratio of 66%.

# Built to deliver long-term client value

Over recent years we have successfully reshaped our business by growing into areas where we see greater demand and where we can better serve clients. Several factors have made this change possible: our long-term perspective, culture and leadership in sustainability. We have a 220-year history of successful adaptation. Throughout that time we have always focused on serving clients.

1

## The breadth and depth of capabilities we have built...

We have developed a wide range of services to match clients' evolving needs. The solutions we offer now span more investment capabilities than ever, and we can serve them in more places around the world.

2

## ...powered by innovation and a long-term outlook...

We can act in the long-term interests of our clients and stakeholders because of our ownership structure. The underlying stability of our long-term ownership frees us to innovate and respond with agility to change.

---

### Assets under management<sup>1</sup>

£750.6bn

By business (%)		
● Wealth Management	17	
● Solutions	30	
● Private Markets	9	
● Public Markets	44	

38  
locations globally

By region (£ billion)		
● UK	366.0	
● Europe, Middle East and Africa	107.3	
● Asia Pacific	186.1	
● Americas	91.2	

### Accessible private markets

We launched the UK's first Long Term Asset Fund (LTAF) for individual investors.

### Pioneers in tokenised assets

We joined in initiatives to test the use of blockchain for the future of investment management.

### AI for employees globally

We rolled out secure technology, built on the latest GPT models, to support productivity.

1. Includes AUM from joint ventures and associates.

# 3

## **...enabled by our people and culture...**

Our inclusive culture allows us to attract and retain outstanding talent. We believe that our active investment approach, on which this expertise depends, delivers superior outcomes for clients.

# 4

## **...strengthened by leadership in sustainability.**

We view sustainability as an important source of potential long-term investment performance. It is in the interests of our clients to address the risks and opportunities of environmental and social change.

---

**96%**

Our retention of highly-rated employees increased from 94% in 2022.

---

**87%**

Our people who are proud to work for Schroders.

---

## **Glassdoor Employees' Choice Award**

We were named one of the UK's top 50 best places to work in 2023.

---

**MSCI ESG Rating,  
AAA**

This puts us in the top 10% of our sector.

---

**CDP 'A' top 2%**

We are among the leading companies assessed for transparency and performance on climate change.

---

**88%**

Portfolios with SustainEx™ score above their benchmark.

# Long-term active strategy

**Dame Elizabeth Corley**  
Chair



*Our strength is our ability to look beyond the distractions of today and remain committed to our strategy.*

In my first Chair's statement last year, I highlighted Schroders' singular long-term approach, which arises largely from its ownership structure and its 220-year history of navigating change. 2023 brought renewed headwinds and geopolitical uncertainty, and as I write in these pages again, I continue to see that long-term approach as one of Schroders' distinctive attributes.

Taking a truly strategic view has enabled the business to act with conviction. Strategy must always be actively managed and evolve over time to reflect changes in circumstances, and it is the Board's responsibility to test continuously both the viability and deliverability of that strategy on behalf of all stakeholders. Conviction requires leadership positions to be taken across all aspects of the strategy – delivery for clients, operational efficiency, regulation and broader factors such as sustainability.

Our approach also enables innovation and the thoughtful application of new technologies. The focus is always to ensure that our clients reap the rewards, while other stakeholders also benefit – including Schroders' employees, shareholders, suppliers and the wider communities in which we operate.

While our long-term approach and conviction in our strategic diversification continue to provide resilient results, the Board is acutely aware of the need to adapt to changes in our sector to preserve and grow value. We are not complacent; the current environment demands constant review and attention. In 2023, we drove growth in areas of our strategic focus, such as Wealth Management and Private Markets. We also won significant mandates in Solutions, where we are entrusted with full fiduciary responsibility for our clients' assets.

We delivered an increase in our assets under management to £750.6 billion and attracted new clients with net new business of £9.7 billion (before joint ventures and associates), a notable achievement given the difficulties facing active asset managers across the world. We are pleased with the quality of new business we secured, but acknowledge that this was not sufficient to deliver year-on-year bottom line growth despite rigorous and thoughtful cost control. In 2023, we reported operating profit of £661.0 million and profit before tax of £487.6 million.

As Peter Harrison, our Group Chief Executive, and Richard Oldfield, Chief Financial Officer, set out in their sections of this report, we have managed our resources very carefully, but always with key imperatives in mind. These are that clients should continue to receive the services and attention they expect; that our control environment remains strong; that we continue to innovate for the future, and that talented employees see us as the preferred place to work.

Achieving balance takes agility and skill, for which I and the Board are grateful to our executive Directors and their teams. With continued market uncertainty and some sectoral headwinds likely to continue, this approach to running the business will remain in 2024.

We continue to have a strong capital position and this, combined with our financial performance, has enabled the Board to recommend an unchanged final dividend of 15.0 pence per share (2022: 15.0 pence). This brings the full year dividend to 21.5 pence per share (2022: 21.5 pence).

Subject to shareholder approval at the Annual General Meeting the final dividend will be paid on 2 May 2024 to shareholders on the register on 22 March 2024.

Our resilience in the face of challenging circumstances has arisen from our deliberate and carefully executed long-term strategy. First set out by Peter Harrison in 2016, it has been regularly reviewed, stress-tested and ratified by the Board.

The strategy, to bring together global asset management capabilities across public and private markets, and to develop world-leading wealth management services, is working. It has shown how the core investment management, services and platform strengths of the business can be applied to counter a more challenging operating environment.

Our position as a leading global active manager brings responsibility. One aspect of the business in which I take particular pride is our recognised leadership in sustainability. We view the consideration of sustainability as fundamental to our fiduciary responsibilities to deliver long-term returns. We constantly search for investment opportunities in transition technologies, mitigation and renewable energy sources. We look for investable opportunities to achieve a more circular economy, while also considering the societal and community aspects of the goal to reach net zero by 2050.

This, coupled with active engagement as a way of adding value to clients' assets, is a true differentiator for Schroders and delivers stronger returns over the longer term.

### Our People

In 2023, we redoubled our collective efforts to improve inclusion and diversity across Schroders, an area of focus that the Board cares deeply about. We met with leaders of our Employee Resource Groups last year to understand how the Company can encourage inclusion. We plan to meet with them again this year to discuss our progress.

Linked to our "Inclusion at Schroders" report was the inaugural publication of our ethnicity pay gap report, a significant milestone, after a comprehensive programme of engagement with our employees to gather the required data. There has been plenty to learn, and we acknowledge we are not where we aspire to be.

This coming year, we will work tirelessly to address the inclusion and diversity imbalance across not just our workforce, but also the wider asset management industry, as we believe an inclusive and diverse workforce is directly linked to better outcomes for our clients, and thus our shareholders.

We are a people business. This is not a trite phrase but a fundamental truth about how we create value for our stakeholders. We rely on the talent and dedication of each member of our team wherever they are located and whatever their role. The Board and management team may determine the strategy, but only our people can execute it and deliver value for our clients.

Whenever I meet colleagues, I am consistently impressed by their ability to innovate and adapt and by their commitment to the Company. The professionalism and resilience of our people continues to inspire me. On behalf of the whole Board, I would like to express our thanks for your tremendous efforts.

### The Board

Just as we need to keep evolving our strategy, so the skills around the Board table need to develop. We have seen several changes on the Board in the last year. In August, Paul Edgecliffe-Johnson stood down as he needed to focus on his new executive role. In the short time he was with us, Paul added a valuable new perspective and, on behalf of the Company, I would like to thank him for his contributions. Annette Thomas joined us in September as an independent non-executive Director. Her digital, data and analytics expertise will be of great benefit to us as we continue to invest in these important areas.

At the end of the year we said goodbye to Richard Keers, our Chief Financial Officer for the last 10 years. Richard has been not only a highly effective and dedicated CFO, but also a great colleague to Peter Harrison and many others. The Board is grateful to Richard for all he has done for the Company. After a thorough search, we appointed Richard Oldfield as CFO and a Director in October.

In January 2024, Iain Mackay and Frederic Wakeman joined the Board as independent non-executive Directors, bringing invaluable global public company and private assets experience respectively. Further details of their skills and backgrounds, together with more information on all the Board changes are provided in the Governance section of this report.

Sadly, our next AGM will see the departure of Rhian Davies who, having served almost nine years, has decided not to seek re-election. We owe Rhian a huge debt of gratitude for the contribution she has made, especially during her tenure as Chair of the Audit and Risk Committee. Her thoroughness and attention to detail are legendary and have served us well. Rhian will be succeeded by Iain Mackay.

I would like to thank all my colleagues on the Board for their diligence and contribution. Every year we expect more from our Directors, both non-executive and executive, and they always continue to deliver.

Dame Elizabeth Corley  
Chair

28 February 2024



# **DELIVERING GROWTH**

Discover how our long-term strategy and business model are allowing us to expand, even in the face of ongoing macroeconomic changes and challenging market conditions.

Group Chief Executive's statement	<b>10</b>
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Our business model	<b>20</b>

# Performing strongly despite headwinds

**Peter Harrison**  
Group Chief Executive



*The foundations of change and growth are in place; the benefits are already apparent and more will follow.*

**Seven years ago, we set out Schroders' strategy based on our analysis of the trends likely to play out in the years ahead. That strategy has stood the test of time. It gave us resilience in the challenging year of 2023 and enabled us to perform strongly relative to the wider industry. It remains relevant for the future.**

Over recent years, the capabilities and size of our business have changed significantly, and we are fortunate that our stable ownership structure allows us to keep our sights on the long term. We have pivoted towards higher longevity and higher margin areas of strategic growth such as Wealth Management and Private Markets, which generated positive growth for the business in 2023. We have reshaped the business for the future, and the resilient performance in 2023 was a proof point of our success.

Our performance underlines how our strategy differentiates us from our peers. Getting to this position has taken years of planning and investment, and while the benefits are apparent now, we can be confident that more will come through.

In 2023, our revenues and profits were impacted by the fall in markets the year before. However, despite the industry headwinds, we saw notable growth in assets under management and positive net new business, winning some important and valuable clients.

## Navigating a year of global turbulence

Many of the problems confronting investors in 2023 have been years in the making. They were evident a decade ago but today they are more acute, more visible and in some cases – for those not prepared – more damaging.

When we set our strategy in 2016, we were witnessing a shift from active to passive investment management. Fees were under pressure. Public markets were dropping from favour, with both investors and fund raisers looking increasingly to private markets. Technology innovation was a catalyst for change and more was on the horizon.

Those issues were important then: they have become critical now.

There are wider external factors which are harder to prepare for. In 2023, geopolitical stress-points formed only part of the backdrop to a period of extreme change – socially and economically. With inflation and interest rates having risen rapidly in 2022, last year was still very much about navigating the aftermath of one of the largest monetary experiments in history. The record flows of \$1.7 trillion into US money market funds in 2023, boosting assets to \$6.3 trillion<sup>1</sup>, was evidence of this: cash, for the first time in many years, became a viable competitor to risk assets.

Central banks battled to quell inflation, with average inflation across the G7 group of major economies declining to 3% year-on-year in December, from a peak of almost 8% in 2022. This continued to drive volatility in public and private markets, posing challenges for us and our clients.

The imperative of decarbonisation gained further momentum, increasingly underpinning the everyday decisions that we make as investors and our clients make in their businesses. While 2023 was hailed as “the year of AI”, it marked only the first chapter in a new wave of technological disruption.

## Global revenue shifting significantly to private markets by 2027<sup>2</sup>

### Product type

- Alternative assets
- Active specialities
- Solutions, LDI, and balanced
- Active core
- Passive

### We have seized opportunities in structural trends

Core to the strategy we set out seven years ago was to identify opportunities within what appeared, at first glance, to be threats to the industry. Hence the careful, deliberate build-out of Schroders Capital, our private markets business. The explosive growth in private markets since then, and the comparative decline in public ones, has posed a mounting dilemma for our clients.

Initial public offering exits in the US totalled \$6.8 billion in 2023. This was just 2% of the \$297 billion total value of IPOs in 2021's bumper year.<sup>3</sup> By the start of 2023 less than 15% of US companies with revenue of over \$100 million were listed on a stock market.<sup>4</sup>

Schroders Capital offers a solution to investors with public-only exposure – but it has become more than that; it has become a source of innovation within the private market space in its own right. For example, through Schroders Greencoat, we are giving investors access to private infrastructure and at the same time, driving cutting-edge wind and solar technologies.

As part of our strategic goal of connecting more closely with clients we have built our multiple wealth brands serving different market segments from affluent to ultra-high-net-worth customers. Similarly, the growth of outsourced chief investment officer (OCIO) offerings in the pensions arena was initially a concern, but the creation of Schroders Solutions, as an independent unit within the wider Group, has become a significant draw for new business.

As part of our conviction that active management is the right approach, we have taken a leadership position in sustainability and stewardship. We have amassed deep intellectual capital in Schroders' range of tools, for instance SustainEx™, which helps us better understand and measure sustainability exposures, risks and opportunities. This is also true of our data and governance processes. Our investment into all of these areas is increasingly validated by both external events and clients' expectations.

2023 was the warmest year on record, registering a global temperature of 1.48°C above the 1850-1900 pre-industrial average.<sup>5</sup> Our industry is responsible for reallocating billions of dollars of capital that will be needed to realise net zero commitments. 88% of our public market AUM had a better SustainEx™ score<sup>6</sup> than their benchmark, up from 86% in 2022. Schroders' portfolio temperature score of in-scope<sup>7</sup> assets fell to 2.5°C as at the end of 2023. The huge risks and opportunities posed by the energy transition mean many clients expect sustainability considerations to be deeply embedded in our oversight of their assets.

The narrowness of markets in 2023 was striking; this is a tricky backdrop for investment performance for active managers, particularly given the significant volatility in bond markets. Over three and five years, 60% and 77% of client assets have outperformed their respective benchmarks<sup>8</sup>. These figures are impacted by the performance of multi-asset portfolios that are measured against absolute return benchmarks.

1. U.S. Money Market Fund Monitor | Office of Financial Research.
2. BCG, Global Asset Management 2023. Figures may not sum due to rounding.
3. PitchBook, 2023 Annual US PE breakdown.
4. S&P Capital IQ data as of December 2022; Statistics of US Business; Bain analysis.
5. Copernicus Climate Service, December 2023.
6. Portfolios are considered in scope for assessment if SustainEx™ data coverage of both fund and benchmark is greater than 66.7%. Where one portfolio holds another portfolio, such cross-holdings can lead to double-counting.
7. Current in-scope asset classes for SBTi include listed equities, corporate bonds, real estate investment trusts and exchange-traded funds. This represents more than 50% of our AUM.
8. For more information about how we calculate client investment performance see the Glossary on page 186.

## Group Chief Executive's statement continued

Last year, we focused on re-shaping the world-class technology platform we have developed, enabling us to offer Schroders' expanded range of products to clients. This process of unlocking additional value by bringing different components of the Group's capabilities together for clients was a major piece of work in 2023 and the foundations are laid for success stretching far into the future.

The mass arrival of generative AI heralds painful disruption for many industries. But it promises big wins for businesses which become early adopters, identifying and harnessing its potential. In 2023, we rolled out our AI tool, Genie, to our people worldwide. We are actively developing use-cases in our investment processes and across diverse business functions.

AI captures headlines, but new technologies are driving disruption on other fronts also. We see digital assets and tokenisation as a powerful emergent trend which will significantly impact investment management, increasing transparency, efficiency and security – and driving down costs. As an example of Schroders' work in this area, 2023 saw the formal launch of the "Project Guardian" initiative, in collaboration with regulators and partners in Asia and elsewhere, which will explore the capabilities of tokenised investment vehicles.

The migration of growth around the globe is both a challenge and an opportunity for businesses. Capturing geographic growth is part of the story of our strategic success, and we have made recent gains in Asia, but geographic expansion is not something limited to Schroders' recent history. In October 2023, we were proud to celebrate 100 years of Schroders in New York, where in 1923 we founded a bank with the stated ambition of becoming a "first-class name". Thanks to the work of generations of colleagues that aspiration has been achieved and maintained.

Future growth will come from many parts of the world. We now operate in 38 locations and we continue to see China as a key market in the decades ahead. Following the launch of our Wealth Management Company venture with Bank of Communications in April 2022, in December 2023 we reached another significant milestone, launching the first product within our new wholly-owned Fund Management Company, which raised RMB 1.3 billion (£140 million) in its first two weeks.

### **The groundwork for future growth is in place and it is delivering**

Our capabilities and the scope of our client offering have developed significantly over recent years, anticipating the increasingly complex needs of our clients.

As part of this, we made a series of acquisitions and funded organic growth in several areas within the private markets sphere. In 2017, Schroders bought private equity specialist Adved. Subsequent acquisitions added a wider range of capabilities to our offering: we bought majority stakes in leading impact manager BlueOrchard in 2019 and renewable energy specialist Greencoat Capital in 2022. These have become key components of Schroders Capital's capability.

Today, our reach is broad: Schroders Greencoat funds are the largest financial owner of operational solar and wind assets in the UK. We have financed 30 million micro, small and medium enterprises and have created or maintained over 100 million jobs, a feat made possible by the impact expertise and vast experience within BlueOrchard.

In 2023, we launched a European Long-Term Investment Fund (ELTIF) to clients within the EU. In August, we were approved to launch the first equivalent UK investment vehicle, the Long-Term Asset Fund (LTAf). These investments help "democratise" private assets, allowing access to a wider audience of individual investors, something we see as a core theme in private markets.

In Wealth Management our platform has similarly widened. As a result, in 2023 we saw new business flows as more clients across the wealth spectrum entrusted us with their assets. In the high and ultra-high-net-worth segments, our investment in regional UK branches of Cazenove Capital has paid off. Our 2018 partnership with Lloyds Banking Group is delivering in this space and through the ongoing growth of our mass affluent joint venture, Schroders Personal Wealth.

Our solutions business continued on the success of earlier years. The gilt crisis of 2022 had alerted pension clients to potential tsunamis as markets adjusted to higher rates. In light of those dangers, our model and the levels of service we were able to provide, following the acquisition of River and Mercantile's UK solutions division in 2022, emerged as winners. We subsequently saw the business return to net inflows with positive feedback from clients and consultants alike.

In all, we have acquired and integrated 14 specialist businesses since 2016, reshaping our client offering, differentiating ourselves from competitors and remaining faithful to the tenets of our strategy.

### **Making our voice heard in the interest of clients, shareholders and society**

The problems we seek to address as a business are those our clients grapple with too. We are clear in the positions we take on sustainability, impact, diversity and inclusion, as we see these as aligned with the success of our clients and their investments.

We also raise our concerns on other issues. In the UK, for example, I am pleased to be part of the UK Treasury's Capital Market Industry Taskforce, established in 2023 with the aim to shape capital market reform in the UK but also to influence the conversation about the role of investment more widely. This is not a UK-specific debate.

At their heart, these conversations all return to the vital role investment can play in delivering fairer, more prosperous societies – and a more sustainable environment. We would argue, as is central to our approach of stewardship and active management, that there need not be a binary choice between growth and public interest: we can seek both.



*We are clear in the positions we take on sustainability, impact, diversity and inclusion, as we see these as aligned with the success of our clients and their investments.*

We are active in working with governments and regulators to steer the reforms that are beneficial to clients and all our stakeholders. The work we have done in 2023 in supporting the ELTIF and LTAF initiatives in Europe and the UK, for example, and ground-breaking developments of tokenised solutions in Singapore, are the early fruit of our growing expertise and presence.

**Quality of execution**

Strategy does not win on its own: it needs quality execution.

Schroders' long-term DNA means that our decisions are executed with commitment and thoroughness. The achievements outlined above are multi-year in nature and have involved significant backing. We understood the importance of the commitment. By virtue of our ownership structure and long-term culture we have been able to attract the first-class talent to deliver it. We empower, develop and aim to retain our people. We are proud that 96% of our highly-rated employees remain with us year after year. Our people are proud to work for Schroders, and it is that connected empowerment that drives excellence for clients.

In October, we welcomed Richard Oldfield as Chief Financial Officer. Richard was Vice Chairman and Global Markets Leader at PwC where he led market-facing initiatives. He brings valuable expertise from a global advisory environment, where clients sit in the heart of a complex ecosystem.

I would like to wish Richard Keers, our out-going Chief Financial Officer, a fulfilling retirement, and thank him for the dedication he has shown to advancing Schroders' strategic ambitions over his ten-year tenure.

Finally, a thank you to all our talented employees who have worked tirelessly to deliver for our clients in difficult market conditions. Our achievements are made possible by their commitment, integrity and passion, values which form the foundation of our ongoing success.

**Peter Harrison**  
Group Chief Executive

28 February 2024

# Our strategy is driving growth...

Our strategy has been in progress for more than seven years. It was founded on our understanding of the changing needs of clients and wider changes triggered by macroeconomic and industry trends. We have deliberately shifted our business to capture these opportunities.

## Our strategy

### Build closer relationships with clients

Close connections with clients enable us to provide more relevant and tailored investment solutions. They also promote longer client relationships.

We are growing our wealth management business across the spectrum of client needs. We are also expanding our role as a provider of tailored solutions to pension and insurance clients, and other owners of long-term assets.

Answering increasing client demand for holistic advice helps us address downward pressure on fees.

### Expand our private markets business

By building a more comprehensive set of capabilities across all private asset classes – infrastructure, private debt, private equity and real estate – we can now service clients who are under-allocated to private markets and who seek exposure. The ongoing decline in public markets relative to their private counterparts supports this element of our strategy.

Future innovations such as tokenisation will enable us to offer these assets to a wider range of clients.

### Grow asset management

Identifying businesses with the greatest potential for excess returns from future growth remains a key client need. We have built a core set of global and differentiated products that are actively managed. This helps us meet growing demand for thematic, sustainable solutions, and the characteristics of these products shelter us from some pricing pressures.

Our strategic partnerships give us access to some of the world's largest and most promising markets such as the US, China and India.

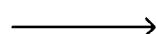
## Lead in sustainability

Leadership in sustainability is central to our ambition to deliver for stakeholders over the long term.

## Assets under management<sup>1</sup>

Our focus areas have grown from **35%** of our AUM...

2016



2023

£453.6bn

...to **56%** of our AUM

- **Wealth Management** 17%
- **Solutions** 30%
- **Private Markets** 9%
- **Public Markets** 44%

£750.6bn

1. Including joint ventures and associates.

# ...in a changing landscape

## Global forces

### Debt

Growing public debt around the world increasingly shapes the market backdrop and government fiscal policies.

### Decarbonisation

The transformation of global energy systems needed to meet 2050 net zero emissions targets demands enormous investment. Estimates suggest \$100 trillion is needed between now and 2050.

### Demographics

Ageing populations and migration are driving increased need for healthcare and pension spending in wealthier countries. At the same time, debt and low growth are creating economic constraints.

### Deglobalisation

Growing conflicts and geopolitical tensions are leading governments and industries to rethink supply chains and allocation of capital.

### Disruptive technologies

Generative AI and robotics will change industries and economies in unpredictable ways. Significant improved efficiencies are possible, while potential challenges include data management, lost employment and regulatory challenges.

### Opportunities

#### Global growth in pensions and savings

By 2026, an additional \$2 trillion investable assets will be accrued by affluent and mass affluent people in Asia alone.<sup>1</sup>

#### UK advice gap

The number of financial advisers working in the UK has fallen by 200,000 between 1991 and 2021.<sup>2</sup>

#### Private market expansion

The share of global asset management revenues derived from private markets is expected to reach 55% by 2027.<sup>3</sup>

#### Demand for sustainable investment

71% of expert investors strongly agree that active engagement adds value.<sup>4</sup>

### Industry trends

#### The search for investment performance

By the start of 2023, less than 15% of US companies with revenue of over \$100 million were listed on a stock market.<sup>5</sup>

In contrast, private markets are growing as companies seek alternative sources of capital.

#### Pricing pressures

The popularity of passive investments, which track indices, is driving down fees across the market.

The cost of doing business – including technology, data, cyber security defences and regulation – continues to rise.

#### Changing investor needs

Demands for decarbonisation and sustainability play an increasing role in clients' investment decisions.

With higher interest rates, cash is playing a greater role in clients' active allocations.

Meanwhile, pension fund trustees are increasingly reviewing governance and assessing the potential benefits of an outsourced investment approach.

1. Digital and AI wealth management in Asia | McKinsey, 2023.
2. Polarisation and Financial Services Regulation, FSA 2000; Financial advice firms in 2020 – Platform, 2020.
3. BCG Global Asset Management 2023.
4. Schroders Global Investor Study 2023.
5. S&P Capital IQ data as of December 2022; Statistics of US Business; Bain analysis.

# Our progress in 2023

## How we delivered in our areas of strategic focus while improving operational efficiency

### Grew Wealth Management while reducing costs

We delivered strong flows of 8% for advised Wealth Management. This was achieved while relocating roles from our service centre in Zurich to the UK, to drive efficiencies and support our growth ambitions for our wealth management businesses globally. We saw positive organic growth in our high-net-worth, ultra-high-net-worth and charity businesses during the year, with particularly strong net new flows at Cazenove Capital in the UK.

The current cost-of-living crisis saw some investors prioritise immediate spending. Despite this, Benchmark Capital, our adviser business, and Schroders Personal Wealth, our joint venture with Lloyds Banking Group in the mass affluent client segment, both attracted positive flows, demonstrating resilience in the current climate.

\* Build closer relationships with clients.

### Continued to pioneer new investment vehicles

We see digital assets and tokenisation – turning investment units into digital tokens – as a powerful trend which will impact asset management, increasing transparency, efficiency and security, and driving down costs.

In June 2023, we announced our participation in the Monetary Authority of Singapore's initiative with key industry partners to test the feasibility of tokenised assets while considering and managing risks to financial stability and integrity. This is one of several collaborations on tokenisation.

\* Expand our private markets business.

### Introduced AI platform for employees

Schroders' internal AI assistant, Genie, became available to employees globally. Built on the latest GPT models, Genie was deployed rapidly and has over 1,800 weekly active users. There are 80+ distinct use-cases across the Group, including investment research, translations and software development.

### Expanded our renewables portfolio

Schroders Greencoat entered into a joint venture with UK independent energy infrastructure development company Carlton Power in early 2023; by the end of the year, the venture – known as the Green Hydrogen Energy Company – had secured its first three contracts from the Government for sites across the

UK for hydrogen production. The green hydrogen produced will be used for industrial and manufacturing companies in local areas, helping decarbonise their operations. Our focus is on financing the projects, leveraging the UK's renewable energy expertise.

\* Expand our private markets business, Lead in sustainability.

## Delivered innovative ways to access private markets

The opportunities for individual investors to access private markets are limited. To expand the options available, the Financial Conduct Authority introduced a Long-Term Asset Fund (LTAF), to facilitate investment in less liquid assets such as private equity, property and infrastructure. In March 2023, Schroders Capital received Financial Conduct Authority (FCA) approval to launch the UK's first LTAF.

In addition, BlueOrchard launched the Green Earth Impact Fund and the Gender, Diversity and Inclusion Fund; and the £1.1 billion

commercial real estate mandate we secured was a compelling endorsement a prestigious family office client placed in our operational and sustainability expertise. Schroders Greencoat plays a key role in allowing our clients to finance the energy transition. We were delighted to be awarded a mandate by a partnership of local government pension schemes seeking to deliver local impact and their pathway to a greener grid.

\* Expand our private markets business, Lead in sustainability.

## Reached further milestones in sustainability

Our introduction of a new active equity solution, the Customised Decarbonisation Pathway, is allowing us to help clients effectively manage their climate commitments. It is enabled by our net zero alignment and engagement framework and overseen by an advisory group comprising a range of specialists from across our business.

In May, we launched carbon offset share classes, providing investors in our Global Climate Leaders portfolio with the choice to offset carbon emissions associated with their underlying fund holdings. Schroders was named "top financial institution" in the Global Canopy Forest 500 report, and we were a 2023 signatory to the UK Stewardship Code.

\* Grow asset management, Lead in sustainability.

## Attracted new clients to our solutions business

We saw £12 billion of inflows into Solutions this year, driven by strong demand for OCIO and LDI services, one of our largest Asset Management mandate wins, cementing our position as a trusted partner of choice in Solutions.

We were awarded LDI Manager of the Year at the European Pensions awards, recognition of our exceptional work in

navigating challenging market conditions.

Mandate wins from high profile charities highlighted our ability to provide bespoke offerings to clients by combining expertise across our UK charities business (in Cazenove Capital) and fiduciary management specialists in our solutions business.

\* Grow asset management.

**As we seek continued progress against our strategy in 2024, we are targeting these near-term areas of focus**

### Client connection

Delivering our broad set of capabilities to diverse, global clients requires a renewed focus on productivity. Ensuring our Client Group has the tools and data to deliver the whole firm to the client is essential.

### Wealth performance

Remaining committed to exceptional client service and investment outperformance will support continued growth.

### Strategic partnerships

Schroders has a long history of successful partnerships. Forming new partnerships and nurturing existing ones is central to our near-term growth strategy.

### AI transformation

2024 will see continued assessment of how we can embed the power of AI and other technologies to drive greater efficiency and improved products and service.

### Employee engagement

Our people are our greatest asset, and we want to be an employer of choice. Motivating, rewarding and retaining our employees, and creating an inclusive, diverse culture, will enable us to better serve our clients.

\* Our progress helps us deliver our strategy.  
Read more on our strategic pillars on page 14.

# Acting with purpose

**Long-term sustainability is a key basis on which we assess the companies we invest in. It is also central to the way we operate our own business, and we expect to lead by example.**

## Our people

The commitment, drive and innovation of our people enable us to deliver our strategy successfully.

We aim to attract people with the skills and passion to help us achieve our purpose.

This means creating a high-performing culture that is inclusive, encourages diversity of thought and provides employees with opportunities to grow.

To maintain our position as an employer of choice, we aspire to offer:

- Purpose, inspiration and inclusion.
- Fair pay for performance.
- A positive environment that prioritises wellbeing.
- High-quality work and personal growth opportunities.

## Purpose, inspiration and inclusion

Data supports our view that an inclusive culture and cognitive diversity deliver the best outcomes for clients. This year, we launched our 2030 inclusion and diversity goals, covering multi-year inclusion, transparency and diversity aspirations.

We hold ourselves accountable to change through voluntary disclosures. We have voluntarily published our gender pay gap since 2017 and published our UK Ethnicity Pay Gap this year, having achieved 80% disclosure from our UK employees. For further details on our workforce diversity targets and progress, see page 96.

In keeping with our Equal Opportunities policy, we give full and fair consideration to all employment applications, including those from disabled people, considering their aptitudes, skills, behaviours and abilities. If employees become disabled, we continue to employ them wherever possible, with retraining if necessary to enable continued career development.

 Find out more in our Inclusion Report at [www.schroders.com/paygap](http://www.schroders.com/paygap).

## Fair pay for performance

We aim to recognise and reward employees with holistic compensation and benefits.

Our remuneration approach centres around inclusion and fairness. Salary and bonus decisions are governed by our Fair Pay for Performance framework, meaning each decision takes into account:

- **Annual performance** – Group-wide, team and individual performance, including behaviours and conduct.
- **Market context** – reviewing pay levels and outlook among relevant comparators, as well as wider economic conditions.
- **Relativities and diversity** – validation and challenge of compensation proposals to ensure fairness versus peers and markets.
- **Individual context** – considering the skills, experience and potential of each employee.

Carefully balancing all these factors allows annual pay outcomes to be fair and drive high performance.

We aim to provide generous benefits and support to our employees compared with local market norms. Our flexible offering empowers people to choose options that suit them.

## Our values

### Excellence

Our commitment to excellence fuels our drive to create value for all stakeholders and a thriving long-term future for our business.

### Innovation and teamwork

We disrupt the status quo, anticipate future opportunities, and embrace the transformative power of teamwork. We aim to deliver value by valuing individual contributions and by harnessing the power of collaboration.

### Passion and integrity

We are determined in our ambition and pragmatic in delivery. We carry out our responsibilities with great care, energy and determination. This is complemented by a culture of transparency and accountability.

## What matters to you at work?

Our ability to attract and retain high-performing employees globally is critical to delivering our strategy.

We have been recruiting into our Schroders Campus in Horsham this year and work hard to explain to people what makes working at Schroders special.

## Glassdoor Employees' Choice Award

Named one of the UK's top 50 best places to work 2023

### **Positive work environment that prioritises wellbeing**

We give our people autonomy and flexibility within a supportive environment. Our global Flexible Working Charter sits at the centre of our inclusive culture and is an advantage in attracting talent.

Our Wellbeing framework focuses on building a healthy culture and ways of working.

Our Wellbeing Community is one of the largest voluntary communities in the firm. Recognising the growing challenges faced by those with caring responsibilities, we have enhanced our support for all carers, ranging from childcare to elder care.

Our local Wellbeing Hubs map out the extensive support and benefits available to employees. This includes guidance tailored by specific career and life events including divorce, infertility, menopause, financial worries and more.

### **High-quality work and personal growth opportunities**

We support the development and career aspirations of our people through training and new opportunities driven by the growth of the business.

Regular employee feedback helps us prioritise initiatives with the goal of attracting and retaining the best people. Our Global Employee Forum is chaired by our Senior Independent Director and meets regularly during the year.

"Spark", our global learning platform, provides digital courses on personal effectiveness, technical knowledge and leadership skills.

We develop bespoke learning opportunities to give our people the skills they need to deliver our strategy, such as in sustainable investment, data analytics techniques and the Spotlight Programme, a career development initiative tailored to ensure we have a robust pipeline of emerging talent. Our Sustainable Leadership Programme prepares future senior leaders to adopt a holistic approach, focusing on purpose and clients, whilst fostering growth through the right behaviours and networks.

#### **i Investing**

For more information about our approach to investing sustainably, see page 28.

#### **i Planet**

To learn about how we are performing against our commitments on climate change, see page 30.

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### **Retention of high-performing employees**

**96%**

This represents a committed and engaged workforce.

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### **Our commitment to inclusion**

**87%**

Employees who agree that we are committed to inclusion and diversity in the workplace.

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### **Employees who recommend Schroders as a good place to work**

**86%**

We outperformed the benchmark for high-performing companies.

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### **Employees who are shareholders of the company**

**71%**

This creates strong alignment for stakeholders.

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### **Community**

Community investment is a core part of our culture; developing our people's talents and helping us act with purpose.

Our approach is overseen by our Global Charity Committee, which reports to our Group Sustainability and Impact Committee, with regional committees, champions and Employee Resource Groups to mobilise and co-ordinate activities.

### **Corporate giving**

In 2023, we committed £5.4 million<sup>1</sup> to charitable causes around the world (2022: £5.2 million), £1.4 million of which was outside the UK (2022: £1.4 million).

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### **Charity partnerships**

Our charity partnerships focus on improving equality and protecting the planet. They give our employees opportunities to get involved through: supporting mental health; tackling equity and social mobility; promoting entrepreneurship, innovation and leadership in young people; and protecting the environment.

### **Employee giving**

We provide generous matching schemes to support our people in volunteering, fundraising or donating. From offering 16 hours of paid volunteer leave per year to payroll matching, we encourage our people to offer their skills and time.

Our employees registered 5,344 hours of volunteering during office hours in 2023, a 46% increase from 2022. This equates to a monetary value of almost £500,000<sup>2</sup>.

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### **Donations committed to charitable causes**

**£5.4 million**

2022: £5.2 million

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### **Employees who agree we demonstrate our corporate responsibility**

**87%**

to support the environment and society

1. We have included charitable sponsorships, memberships and research in 2023 as per the Business for Societal Impact (B4SI) methodology. We are looking to increase our impact reporting.

2. Calculated using the B4SI methodology.

# Delivering the whole firm

We have two business segments, Asset and Wealth Management. The breadth of capabilities within these segments gives us scale and reach to understand and serve our clients' complex needs, with actively managed investment solutions across public and private markets.

## Asset Management

Active investment management across public and private markets through mutual funds and institutional mandates.

## Wealth Management

Investment, advisory and platform services across the wealth spectrum.

### Public Markets

**£237.7bn AUM**

Our investment expertise across publicly-listed asset classes and markets means we can meet clients' investment needs at different phases of the economic and market cycle. Our mutual funds deliver a wide range of investment strategies that are distributed to retail clients through intermediaries and investment platforms. Segregated accounts support institutional clients by enabling us to provide more tailored investment strategies across asset classes.

### Private Markets

**£66.2bn AUM**

Private markets offer investors the opportunity to access returns from assets that are not otherwise available through public markets. Investment opportunities across private equity, private debt, real estate and infrastructure have historically been available only to institutional investors and ultra-high-net-worth clients. Innovations we are making in new collective investment vehicles mean they are increasingly available to a wider range of clients.

### Wealth Management

**£110.2bn AUM**

Our wealth management businesses, Cazenove Capital in the UK and Schroders Wealth Management internationally, provide investment and advisory services to high- and ultra-high-net-worth clients. Benchmark Capital offers financial planning and advice to a broad range of clients and provides an investment platform used by advisors across the UK to help them meet the needs of their clients.

### Solutions

**£228.3bn AUM**

Our solutions business helps institutional clients answer the most complex investment challenges at scale with strategic advice, an advanced investment process and integrated implementation model. Clients benefit from access to our investment expertise across public and private markets.

### Associates and joint ventures

**£93.9bn AUM**

We partner with leading firms, including Bank of Communications in China and Axis in India, to access these high-growth markets.

### Associates and joint ventures

**£14.3bn AUM**

Our joint venture with Lloyds Banking Group, Schroders Personal Wealth, offers financial advice to affluent clients.

## Infrastructure

Delivery of our services across Asset and Wealth Management is made possible by our robust and scalable operating platform. Critical capabilities that support the business include Technology, Operations, Finance, Risk, Human Resources, Compliance, Legal, Governance, Internal Audit and Tax.

## Our investment strategies cover:

- Equities
- Fixed income
- Infrastructure
- Multi-asset
- Private debt
- Private equity
- Real estate
- Risk mitigation

## How our business works

We aim to achieve our purpose by combining investment expertise with extensive market data to actively manage clients' investment capital.

To do this we need to attract and develop talented employees and maintain a robust, scalable operating platform. By serving clients' needs we aim to deliver positive outcomes for all stakeholders.

**Understand our clients' needs**

We develop a clear view of clients' evolving needs by focusing our resources around key client segments. This supports our goal to build deeper, longer-lasting relationships. In Asset Management we offer investment opportunities across public and private markets that respond to clients' needs in different circumstances. In Wealth Management, we also direct our resources to meet clients' needs across the wealth spectrum through differentiated brands and tailored client services.



**Create innovative products and solutions**

We recognise that clients have a wide variety of needs and goals. By combining client insights with market knowledge, data and our strong investment capabilities, we can design bespoke products and solutions.

These are designed to fit our clients' risk and return profiles, and any sustainability preferences. They are rigorously tested to ensure that they are fit for purpose.

**Actively manage investments**

### Asset Management

Our experienced investment professionals specialise by asset class, taking an active approach to managing solutions designed to build our clients' future prosperity over the long term.

### Wealth Management

Relationship management teams draw on research and analysis from Cazenove Capital's central investment strategy, and then overlay clients' individual needs to choose the most suitable investments.

### How we earn money

We charge fees as a percentage of clients' assets under management and when clients use our platform or advisory services. We may also earn performance-based revenues.

## How we create value over the long term

### Responsible stewards of assets

We are stewards of £750 billion of assets. By managing them responsibly we can deliver better performance for our clients. We believe that responsible investing is helping businesses in their transition to a more sustainable model.

### Growing people's savings and pensions

We strive to create a brighter future for our clients, investors and planet.

It is imperative that we never lose sight of the individuals who entrust us with their savings, which is why clients are at the heart of everything we do.

### Shareholder returns

Creating shareholder value goes hand in hand with our core aim of providing excellent performance to clients. Being able to service client needs, while thoughtfully allocating capital to higher growth areas, allows us to generate stable returns for our shareholders over the long term.

### Investee company engagements

6,724

### Client meetings

34,518

### Dividend per share

21.5p



For more information on our stakeholders see page 44.

# **PRIORITISING PERFORMANCE**

Learn about the financial performance of our business and the robust risk management framework across our diversified business.

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# Conviction in our strategy

**Richard Oldfield**  
Chief Financial Officer



*In the five months since joining, I have witnessed the remarkable daily innovation that sets Schroders apart. The energy and enthusiasm are truly astonishing. From product development to artificial intelligence, Schroders is ahead of the curve, delivering cutting-edge solutions to our valued clients.*

**This year's results continue to demonstrate that our strategy is the right one. 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-centric strategy in the face of what continue to be 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). Profit after tax was £402.6 million (2022: £486.2 million). The Board has recommended a final dividend of 15.0 pence per share (2022: 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), and a payout ratio of 66% (2022: 57%).

## **Growth through our client-centric strategy**

Our strategy, as outlined in the Group Chief Executive's statement, is built on a deep understanding of both investment markets, and importantly, our clients' needs. This informs our decisions, and enables us to develop the right expertise to deliver the solutions that address their specific requirements. The investments we have made in our strategic growth areas of Wealth Management, Private Markets and Solutions, combined with our know-how in Public Markets, have positioned us with the investment capabilities required to achieve this.

The value of this strategy is highlighted by the positive net new business we generated across these three strategic growth areas. In 2023, our combined net inflows from Wealth

Management, Private Markets and Solutions amounted to £23.1 billion (excluding joint ventures and associates). The closing AUM of these areas rose by 9% to £404.7 billion (2022: £371.6 billion), and the net operating revenue generated by them now accounts for 48% of our total net operating revenue (2022: 45%).

Importantly, these businesses not only showed solid growth during the year, they also provide a revenue stream with greater longevity. The three-year average longevity for these businesses ranges between 7 and 11 years, helping dampen the impact of a risk-off environment and further supporting the longer-term rebalancing of our business.

Perhaps unsurprisingly, our public markets business, comprising Mutual Funds and Institutional business areas, was not immune to the broader industry headwinds. In addition, amid heightened market volatility, the rise in interest rates made cash a competing option for generating returns. These factors led to net outflows of £13.4 billion in this business.

Overall, across the Group we generated net inflows of £9.7 billion (excluding joint ventures and associates) during the year. In addition, the investment returns we generated further bolstered our AUM. As a result, and despite a foreign exchange headwind of £19 billion, our closing AUM (excluding joint ventures and associates) increased by 4%, to £642.4 billion (2022: £616.5 billion). We also continued to provide long-term returns to our clients, with 77% of our assets outperforming their benchmarks over a five-year period.

Despite the growth in closing AUM, the timing of movements meant that our average AUM was 3% lower than in 2022

at £619.7 billion (2022: £636.2 billion). This reflected the impact of the significant market falls towards the end of 2022, which did not recover until late 2023. We were able to largely mitigate the impact of this through an increase in performance-based revenues, which were 42% higher on the back of returns generated for our clients. The growth in net banking interest helped to offset the impact further, meaning we saw only a marginal 1% reduction in our net operating revenue. This provides a further illustration of the benefits of our diversified business model. Overall, we generated net operating revenue of £2,334.4 million (2022: £2,361.4 million).

In recent years, we have seen significant growth from our strategic partnerships in Asset Management, including our longstanding interest in our venture with Bank of Communications. Developing these relationships continues to be an important part of our strategy. That said, in 2023, their financial performance was impacted by adverse foreign exchange movements and the unfavourable market sentiment, particularly in China. Within Wealth Management, our joint venture, Schroders Personal Wealth, began a strategic restructuring to position itself for future growth as part of its next phase of development. Overall, across the Group, our returns from joint ventures and associates reduced to £51.1 million (2022: £77.6 million). The returns from these interests are included in our net operating income, which totalled £2,419.0 million for the year (2022: £2,475.5 million).

Our growth in recent years has led to a broader client base, with different segments requiring increasingly sophisticated, specialist solutions. As part of our client-focused approach, we have realigned our Client Group to better meet the requirement of clients across Wealth, Long-term Asset Owners, Pensions and Retirement and Insurance. This change positions us well for the next phase of our evolution.

### Simplifying and streamlining our operating platform

Increasing the scalability of our operating platform enables us to focus our resources on adding value for our clients.

This year, we have made further progress in simplifying our technology, leveraging centres of excellence and streamlining our processes.

The implementation of our Cloud programme has yielded significant IT improvements, providing us with enhanced efficiency, agility and a reduced carbon footprint as we move away from legacy hardware assets and infrastructure. Moreover, we have successfully avoided the

need for substantial costs associated with overheads such as server enhancements, and the simplification of our operating structure has enabled us to carry out a focused restructuring programme during the year.

We are also continuing to benefit from our centres of excellence. Our Schroders campus in Horsham is a prime example of this. Established in 2019, this campus has been instrumental in providing operational support to a significant portion of our Group globally. In 2023, we took the decision to leverage this capability further by commencing the relocation of our wealth management service centre from Zurich. The move, which will complete in 2024, brings together our Asset Management and Wealth Management operating centres, allowing us to benefit from operational synergies and deliver ongoing cost savings.

The year was also marked by further streamlining efforts following the acquisitions we completed in 2022. In Solutions, we completed the integration of River and Mercantile's solutions business which has allowed us to meet the increasingly complex needs of pension fund clients and furthers our ambition to become the provider of choice for fiduciary management. In Schroders Capital, the acquisitions in 2022 mean we have largely completed the build-out of our capabilities. We are now focused on enhancing our operating platform across these asset classes to provide a scalable platform for further growth.

These changes clearly benefit our business and enable us to serve our clients better. They also demonstrate the fact that we are working hard to combat the inflationary pressures we are seeing around the globe.

Our non-compensation costs for the year increased by 2% to £645.6 million (2022: £631.3 million). This reflects our continued focus on cost discipline in the face of inflationary pressures along with some one-off benefits received during the year.

We have been equally disciplined in our approach to compensation costs. These costs reduced slightly to £1,112.4 million (2022: £1,121.2 million). This represents an operating compensation ratio of 46% (2022: 45%), which balances strong cost management with the need to support our talent and continue to invest in strategic growth areas. Our people are paramount to the successful delivery of our strategy and we are therefore proud to note that 96% of our high-performing employees were retained in 2023.

After bringing all of these components together, we generated an operating profit of £661.0 million (2022: £723.0 million).

### Restructuring costs and other non-operating items

Our commitment to building a healthy business and proactively dealing with change in the industry has meant we have reviewed our operating activities and restructured parts of the Group. This has led to a restructuring charge of £86.2 million.

The costs are largely compensation in nature, and principally relate to the simplification of our technology footprint, the relocation of our wealth management servicing platform along with reorganising our Client Group and other parts of the business. These initiatives allow us to reinvest our resources in the capabilities needed for long-term growth and in creating value for our clients and shareholders.

Central costs increased to £52.9 million from £48.8 million in 2022. These represent costs associated with the corporate management and governance of the Group and the costs incurred as part of our strategic corporate development and treasury activities.

The Group holds seed and investment capital and we generated a net gain on financial instruments and other income of £32.1 million (2022: loss of £6.7 million) and net interest income increased to £23.6 million (2022: £5.8 million). Acquisition costs and related items increased slightly to £90.0 million (2022: £86.4 million), principally due to higher amortisation costs.

The combined impact of these movements along with the profit from our operating segments resulted in a profit before tax for the year of £487.6 million (2022: £586.9 million). Profit after tax was £402.6 million (2022: £486.2 million).

### Reflecting on 2023

While the year brought considerable challenges to the asset management industry, I am proud of Schroders' resilient performance and am convinced that this is due to our unwavering commitment to our strategy.

Through the incremental steps taken to develop all parts of the business, we are positioning ourselves to serve clients across all parts of the investment management sphere.

**Richard Oldfield**  
Chief Financial Officer

28 February 2024

## Business and financial review continued

£ billion	Public Markets				Asset Management	Wealth Management	Total (excl. JVs and associates)	Joint ventures and associates	Group Total
	Private Markets	Solutions	Mutual Funds	Institutional					
<b>Opening AUM</b>	<b>68.3</b>	<b>210.2</b>	<b>100.8</b>	<b>139.1</b>	<b>518.4</b>	<b>98.1</b>	<b>616.5</b>	<b>121.0</b>	<b>737.5</b>
Restatement <sup>1</sup>	(4.6)	(0.4)	4.0	1.0	-	-	-	-	-
<b>Revised opening</b>	<b>63.7</b>	<b>209.8</b>	<b>104.8</b>	<b>140.1</b>	<b>518.4</b>	<b>98.1</b>	<b>616.5</b>	<b>121.0</b>	<b>737.5</b>
Transfers <sup>2</sup>	-	-	-	(2.2)	(2.2)	-	(2.2)	2.2	-
Gross inflows	9.3	46.3	30.4	22.3	108.3	17.8	126.1	330.8	456.9
Gross outflows	(4.8)	(34.3)	(34.6)	(31.5)	(105.2)	(11.2)	(116.4)	(339.5)	(455.9)
<b>Net new business</b>	<b>4.5</b>	<b>12.0</b>	<b>(4.2)</b>	<b>(9.2)</b>	<b>3.1</b>	<b>6.6</b>	<b>9.7</b>	<b>(8.7)</b>	<b>1.0</b>
Acquisitions	-	-	-	-	-	0.8	0.8	-	0.8
Investment returns <sup>3</sup>	(2.0)	6.5	2.9	5.5	12.9	4.7	17.6	(6.3)	11.3
<b>Closing AUM</b>	<b>66.2</b>	<b>228.3</b>	<b>103.5</b>	<b>134.2</b>	<b>532.2</b>	<b>110.2</b>	<b>642.4</b>	<b>108.2</b>	<b>750.6</b>

1. Real Estate Securities and externally managed GAIA funds have been reclassified to align with management responsibility. Associated revenues and margins have also been restated throughout this Business and financial review.

2. Our interest in BoCom wealth management company has been reclassified from a subsidiary to an associate.

3. Includes markets, foreign exchange and investment performance. Foreign exchange decreased AUM (including joint ventures and associates) by around £25.8 billion (2022: increase of £37.3 billion) and decreased AUM (excluding joint ventures and associates) by £18.6 billion (2022: increase of £34.0 billion).

## Asset Management

### Results

**£532.2bn**

Assets under management  
(2022: £518.4 billion)

**£3.1bn**

Net new business  
(2022: -£7.0 billion)

**£510.5m**

Operating profit  
(2022: £593.1 million)

Our Asset Management segment experienced robust performance despite ongoing market challenges.

The growth of our Asset Management AUM to £532.2 billion (2022: £518.4 billion) reflects our ability to navigate changing market conditions through our diversified business model and deliver value to our clients.

This growth in AUM was driven by two of our strategic growth areas: Private Markets and Solutions, demonstrating the alignment of our business strategy with the market opportunity.

Net operating revenue, however, reduced by 3% to £1,911.2 million (2022: £1,967.1 million) largely as a result of the market dynamics facing our public markets business.

Our business experienced good fundraising in 2023 despite the broader slowdown in market activity, winning £9.3 billion (2022: £14.2 billion) of gross fundraising. This drove strong net new business flows of £4.5 billion (2022: £6.6 billion) with positive flows across our four pillars: private equity, private debt, infrastructure and real estate. As at 31 December 2023, we had an additional £4.0 billion (2022: £4.0 billion) in non-fee-earning dry powder ready to be deployed. Flows in our real estate business were particularly strong, at £1.6 billion (2022: £4.8 billion). Overall, net operating revenue grew by 14% to £422.8 million (2022: £369.8 million), with an increase in management fees as well as record performance-based revenues of £54.5 million (2022: £18.8 million). The net operating revenue margin, excluding performance fees and carried interest, reduced to 57 basis points (2022: 60 basis points) principally due to lower real estate transaction fees.

Solutions generated impressive net inflows of £12.0 billion (2022: nil), driven by strong flows into our OCIO and LDI businesses. This demonstrates the strength of our fiduciary services following last year's acquisition of River and Mercantile's solutions business. Due to the timing of these flows, in particular strong net new business in the latter part of the year, and the impact of the gilt crisis on the value of AUM towards the end of 2022, our average AUM reduced to £212.1 billion (2022: £225.0 billion). Net operating revenue therefore declined to £268.5 million (2022: £293.6 million) and the associated margin excluding performance fees decreased to 12 basis points (2022: 13 basis points).

The rise in risk-free rates alongside wider market volatility led to £4.2 billion and £9.2 billion of outflows in our traditional

asset management businesses, Mutual Funds and Institutional. While management fees declined in the year, we continued to perform for clients, generating £20.8 million of institutional performance fees (2022: £32.1 million). Overall, net operating revenue for Mutual Funds and Institutional reduced to £1,219.9 million (2022: £1,303.7 million). Given the outflows from higher-margin equity products, Mutual Funds net operating revenue margin excluding performance fees decreased to 69 basis points (2022: 71 basis points). Our Institutional net operating revenue margin increased by 1 basis point to 35 basis points (2022: 34 basis points) due to outflows from lower-margin mandates.

The share of profits from our Asset Management associates and joint ventures generated a return of £48.7 million (2022: £73.6 million), representing a reduction from 2022. Our strategic partnerships, such as Bank of Communications in China and Axis in India, are not only key contributors to Asset Management operating profit but also enable us to take advantage of further opportunities in the markets in which they operate. Performance during 2023 was however impacted by adverse foreign exchange movements and unfavourable market sentiment.

Operating expenses in Asset Management remained largely flat at £1,471.7 million (2022: £1,475.6 million), reflecting our continued focus on cost control despite inflationary pressures.

Overall, these movements resulted in operating profit of £510.5 million (2022: £593.1 million) for the Asset Management segment.

# Wealth Management

## Results

**£110.2bn**

Assets under management  
(2022: £98.1 billion)

**£6.6bn**

Net new business  
(2022: £5.4 billion)

**£150.5m**

Operating profit  
(2022: £129.9 million)

Wealth Management thrived in 2023, achieving strong performance across all three service lines: advice, managed assets and our Benchmark platform.

A record high AUM of £110.2 billion (2022: £98.1 billion) was supported by strong net inflows of £6.6 billion: £4.9 billion in advised; £0.5 billion in platform; and £1.2 billion from managed assets.

Our advised business in particular had an excellent year, achieving an NNB growth rate of 8% and gaining further market share through our UK regional development and the strength of our charities business.

Across the Wealth Management segment, net operating revenue increased by 7% to £423.2 million (2022: £394.3 million), with good growth in management fees and higher net interest income. The net operating revenue margin increased to 41 basis points (2022: 40 basis points) reflecting the rise in interest rates.

Schroders Personal Wealth was more impacted by the UK's difficult economic environment but delivered positive net flows of £0.3 billion regardless. Our Wealth Management associates and joint ventures generated £2.4 million of share of profits during the year (2022: £4.0 million).

Operating expenses increased slightly to £286.3 million (2022: £276.9 million). The increase in the year principally reflects our continued investment in this growth area, both through strategic hires and enhancements to our IT platform. As a result of these movements, operating profit for the segment increased by 16% to £150.5 million (2022 £129.9 million).

In light of the overall market environment, this represents very strong performance.

# Financial strength and liquidity

Our year-end capital position remains strong, with a capital surplus of £630 million (2022: £655 million).

The Group's net assets were £4.5 billion (2022: £4.5 billion). The different forms of business that we conduct affect our total assets and liquidity. Generally, assets that are managed by the Group on behalf of clients are not included in the consolidated statement of financial position. There are, however, certain exceptions to this.

Within Asset Management, certain clients invest through life insurance policies that are managed by our life company, Schroder Pensions Management Limited. The assets backing these policies are held by the life company and are therefore included in the consolidated statement of financial position along with a matching policyholder liability. Additionally, we consolidate certain pooled funds which we are deemed to control under accounting standards.

Within Wealth Management, the subsidiaries that provide banking services are legally responsible for the banking assets and liabilities. They are therefore included in the consolidated statement of financial position. The assets are managed to earn a net interest margin whilst having regard for the liquidity demands that may arise from clients.

After adjusting for these structures, the Group's total assets comprised cash and other financial assets of £2.2 billion (2022: £2.4 billion) and other assets of £4.1 billion (2022: £4.1 billion).

Cash and financial assets includes both investment capital (mainly comprising cash, cash-like funds and other funds managed by the Group) and seed capital. During 2023, investment capital increased by £73 million to £257 million (2022: £184 million) and our seed capital decreased to £314 million (2022: £363 million).

Other assets include goodwill and intangible assets, which are inadmissible for regulatory purposes, and assets that support our ongoing operating activities in the form of working capital.

# Understanding and managing social and environmental change...

Sustainability is integral to the way we advise many of our clients, solve their investment problems, and manage their investments for the long term – it is not a standalone activity.

## Our operating context

Environmental and social change has the potential to impact every economy, industry and investment portfolio. Exposure to the risks and opportunities these changes create is unavoidable. Social and political views of climate change, nature loss, inequality and human rights failures are diverse. Our clients, however, share a common goal of requiring investment returns against a backdrop of change.

2023 saw further backlash from some quarters towards the premise of sustainable investment. At the same time, many advocates became increasingly vocal. This divergence of views is likely to continue. It does not alter our conviction that to deliver the portfolios and performance our clients expect, it is critical we continue to proactively understand, measure and manage sustainability-related risks and opportunities.

## Our approach to investing sustainably

The current focus by regulators is helping establish common standards for sustainable investment products and increased transparency about the sustainability characteristics of our funds. However, we believe that effective sustainable investment goes beyond complying with standard, "off-the-shelf" ratings.

Our approach is centred on incorporating an understanding of social and environmental trends into investment decisions and stewardship. Trends like climate change, nature loss, inequality and social unrest can pose material risks. They can also provide sources of opportunity. We treat sustainability as a key investment question, into which we invest time and resources to establish distinctive insights. These are underpinned by decades of sustainable investment experience.

We recognise that clients have a wide variety of needs and goals in relation to sustainability, and we have established clear frameworks to deliver thoughtful solutions. Some clients seek opportunities to invest in strategies that provide exposure to specific sustainability themes, or which have a positive impact on tackling those challenges. We are able to provide strategies focused on those goals. Doing so is not simple. Identifying and understanding sustainability themes and their consequences requires a combination of sustainability, industry and investment expertise.

A focus in 2023 has been on establishing an impact framework building on more than two decades of experience and industry leadership in BlueOrchard. We became a signatory to the Operating Principles for Impact Management in 2022, and in 2023 we were pleased to be added to BlueMark's Practice Leaderboard, following its assessment of our alignment to those principles.

## Active ownership

Constructive and committed engagement with management teams at the companies and assets we invest in is an important part of our active investment approach. The table below offers a snapshot of our engagement in numbers.

## Engagements by theme\*



\* The 4,020 total does not include letters sent following AGM meetings to explain our voting decisions. In 2023, we sent over 2,700 such letters to investee companies, bringing our total number of engagements to 6,724.

## Climate+ LTAF

Democratisation of private markets is something we were eager to make available to our clients, and in March 2023, Schroders received FCA approval to launch the UK's first LTAF.

The fund, Climate+, is focused on private asset investments that relate to climate mitigation, adaption, biodiversity and

social vulnerabilities – an area we know is important to many pension savers.

It is managed by Schroders Capital, our private markets business, and available to UK savers in certain pension funds that have appointed Schroders to manage their assets.

# ...so we can serve clients' needs

## Understanding sustainability exposure

The integration and application of sustainability factors into investment decisions are an important part of our strategy. Our dedicated Sustainable Investment Team works with investment colleagues across public and private markets to develop research and build proprietary models. SustainEx™, which focuses on public market securities, helps investment teams understand and measure sustainability exposures, risks and opportunities.

Individual investment desks, covering Schroder-managed strategies, are accredited on how sustainability issues are identified, examined and incorporated into investment decisions.

## Active engagement in our clients' interests

Engaging with the management teams of companies in which we invest to encourage and support them in adapting to emerging social and environmental pressures can be an important source of value.

Our Engagement Blueprint, recently extended to include private markets, describes the areas on which we focus and our approach. Each quarter, we report our progress on engagement with portfolio companies.

We view engagement and voting as opportunities to influence portfolio companies, which must be considered on a case-by-case basis.

## Meeting demand with new solutions

Demand for sustainable investment strategies continues to outpace the wider global fund market. There is particularly strong growth in demand for products providing exposure to specific sustainability themes or which deliver positive impacts to help tackle social and environmental challenges.

It is important that sustainable investment strategies deliver the outcomes clients want to achieve – rather than simply comply with standardised requirements.

## Recognised for excellence in ESG Integration

Investment Week's Excellence in ESG Integration award.

### Portfolios with SustainEx™ score above their benchmark

88%

(for portfolios to which these scores can be applied).

53

pieces of substantive sustainability research.

6,724

sustainability-focused engagements with 4,443 companies.

7,141

The number of shareholder meetings we voted on.

73,370

The number of resolutions we voted on.

17

New sustainable investment funds launched.

## Climate+ LTAF

Launch of new private markets Long-Term Asset Fund facilitated access to investments in less-liquid assets.

## Top of the Global Canopy Forest 500

Leading financial institution for action on deforestation.

# Meeting our climate commitments

Climate change represents an unavoidable risk to global economies, industries and investment portfolios, but also a source of opportunity. Meeting the commitments global leaders made in Paris in 2015 to limit temperature rise to below 2°C – and the targets to reach net zero, which have been established in countries representing close to 90% of global economic output – will inevitably be disruptive. As a global investment manager, it is our responsibility to deliver investment performance for our clients through our understanding of how the impacts of climate change and nature loss will affect assets and investments.

## Our climate change strategy

We have made a series of climate and nature-related commitments to support achieving net zero by 2050 or sooner. These span both the investments we manage and our own operations. These commitments build on years of research, risk analysis, proprietary tool development and action to understand and manage the risks and transition opportunities posed by climate change and biodiversity loss. We were among the first 20 financial institutions to have our targets formally validated by the Science Based Targets initiative (SBTi). The validation confirmed that our Scope 1 and 2 targets are in line with a 1.5°C trajectory and that our relevant AUM is also targeted to be fully aligned with a 1.5°C pathway by 2040.

Our transition plan has four key pillars of action: our insights, our influence, our innovation and our ability to use our position to inspire others.

 For Earth Day in April, our employees volunteered to support six impact-led environmental events and initiatives across the globe.

## Reporting on climate matters

The following section is in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022. We have also produced a supplemental detailed Climate Report to provide a more comprehensive and tailored view for our stakeholders in accordance with the FCA Listing Rule 9.8.6R(8). The following, read together with our detailed Climate Report (which can be found on our website<sup>1</sup>) is our response to, and is consistent with, all the recommendations and relevant recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). These disclosures describe how we incorporate climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to the expectations of our stakeholders.

1. [www.schroders.com/tcfcd](http://www.schroders.com/tcfcd)



**The investments  
we manage**  
2023 key metrics

**22.4 MtCO<sub>2</sub>e**

Financed Scope 1 and 2 carbon emissions  
(2022: 22.9 MtCO<sub>2</sub>e)



**Our own  
operations**  
2023 key metrics

**4,409 tCO<sub>2</sub>e**

Scope 1 and 2 location-based GHG emissions  
(2022: 4,500 tCO<sub>2</sub>e)

**53.9 tCO<sub>2</sub>e/\$m  
invested**

Financed Scope 1 and 2 carbon footprint  
(2022: 59.1 tCO<sub>2</sub>e/\$m)

**98%**

Percentage of global renewable electricity consumption  
(2022: 95%)

**2.5°C**

Temperature score for Scope 1 and 2 carbon emissions at portfolio level  
(2022: 2.6°C)

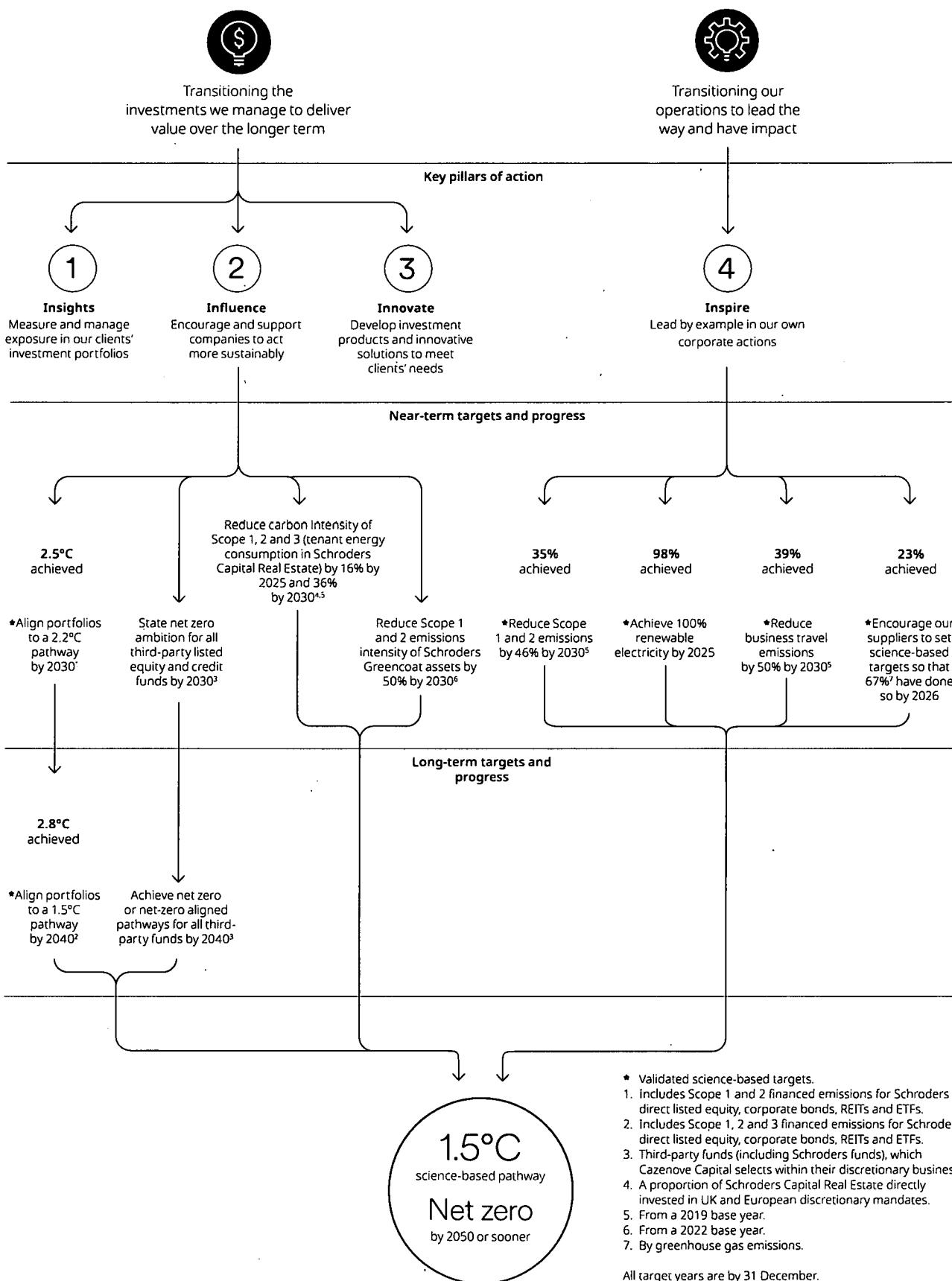
**13,265 tCO<sub>2</sub>e**

Scope 3 business travel GHG emissions  
(2022: 8,675 tCO<sub>2</sub>e)

**23%**

Percentage of suppliers (by GHG emissions) with a science-based target  
(2022: 25%)

## Our climate change strategy



## Climate-related financial disclosures continued

### Strategy

Our sustainability strategy is embedded throughout our business. Our strategic and financial planning process includes an assessment of any changes needed to respond to climate and nature-related risks and opportunities.

### Risks and opportunities

By setting and meeting our targets, we expect the assets we invest in will be less exposed to the risks of the transition. To embed this across our investment business, our consistent, principles-based framework for ESG integration requires each investment desk to consider climate-related risks and opportunities. We complement this process with an annual accreditation requiring each investment desk to articulate how these factors are incorporated into their investment process. This annual submission is reviewed and approved by the central Sustainable Investment team.

The approach to identifying, assessing and managing climate risks and opportunities differs depending on the category of asset class and business:

- For our listed assets, the models and data encompassed in our Climate Analytics Framework supports our investment teams to be able to identify and assess climate-related risks and opportunities, augmenting their own company and industry insights.
- For our private markets business, individual asset classes have developed dedicated scorecards.
- In our wealth management business, and multi-manager teams, we assess third-party managers on their alignment to the Paris Agreement and the extent to which they consider climate-related risks and opportunities in their investments.

For our own operations, we identify and assess climate-related risks and opportunities by carrying out an annual inventory of all relevant greenhouse gas (GHG) emissions. Our key operational risks and opportunities are managed by the relevant business functions, supported by the Corporate Sustainability team. The Group Sustainability and Impact (GSI) Committee recommends the overall strategy and monitors the progress against our targets.

The following tables show the climate-related risks and opportunities related to the investments we manage and our own operations, along with the time horizons in which we expect them to materialise.

- Short term: 0-5 years aligns with our strategic planning, business forecasting, and viability assessment. Our RCA methodology focuses on identifying and assessing risks that may crystallise within the next five years, including physical climate risks for our offices. It also reflects the typical investment duration of our clients.
- Medium term: 6-10 years is considered "near term" by the SBTi. This timeframe reflects the period in which we expect material changes in the climate exposures of investee companies resulting from our engagement with their management teams.
- Long term: Beyond 10 years, the physical impacts of climate change will intensify and the level of political action to address climate change will become clearer. Our business may be influenced by different climate scenarios over this extended period.



### Climate risks

Investment portfolio risks	Description	Timeframe	Impact			Actions to mitigate risk	Timeframe	Impact rating
			1.5°C	2°C	3°C			
Transition: Current regulation	Potential risk of regulatory breaches from existing climate-related regulation	Short	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regulatory fine	We have invested significantly in data and technology infrastructure, data security, and portfolio analysis and monitoring. We have a sustainability regulatory programme that assesses systematically the impact of new climate regulation and supports with the implementation of live regulation.	Short term: 0-5 years Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High
Transition: Future policy and legal	Changes to climate-related regulation that impact our investee companies' products and services	Medium	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Reduced revenues	We include the consideration of climate risks and opportunities in our annual ESG integration accreditation process. Examples include climate risk scorecards by our infrastructure debt business and a maturity scale assessment adopted by our wealth management business.	Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High
Transition: Market	Climate change impacting our product demand through changing client behaviour	Short	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Reduced revenues	We have developed our new Climate Product Framework, aligning our private and public markets products to client decarbonisation outcomes. We conduct client surveys, for both institutional and retail clients, to assess product demand.	Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High
Transition: Reputational	Perception of not having met our net zero commitments	Medium	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Reduced revenues and/or litigation risk	We have established our climate engagement programme (outlined in more detail on page 35).	Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High
Physical: Acute	The impact on investee company operations from extreme weather events	Medium	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Reduced revenues	Where data is available, we undertake scenario analysis to determine the exposure of our investments to the physical risks of climate change.	Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High
Physical: Chronic	The impact on investee company operations from long-run changes in climate	Long	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Reduced revenues	To the extent data allows, we undertake scenario analysis to determine the exposure of our investments to the physical risks of climate change.	Medium term: 6-10 years Long term: 10+ years  ● Low ○ Medium ○ High

The tables on pages 32 and 33 set out our assessment of different climate-related scenarios, enabling us to adapt and respond to climate-related risks and opportunities and take appropriate mitigating actions where required. This analysis and framework supports our ongoing strategic and business model resilience in respect of climate-related challenges and risks.

Climate risks continued

Impact rating

● Low

○ Medium

○ High

Operational risks	Description	Timeframe	Impact			Actions to mitigate risk
			Operational impact on Schroders	Science-based target impact	Rating	
Transition: Policy and legal	Increased carbon pricing on our own emissions	Long	Increased costs	N/A	●	Our specialist teams monitor and analyse the impact of regulatory change. Business change teams integrate regulatory requirements into business processes.
Transition: Policy and legal	Increased regulatory requirements	Short	Increased costs	Scope 3 supply chain target	○	Our specialist teams monitor and analyse the impact of regulatory change. Business change teams integrate regulatory requirements into business processes.
Transition: Technology	Costs to transition to lower emissions technology for own emissions	Medium	Increased costs Increased GHG emissions	Scope 1 and 2 target Scope 3 business travel target RE100 target	○	We carry out feasibility studies and modelling at property level. We implement specific initiatives dependent on technology (for example, building management system upgrades, onsite renewables, electric car charging points).
Transition: Market	Increased volatility in energy prices due to supply chain disruptions	Short	Increased costs Increased GHG emissions	Scope 1 and 2 target RE100 target	○	We monitor contracts at property level. Where we procure directly, we carry out energy market analysis and a tender process to achieve a competitive price. RE100-compliant contracts are prioritised and, where possible, onsite renewables are being pursued.
Transition: Reputation	Perception of not having responded appropriately to climate challenges	Short	Reduced revenues	N/A	○	We monitor external benchmarks and emerging best practice (for example, CDP) to improve performance. We are implementing a detailed Climate Transition Action Plan.
Physical: Acute and chronic	The impact on physical operations of extreme weather events or changes in temperature	Short	Increased business disruption, capital expenditure and insurance costs	Scope 1 and 2 target	○	We use a real estate climate risk model (provided by Verisk Maplecroft). We conduct risk assessments of our office locations, evaluating 23 individual acute (for example, drought, flood, severe storm) and chronic (for example, heat stress, water stress, air quality) risk indicators.



## Climate opportunities

Impact rating

● Low

○ Medium

○ High

Investment portfolio opportunities	Description	Timeframe	Impact			Business impact	Actions to take advantage of the opportunity
			1.5°C	2°C	3°C		
Technology	New revenue opportunities for our investee companies from patents in technologies tackling climate change	Short-Medium	●	●	○	Increased revenue	We have developed new tools that enable investment teams to assess whether companies stand to benefit from the net zero transition.
Products and services: Climate mitigation	New revenue opportunities from investment strategies focused on mitigating climate change, such as investments in renewable infrastructure and green technology	Short-Medium	●	●	○	Increased revenue	We develop new investment strategies that focus on different themes arising from the net zero transition, such as the Global Energy Transition strategy, or our investment in Schroders Greencoat.
Products and services: Climate adaptation	New revenue opportunities from investment strategies focused on supporting climate adaptation, such as investment in flood defences or nature-based solutions	Medium-Long	○	○	○	Increased revenue	We develop new investment strategies that focus on investing in the infrastructure and technologies that aim to protect communities from the impacts of climate change, such as the Sustainable Food and Water strategy.
Market	Increased demand for climate-focused investment strategies due to increased regulation impacting our clients	Medium	●	●	○	Increased revenue	We have established a Decarbonisation Group to develop a framework that will support clients with their decarbonisation investment objectives.

Operational opportunities	Description	Timeframe	Impact			Actions to take advantage of the opportunity
			Operational impact on Schroders	Science-based target impact	Rating	
Resource efficiency	Increased energy efficiency of offices	Short	Decreased GHG emissions and operating costs	Scope 1 and 2 target	○	The implementation of ISO 14001 Environmental Management System (EMS) certification, energy audits, feasibility studies and modelling at a property level inform our energy efficiency practices. We have introduced specific energy-efficiency initiatives, for example, implementing Building Management System upgrades.
Energy source	Lower emission sources and increased resilience of energy for offices and car fleet	Short	Decreased GHG emissions. Short-term increase in costs	Scope 1 and 2 target RE100 target	○	We conduct energy audits, feasibility studies and modelling at property and fleet level. We have introduced specific GHG emission reduction initiatives (for example, implementing onsite renewables, switching to hybrid/electric company cars).

## Climate-related financial disclosures continued

Our transition plan has four key pillars of action: our insights, our influence, our innovation and our ability to use our position to inspire others. A more detailed description of these levers of change can be found on our climate change strategy diagram on page 31.

### 1 Insights: Measure and manage exposure in our clients' investment portfolios

In 2023, the near-term (2030) Scope 1 and 2 temperature score of our listed equity, corporate bond, REITs and ETF exposure reduced from 2.6°C to 2.5°C, and the long-term Scope 1, 2 and 3 temperature score from 2.9°C to 2.8°C.

The investments we manage are exposed to climate risks but also opportunities associated with the net zero transition. Climate risk and opportunities exposure can vary widely between asset classes, sectors and regions, which highlights the value in diversification. In Schroders Capital, we have sought to take advantage of the opportunities associated with the transition by investing in technology that aims to tackle climate change. This is evidenced by our acquisition of a leading renewables infrastructure investment manager, Greencoat Capital (now Schroders Greencoat) in 2022. This disparity in exposures across asset classes means we cannot take a single approach to the integration of climate-related risks and opportunities by our investment teams. Different factors will be more relevant to certain asset classes than others. An Implied Temperature Rise (ITR) metric that assesses a company's net zero ambition will be less relevant for an infrastructure strategy that aims to assess the emissions saved over the lifetime of the asset: a wind turbine replacing a coal power plant, for instance. To tackle this challenge, in 2023 we upgraded our ESG integration accreditation framework, requiring each of our more than 65 investment desks to outline how they systematically consider climate-related risks and opportunities in their investment process and evidence with case studies how they have engaged on the topic of climate. This framework is global, covering Schroders' public-markets, private-markets, and wealth businesses. It is principles-based, requiring each of the business areas to consider climate related risks and opportunities in a way that is relevant to them.

#### 2023 scenario analysis findings

We consider climate scenario analysis to be a valuable tool for better understanding climate risks and opportunities. Climate scenario analysis can inform investment decision-making. Where possible, we have quantitatively analysed the exposure of our investment holdings to physical and transition climate risks under a range of climate scenarios. We align our choice of scenarios to the externally defined set of reference scenarios provided by the Network for Greening the Financial System (NGFS)<sup>1</sup>. Some scenarios assume stringent carbon policies and rapid decarbonisation, while others assume slow and uncoordinated policy action.

The scenarios used are not intended to be predictions of the future, but rather to enable us to understand and consider the risks and opportunities from different possible outcomes. The models are built on the assumption that companies in which we invest make no change or adaptation over time. Furthermore, this analysis is based on a snapshot of current holdings and does not consider action to mitigate risk, such as engagement or portfolio changes.

Under the lens of aggregated climate VaR<sup>2</sup> in Figure 1, our covered investments are most exposed to climate risks under a 1.5°C scenario, with a potential impact of -14% of current market value. This impact diminishes slightly under 2°C (-12%) and 3°C (-10%) scenarios. In general, the model shows that transition risks are greater than physical risk. It is important to note that the model outputs are one view of the world and do not necessarily reflect the potential longer term physical implications of climate change, particularly given the complex and connected nature of physical risks, such as the catalytic effect of tipping points. The horizontal lines in Figure 1 represent the aggregated climate VaR of the covered investments, while the columns represent the value for each individual sector. There are marked differences in the profiles

**Figure 1. Covered investments exposure to aggregated climate risk, broken down by sector<sup>3</sup>**

**Figure 2. Covered investments physical and transition risk exposure, broken down by sector<sup>4</sup>**

1. The NGFS scenarios are developed by a group of central banks to support the scaling of climate risk analysis. More information available here: <https://www.ngfs.net/en>
2. Aggregated climate Value at Risk (VaR) is an assessment of climate-related risks and opportunities across different climate scenarios developed by MSCI.
3. Schroders' aggregated sectoral climate risk analysis using MSCI Climate VaR. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.
4. Schroders' sectoral analysis of extreme physical and transition risk scenarios using MSCI Climate VaR. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.

of different sectors of the economy, with aggregated climate risk becoming progressively more concentrated in sectors like basic materials and oil and gas under more aggressive transition scenarios.

The negative implications of physical climate impacts are outweighed by the transition risk impacts under the stringent policy scenario that will be needed to deliver global climate goals. The chart in Figure 2 summarises the sector exposures in a high-risk scenario for both physical and transition risks. The size of the bubbles represents the share of our in-scope AUM invested in that sector.

Climate scenario analysis is more challenging for our private markets business, where a consistent quantitative approach is not feasible. Each asset class integrates climate differently, based on how climate change risks or opportunities impact investments and the availability of data and methodologies. Proprietary ESG scorecards inform this approach, with climate change categories weighted based on their materiality for specific sectors, regions, or asset types, and contribute to the overall ESG score for each investment.

## 2 Influence: Track and hold investee companies to account

We believe we can most effectively manage climate exposure by engaging with the most material carbon emitters in the portfolios we manage. We do not believe that divestment is the best starting point for investors to decarbonise portfolios. We apply this principle across both listed equities and corporate bond investments. Our approach is summarised in a five-point Climate Engagement and Escalation Framework:

1. Climate expectations: the climate objectives we expect large and medium-sized companies to adopt.
2. Company prioritisation and selection: how we develop our climate engagement priority list.
3. Monitor progress: we use our tools to monitor progress against our climate expectations.
4. Voting policy: we either endorse resolutions that align with our climate approach or provide an explanation for our non-endorsement of resolutions.
5. Escalation policy: where we see no meaningful progress towards our objectives, we have a framework for escalation.

In 2023, we engaged with 743 companies setting 677 objectives. We also undertook 119 collaborative engagements over the period.

The distinct characteristics of private markets investment strategies – typically longer investment horizons – provide us with an opportunity to build operational and financial value from origination to exit. In many cases for private markets, our first goal is to improve the quality and level of disclosure on climate materiality, emissions and decarbonisation, or to gain a deeper understanding of how potential risks have been considered, priced and mitigated. When we directly own a real asset, we look at how the asset's exposure and impact on climate change can be reduced, how the asset will evolve to ensure its resilience to climate risks, and how the asset interacts with local stakeholders.

In Wealth Management, we engage directly with our investment managers. Approximately 60% of our managers have made a net zero commitment, yet very few have formally implemented those commitments into their underlying funds. By engaging them to promote progress towards net zero within their funds, our objective is that they, in turn, will encourage the underlying companies they own. In the short term, our engagement will focus on accelerating progress by building our understanding and sharing best practice. We will concentrate our efforts on the managers still yet to make a commitment, prioritising those with business models that make setting a commitment less challenging.

## 3 Innovate: A solutions approach to net zero

We understand that our clients are at different stages of their net zero transition journey and have different views of the climate challenge. This is why we have designed our climate product framework to focus more on our clients' targeted decarbonisation outcomes, while also expanding the options available to our clients. Since we launched the Global Climate Change (GCC) strategy in 2007, our climate-focused range has grown to over 15 strategies across public and private markets. Though our aim is for all Schroders strategies to align to our commitments, given their unique investment approach, their trajectories will vary and may not always be linear.

## A solutions approach to net zero



These strategies target specific emissions reduction, either relative to a benchmark or on an absolute basis.

This includes both sustainable and non-sustainable funds.



These strategies invest in companies or assets which are actively transitioning to a lower carbon business model and are reducing their exposure to GHG emissions.

This includes strategies such as the Global Climate Leaders and Carbon Neutral Credit strategies.



These strategies invest in companies that have products and services that actively contribute to specific climate-related outcomes through technological development and innovation.

This includes both sustainable and impact strategies such as the Global Energy Transition and BlueOrchard Emerging Market Climate Bond strategies.

## Climate-related financial disclosures continued

### 4 Inspire: Transitioning our own operations to net zero

Our operational climate change strategy focuses on reducing GHG emissions and resource use across our operations. We are doing this by decreasing energy demand, increasing energy efficiency and switching to low-carbon electricity sources. We also aim to reduce our business travel and engage with our supply chain to encourage them to set their own science-based targets.

In 2023, our total Scope 1 and 2 GHG emissions decreased by 35% from the 2019 base year and decreased by 2% compared with 2022. The SBTi defines a 4.2% reduction in GHG emissions in linear annual terms, to be in line with a 1.5°C trajectory. This means that our 2023 Scope 1 and 2 GHG emissions should represent a minimum of 16.8% reduction against our 2019 base year emissions, against which we achieved a 35% reduction. Although we recognise our progress will not be linear, we are currently on track with a 1.5°C aligned science-based pathway.

We have also increased the annual sourcing of renewable electricity to 98%, compared with 95% in 2022. Our 2023 figures are in line with the RE100 criteria, which will be assessed and verified in our 2024 CDP submission. This increase was primarily due to the increased purchase of renewable electricity certificates for our global locations, where we could not directly influence the electricity supply, as well as electricity contracts being changed to renewable-based supplies.

We continue to develop site-specific net zero action plans and to attain ISO 14001 Environmental Management System certification across our largest office sites, as well as transition our company car fleet to hybrid or fully electric by 2025 to support these targets.

Our operational Scope 3 value chain emissions (excluding our financed emissions) are about 31 times larger than our Scope 1 and 2 emissions. As 96% of these Scope 3 emissions relate to business travel and our supply chain, we have chosen to set additional targets for these areas. Business travel emissions have decreased by 39% from the 2019 base year, but have increased by 53% compared with 2022 as business travel continued to increase. We will continue to manage this closely and challenge ourselves on the purpose, frequency and mode of travel.

Taking a similar approach to our active ownership programme with investee companies, we have a supplier engagement plan under which we encourage and support our suppliers to act more sustainably. In 2023, 23% of our suppliers in scope<sup>1</sup> (by GHG emissions) had set a science-based target. This is a 2% decrease, compared to 2022, and is due to changes in supplier spend and updated emissions factors in sectors that contribute a high proportion to our spend.

### Risk management

Our principal risks are set out on pages 41 to 43. Given the importance of climate-related risks to our business, 'Sustainability risk including climate change' has been identified as one of our principal risks. There is an accompanying risk appetite statement, approved by the Board, which enables us to provide an assessment of risk position versus our risk appetite on an annual basis, while monitoring performance throughout the year.

Climate and nature-related risks are managed in accordance with the same 'three lines of defence' model we use for all risks. The heads of each business area are ultimately responsible for ensuring risks are identified, assessed and managed by investment teams. Independent monitoring is then carried out by the second line of defence. Internal Audit provides independent assurance over the operation of controls. We recognise that climate change in particular is a pervasive risk across many of our key risk types. Heads of business areas across the Group are responsible for identifying these risks and assessing the impacts to their business areas in line with their functional responsibilities.

### Governance

The Board is responsible for approving the Group's strategy, which includes our sustainability strategy. The Board has delegated overall responsibility for the delivery of the Group's strategy to the Group Chief Executive, who has the authority to delegate further while retaining overall responsibility for the delivery of our strategy. In discharging its responsibilities, the Board takes appropriate account of the interests of our stakeholders, including clients and wider society. Our governance framework enables the Board to have oversight of the climate and nature-related risks and opportunities impacting our business. Through this framework, the Board receives regular briefings on sustainability matters, including climate and nature-related issues.

- The Board was updated on how sustainability trends, for both our own operations and the investments we manage, were shaping our industry, and on progress on some key issues including climate change, biodiversity, human rights and community investment.
- At our annual Board strategy meeting, the Board noted our leadership position in sustainability as part of the Group Chief Executive's strategy paper. The Board also noted several climate and nature-related developments as part of the Governance report.

The Audit and Risk Committee receives reports from management on key risks to ensure they are considered at Board level. As 'Sustainability risk including climate change' is identified as a key business risk, the Audit and Risk Committee received information quarterly to assess how it is being managed. During 2023, the Audit and Risk Committee had five meetings. For more information on the Audit and Risk Committee, see pages 66 to 73.

Within our governance structure, sustainability is integrated across our business areas. There are a number of management committees and working groups that assess, advise on and oversee climate and nature-related risks and opportunities.

Our key sustainability management committee is the GSI Committee. The GSI Committee provides advice to the Group Chief Executive to assist him in discharging his responsibilities regarding sustainability and impact. The GSI Committee monitors our climate and nature-related targets with progress reported to the Board (for more information on our targets, see our Climate Report 2023)<sup>2</sup>. The obligations of our climate transition plan are monitored by the GSI Committee as part of reviewing our sustainability strategy. This includes monitoring progress towards our science-based targets. During 2023, the GSI Committee had six meetings. For further information on our climate and nature governance structure, see our Climate Report 2023.<sup>2</sup>

Our remuneration structures emphasise the strategic importance of climate-related issues. Executive Directors have sustainability measures in their annual bonus and Long-Term Incentive Plan (LTIP) scorecards. Performance against these measures impacts their compensation outcomes.

### Metrics and targets

We use a number of metrics and targets to track progress against our climate change strategy to ensure that we are responding appropriately to the climate-related risks and opportunities facing our business. Please refer to page 31 for more detail on our net zero targets.

We have developed an ESG Risk Dashboard to monitor financed emissions and portfolio risks. This is incorporated into the investment risk management processes and includes, among other sustainability metrics, a product's carbon footprint Weighted Average Carbon Intensity (WACI) for Scope 1 and 2 emissions, plus Carbon VaR, calculated using our proprietary Carbon VaR tool.

1. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.

2. [www.schroders.com/tcfdr](http://www.schroders.com/tcfdr)

We recognise that emissions data is frequently based on estimates or proxy data and, as a result, provides an imperfect view of portfolio exposures or risks. The data we rely on can also change materially from one year to the next, as data quality improves or estimation methods change. We continue to work to ensure the data we use is as accurate as possible, but highlight that any outputs should be interpreted as approximate and not precise.

Our operational data is reviewed internally; through an environmental accounting tool, we are able to log targets and track progress. We also make sure that the most up-to-date, relevant emission factors are

used in line with the Greenhouse Gas Protocol, a global standardised framework to measure and manage greenhouse gas emissions.

Our operational GHG emissions, target progress, waste and water data are externally assured by Incendium Consulting Ltd.

The SBTi requires that targets shall be reviewed, and if necessary, recalculated and revalidated at least every five years, to reflect material changes in climate science and business context. We review our GHG inventory annually and will restate our data and/or recalculate our science-based targets when required.

## 2023 metrics

### Our financed GHG emissions

Metrics	Scope	2023	2022	2019 (base year)	Units
<b>Total carbon emissions</b>	Scope 1 and 2	<b>22.4</b>	22.9	39.1	MtCO <sub>2</sub> e
	Scope 3	<b>149.6</b>	163.7	223.1	MtCO <sub>2</sub> e
<b>Carbon footprint</b>	Scope 1 and 2	<b>53.9</b>	59.1	95.5	tCO <sub>2</sub> e/\$m invested
	Scope 3 <sup>1</sup>	<b>360.3</b>	423.7	550.0	tCO <sub>2</sub> e/\$m invested
<b>Weighted average carbon intensity (WACI)</b>	Scope 1 and 2	<b>105.7</b>	145.8	176.7	tCO <sub>2</sub> e/\$m revenue
<b>Portfolio temperature score</b>	Scope 1 and 2	<b>2.5°C</b>	2.6°C	2.9°C	Celsius

This submission includes our Scope 3 category 15 carbon emissions and the implied temperature rise of our entire portfolio across all in-scope asset classes (listed equities, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs)). Where available, we use the estimates provided by our data vendor, and we use our own methodology, which is based on Partnership of Carbon Accounting Financials (PCAF) principles, where not. The objective of estimation is to provide as complete and representative a picture of

portfolio emissions as we believe is possible. Carbon and climate data reported by companies is frequently incomplete and based on inconsistent assumptions. This data forms the basis of our financed emissions calculations, which should be considered estimates rather than precise figures. We have followed PCAF principles in calculating our financed emissions, but recognise that the underlying data can change materially as reported data increases and estimation methodologies improve.

## 2023 metrics

### Our operational GHG emissions

Greenhouse gas emissions (tCO <sub>2</sub> e)	2023	2022	2019 (base year)
<b>Total Scope 1 emissions</b>	<b>661</b>	<b>789</b>	<b>1,110</b>
<b>Total Scope 2 emissions (location-based)</b>	<b>3,748</b>	<b>3,711</b>	<b>5,718</b>
<b>Total Scope 2 emissions (market-based)</b>	<b>504</b>	<b>717</b>	<b>3,255</b>
<b>Total Scope 1 and 2 emissions (location-based)</b>	<b>4,409</b>	<b>4,500</b>	<b>6,828</b>
Of which UK Scope 1 and 2 (location-based)	2,725	2,767	4,621
<b>Total Scope 1 and 2 emissions (market-based)</b>	<b>1,165</b>	<b>1,506</b>	<b>4,365</b>
Of which UK Scope 1 and 2 (market-based)	625	809	2,408
<b>Total Scope 3 operational emissions</b>	<b>136,582</b>	<b>117,417</b>	<b>115,048</b>
<b>Metrics</b>			
Scope 1 and 2 tCO <sub>2</sub> e per employee	0.69	0.73	1.27
<b>Global energy consumption (kWhs)</b>			
<b>Total energy consumption</b>	<b>18,608,188</b>	<b>19,258,182</b>	<b>26,265,797</b>
Of which UK energy consumption	12,810,625	13,410,123	18,495,195

### Streamlined Energy and Carbon Reporting (SECR)

Our 2023 operational metrics provide details on our total operational GHG emissions and energy data and is in line with the Streamlined Energy and Carbon Reporting (SECR) requirements.

For a more detail on our operational emissions please refer to our Climate Report 2023.<sup>2</sup>

### Energy efficiency measures

We are committed to minimising the environmental impact of our operations and to delivering continuous improvement in our environmental performance. We are doing this by decreasing energy demand and switching to low carbon electricity sources. Our office energy efficiency measures include equipment and lighting upgrades, and adjusting temperature set points and plant run times.

1. Requirement to report Scope 3 financed emissions is phased, see page 49 of the PCAF standard for more detail <https://carbonaccountingfinancials.com/standard>  
 2. [www.schroders.com/tcf](http://www.schroders.com/tcf)

# Our risk management framework

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

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

## Managing risks

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

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

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

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

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

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

## Lines of defence

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

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

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

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

## Risk appetite

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

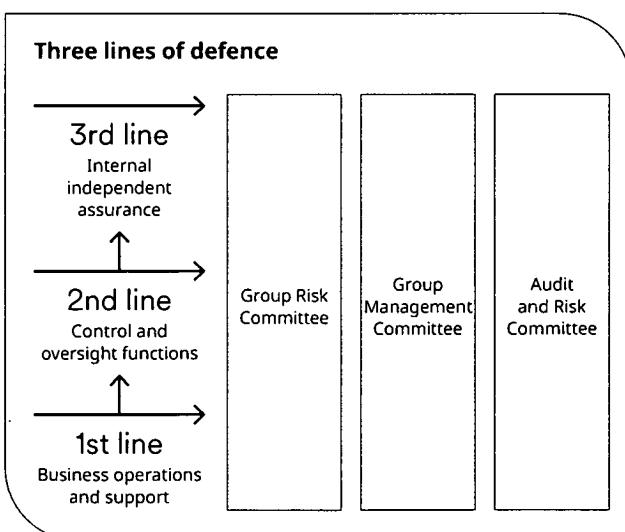
Each risk appetite statement is supported by a number of metrics and tolerances to enable us to provide an assessment of risk position against risk appetite using a Red, Amber, Yellow, Green rating. In 2023, we reviewed the way we describe each rating and updated the descriptions to provide additional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

## Market shocks (and volatility)

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

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

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



# Developments in our risk management approach

## Supporting areas of strategic growth

To support the implementation of robust controls within Schroders Capital as it expands, and enhance our oversight at the appropriate pace, we have adapted our risk and compliance approach. We have consolidated our oversight of Schroders Capital business processes and investment portfolios by appointing a Head of Risk, Private Markets and we have actively recruited risk and compliance staff with private markets experience to enable comprehensive oversight of diverse business areas such as Real Estate and Insurance-Linked Securities. This enhanced supervision supports the "democratisation" of private markets initiative within Schroders Capital, including oversight of product development processes.

Our Wealth Management Risk and Compliance function continues to provide effective oversight while the business expands. A key focus in 2023 (and into 2024) was the provision of guidance and second-line oversight on a strategic initiative to close the existing service centre in Zurich and transfer the functions to the Schroders campus in Horsham.

## Regulatory initiatives

The Consumer Duty, which came into force in the UK on 31 July 2023, has been implemented across the Group. A comprehensive programme, involving first-line and second-line representatives, was completed to support compliance with the new rules. This included staff training and enhancements to functional area policies and procedures. A Consumer Duty Forum has been established to oversee these new rules across the business. To demonstrate ongoing compliance, each UK-regulated entity board reviews and endorses an assessment of the entity's delivery of good outcomes for its retail customers, at least annually.

Given the Group's strategic focus on sustainability and the level of regulatory scrutiny on sustainability matters in connection with asset managers, we have performed a review of our second-line oversight processes for sustainability. The review resulted in enhanced collaboration with our Sustainability team to bring our existing controls together.

## Investment risk

Despite strong performance through the gilt crisis in 2022, we have continued to enhance the resilience of our LDI offering. In addition to larger liquidity buffers and enhanced internal systems, we have created a library of playbooks, templates and guidance notes to record the lessons from 2022 and be well prepared for a future crisis. The effectiveness of our crisis preparations has been recently validated in a cross-functional "war game", where participants were presented in real time with a series of different scenarios, which progressively increased in severity. This successfully tested our ability to identify high-risk areas quickly.

To support the oversight of investment risk control frameworks across the Group we have developed robotic process automation. This is embedded in our investment risk process and checks that controls across a wide range of portfolios are implemented and documented accurately. The use of robotic automation replaces a manual process introducing significant efficiency, allowing investment risk managers to focus on other value-add initiatives, and reduced operational risk.

The assets of the solutions business acquired from River and Mercantile in 2022 have been migrated to our core investment management system. This integration into the Group operating model has reduced risk and created efficiencies in first-line and second-line oversight. Front-office systems to support the investment desks, along with client and consultant portals, are now integrated with our core investment management system, yielding further operational efficiencies.

## Cyber risk

The Information Security Risk Oversight Committee continues to oversee the management of cyber risk. Our Group-wide multi-year programme to accelerate the evolution of our cyber defences is progressing well. We have recently developed advanced attacker metrics to enable the Audit and Risk Committee and GRC to monitor and challenge progress to improve the cyber risk profile. Attacks by organised crime groups (for example, targeted ransomware) remain a risk for financial services, and Schroders is no exception.

## Managing the risks associated with Artificial Intelligence (AI)

As a business we are harnessing the power of AI to boost productivity and decision-making. As well as starting to test and adopt third-party products such as Microsoft365 Copilot, we have developed an internal AI tool leveraging models such as ChatGPT, that enables employees to interact with and query data efficiently while maintaining the security of our client and proprietary information. While AI provides opportunities, there is a risk it increases the effectiveness of cyber threats such as deep fakes (where a video/audio recording of a person is digitally manipulated) or produces inaccurate information. Consuming this information could impact investment decisions or our reputation. To manage potential risks, we have established a set of principles and guidelines that govern the use of AI within Schroders. They support our goal to use AI in a way that aligns with our corporate values and complies with relevant laws and regulations including data confidentiality obligations. A Steering Committee has been set up to provide strategic direction, supported by a Responsible AI Working Group for oversight and guidance, and an AI Use Case Working Group which provides a central review of our use of AI throughout the firm. A core principle of our approach to AI is that all outputs are reviewed for accuracy and reliability prior to being used.

# Risk assessment

During the normal course of business, emerging risks and changes to our existing risks are identified throughout the year. Risks are reviewed and discussed at relevant risk committees (for example, the GRC) and Board meetings. Periodically, we also complete a formal assessment of the risks faced by our business using a top-down and bottom-up approach.

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

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

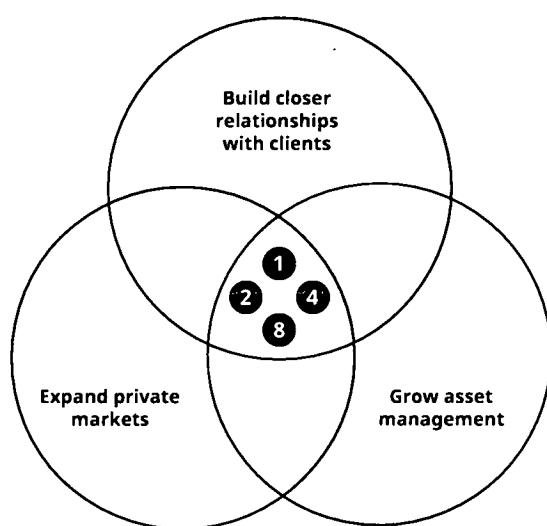
The results of these assessments are used to inform our key risks, which are presented to the GRC prior to the GMC, Audit and Risk Committee and Board meetings.

We have reviewed the list of key risks and identified a sub-set that we believe represents the Group's principal risks. This is not an exhaustive list, but these are the principal risks most likely to impact our strategy, business model, external reputation and future performance. The numeric icons are for presentational purposes only and do not indicate a rank. The risks represent our exposure after mitigating controls are applied.

Trend arrows are included below to show how our risk profile has changed since last year. Commentary to explain the changes can be found on the following pages.

We confirm that the Group has an effective risk and controls process, supported by an appropriate governance framework.

## Our strategy mitigates our strategic risks



### Movement versus prior year position

↑ Increased
↓ Decreased
↔ Remained the same

### Categories of risk

● Strategic risk
○ Business risk
○ Operational risk

Principal risks	2023	2022
1 Business model disruption	↑	↔
2 Changing investor requirements	↔	↔
3 Conduct and regulatory risk	↔	↑
4 Fee attrition	↔	↔
5 Financial instrument risk	↔	↑
6 Information security and technology	↔	↔
7 Investment performance risk	↔	↔
8 Market returns	↔	↔
9 Operational process risk	↔	↔
10 People and employment practices	↔	↓
11 Product strategy and management	↔	↔
12 Reputational risk	↑	↔
13 Sustainability including climate change	↔	↔

## Principal risks

Description	How we manage this
<b>1 Business model disruption</b>	<p>We continue to invest in our technology platform to support our business and embrace new technologies such as AI.</p> <p>We regularly monitor developments in countries subject to geopolitical risk and take steps to protect our people and assets where necessary. This includes monitoring and reviewing portfolio exposures, potential single name and/or sector vulnerability, and possible outcomes under different scenarios.</p>
<b>2 Changing investor requirements</b>	<p>The integration of the River and Mercantile solutions business and Greencoat Capital have allowed us to evolve our products to meet a wider range of client needs.</p> <p>We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed capital to support product innovation for future growth.</p> <p>We focus our attention where we believe we are able to make a more significant difference to our clients through current or planned future capabilities; for example, closing the UK private client advice gap through SPW and Benchmark Capital.</p>
<b>3 Conduct and regulatory risk</b>	<p>We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct and regulatory compliance via our conduct risk framework, supported by training and compliance assurance programmes. Our Group Regulatory Oversight Committee and Sustainability Regulatory Steering Committee provide oversight and challenge of the implementation of regulatory change.</p>
<b>4 Fee attrition</b>	<p>We have continued to focus on solutions and outcome-orientated strategies, thematic products and growing our market share within private markets, to diversify our fee income. Our fiduciary business within solutions continued to be successful during 2023. We are also increasingly diversifying our product offering, supporting long-term profitability.</p> <p>We are moving to vertical integration and getting closer to clients allowing us to better understand their needs. This has also given us opportunities to access a greater share of available revenue.</p>
<b>5 Financial instrument risk</b>	<p>We manage capital, liquidity and the Group's own investments through Board-set limits and through the Group Capital Committee. Equity market and credit spread risks in seed capital are hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.</p>
Failure to manage market, credit and liquidity risks arising from managing AUM on behalf of clients would be considered an Operational Process risk.	<p>While volatility remains elevated in several asset classes, this risk has stabilised at the heightened level reported last year, and some asset classes have seen a gradual decline in risk levels. This is supported by recent falls in global inflation rates and the current outlook for declining interest rates.</p>

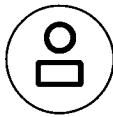
## How we are performing: Risk management continued

Description	How we manage this
<b>6 Information security and technology</b>	<p>We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation.</p>
<p>Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that leads to a negative impact on the Schroders business and our client experience. Advances in AI and deep fake technology creates opportunities for more advanced social engineering techniques to be used in cyber attacks. These advances and other information identified through our threat intelligence and active cyber testing progress continue to provide insight on the areas we should focus on to enhance our cyber defence capabilities.</p> <p>While the overall risk trend remains consistent with the level reported last year, there have been changes in the risk trends of individual components. Our technology risk has decreased, owing to the substantial completion of our migration to the Cloud, which has bolstered our resilience. Cyber threats, stemming from highly capable criminal organisations and state-sponsored entities, persist, and are amplified by advances in AI and deep fake technologies but we continually adapt and advance in response to these threats.</p>	
<b>7 Investment performance risk</b>	<p>We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge.</p> <p>Oversight of both risk and performance is embedded in our business processes and governance. In 2023, 60% of client assets outperformed benchmarks over three years and 77% outperformed benchmarks over five years.</p>
<b>8 Market returns</b>	<p>We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Excluding associates and joint ventures, AUM from Private Markets, Solutions, and Wealth Management increased from £372 billion in 2022 to £405 billion in 2023, further increasing our diversification.</p>
<p>Our income is mainly derived from the value of the assets we manage. Falling markets reduce our AUM and therefore impact revenues. Market falls may be exacerbated by geopolitical risks, for example in response to the situation in Ukraine and the Middle East which remains heightened. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies.</p> <p>In addition, economic uncertainty and geopolitical developments presented a risk in 2023. The impact of higher inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM.</p> <p>Throughout 2023 market conditions continued to be challenging so this risk remains at the same level reported in previous years.</p>	<p>Our focus on growing our Schroders Capital product range and investment capabilities, including the launch of the first Schroders Greencoat products, allows us to have a broader range of income streams which are less directly linked to markets.</p>
<b>9 Operational process risk</b>	<p>Our key business processes are reviewed regularly and the risks assessed through the RCA process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We work with acquired firms to move them onto our platforms (where appropriate) and to align our policies. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier life cycle to identify potential risks which may impact the quality or continuity of service.</p>
<b>10 People and employment practices</b>	<p>We have a competitive remuneration and employee value proposition, with appropriate deferred compensation targeted at key employees. Sustainable succession and development plans are in place. We also have policies and procedures to encourage inclusion and diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.</p>
<p>This risk has stabilised at the lower level reported last year as turnover remains low and within tolerance.</p>	

Description	How we manage this
<b>11 Product strategy and management</b>	<p>There is a risk that our product or service offering is not suitably diversified or viable or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, do not perform in alignment with their investment objectives for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.</p> <p>Risks are managed within our Product Frameworks, which include the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee.</p> <p>We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. We have a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) would be notified to relevant teams rapidly, to reduce potential liquidity risk issues.</p>
<b>12 Reputational risk</b>	<p>This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls and may lead to loss of assets or inability to win new business. In recent years we have extended our business through a number of acquisitions. Reputational issues in joint ventures and associates where we have limited control of the outcome could adversely impact the Group.</p> <p>Issues relating to senior management and directors have been experienced in a variety of organisations including financial services, corporations and industry bodies, which have damaged the reputation of these organisations. This is therefore a heightened risk for all firms. Failing to meet stakeholders' expectations (for example, clients, regulators or the wider community) could also give rise to reputational risk.</p> <p>The rise of AI provides opportunities for efficiency but also gives rise to potential reputational risk. Social media exacerbates reputational risk due to the pace at which information or disinformation can be spread, and how the information may be perceived by different stakeholders. As a result of these points, and the reputational issues observed in other organisations, this risk is heightened.</p> <p>We consider reputational risk when initiating changes to our strategy or operating model and focus on maintaining high standards of conduct. We have a number of controls and frameworks to address other risks that could affect our reputation, including: financial crime, investment risk, client take-on, client communications, conduct risk, whistleblowing and product development. Our Schroders appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.</p> <p>In 2023, we undertook an analysis of the potential causes of reputational risk. This led to a deeper awareness of reputational risk across the Group, and at the GMC, enabling us to be better equipped to respond to reputational risk issues as and when they occur.</p> <p>Potential reputational risk arising from our use of AI is being managed through our AI framework (see page 39 for more details).</p>
<b>13 Sustainability risk including climate change</b>	<p>Failure to understand, accurately assess and manage investment risk associated with sustainability factors within assets and portfolios, and to appropriately articulate the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate sustainable products or to meet our clients' expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. The risk associated with regulators implementing different approaches to sustainability, and their heightened scrutiny on the topic, is captured within Conduct and regulatory risk above. The impact of climate on each of our principal risks is set out on page 51 of TCFD.</p> <p>We have developed a range of proprietary tools to better understand the potential effects of sustainability risks including climate change on the portfolios we manage. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees. We have an Integration Accreditation Framework which we use to assess the integration of ESG factors into our investment desks' processes and re-accredit them on an annual basis. Regarding climate specifically, we have developed a Net Zero Dashboard which enables our investment teams and central risk function to monitor the temperature alignment of portfolios and track our progress against our business-wide net zero commitment.</p>

# Our stakeholders

An overview of our stakeholder engagement approach and notable achievements throughout the year.



### Clients

#### Actively helping our clients achieve their long-term financial goals

We pride ourselves on our commitment to clients. Our purpose is to provide excellent investment performance to clients through active management. Our success is built on understanding and anticipating their evolving needs.



### Shareholders

#### Rewarding our shareholders through the sustained success of our business

The engagement and support of our shareholders is vital to achieving our strategic objectives and driving business growth. Our shareholder base plays a crucial role in endorsing our long-term approach to business management.



### Our people

#### Fostering a purpose-led, inclusive and high-performing culture

Our people are crucial in delivering our purpose of providing excellent investment performance and driving positive change in the world. We attract and develop individuals who have the skills and passion to help us achieve our goals. By focusing on what matters and preserving our unique culture, we create an inclusive, purpose-led, high-performing environment that celebrates diversity of thought and offers growth opportunities and support to our employees.

#### How do we engage with them and consider their interests?

Our client service teams, adept at anticipating client needs, foster lasting relationships, gaining insights into client objectives and future expectations. In 2023, we created the Client Group, bringing together key client-facing functions across the firm globally, including sales, client servicing, product and marketing, to help us further enhance our client relationships, and build closer, longer-lasting relationships. Specialists across our businesses work with regional country heads and client-facing teams who have deep knowledge of client needs in each market. Our Client Insights Unit uses internal and external data to enhance our understanding of clients' needs. Globally, we conduct independent and bespoke client surveys to gather direct feedback. These include surveys for strategic clients, key senior individual client contacts and a new Client Service Survey which was piloted this year targeting more than 500 clients. These activities are designed with the purpose of enhancing the client experience and to inform our product, solutions and advice offerings.

#### How do we engage with them and consider their interests?

The Board actively engages with shareholders throughout the year, using various channels to facilitate communication. Our AGM serves as a key platform for engagement, offering both in-person and virtual participation. For our Schroders in Focus event in 2023, we hosted a deep dive on our wealth management business. It provided investors with updates on our growth plans and was an opportunity to engage directly with the Wealth Management leadership team. Further, on a bi-annual basis we engage our shareholders via roadshows that follow our results announcements. We updated shareholders on progress throughout the year and engaged them about their views on the business strategy and outlook. We had ad-hoc meetings with shareholders, hosted by either the investor relations team or senior management.

#### How do we engage with them and consider their interests?

We engage our people through various channels, including briefings, videos, an internal magazine, updates from the Group Chief Executive, and a global broadcast series called the "sofa series" with GMC members. At the start of each year, employees join strategy sessions and can ask questions to senior management.

To understand our employees' needs, we conduct pulse surveys and have Ian King, our Senior Independent Director, gather feedback. Ian chairs the Global Employee Forum, providing a platform for employee concerns, with regular reporting to the Board. Town Halls serve as a vital communication platform, conducted regionally by senior management and locally by business units, fostering dialogue on key information, business progress, and providing a valuable connection to employees' needs and perspectives.

#### Outcomes

Engagement with clients drives our strategy. Our Global Trusted Adviser Survey results show that over 85% of our clients are satisfied or very satisfied with Schroders compared to other asset managers<sup>1</sup>. This year, we established the Client Group based on our deep understanding of our clients and their needs. This has influenced the expansion of our product range and our offerings in public and private markets.

#### Outcomes

By allocating capital to higher-growth areas we are able to generate stable returns for our shareholders. During 2023, we delivered basic operating earnings per share of 32.5 pence and the Board recommended a final dividend of 15.0 pence. This brings the total dividend to 21.5 pence per share. Our Climate Report 2023 aims to give shareholders, clients and stakeholders a better understanding of our climate transition plan, including managing climate-related risks and opportunities.

#### Outcomes

In our pulse survey, 87% of our employees expressed pride in working for Schroders, outperforming external benchmarks and indicating strong employee engagement. Our commitment to being transparent to our stakeholders, including our employees, encompasses publishing our inaugural ethnicity pay gap report and consulting with our employee-led networks when setting our ambitious 2030 Inclusion and Diversity aspirations, including metrics on inclusion, transparency and diversity.

1. The Global Trusted Adviser Survey was completed in December 2022 and was issued to our top 100 clients by revenue generation.

The Board is committed to promoting the Company's success while considering the interests of other stakeholders. Stakeholder engagement is vital for our long-term sustainable success.

Examples of how the Board has considered the interests of the Group's stakeholders appear throughout this Annual Report. Specific examples of how the Board considered their interests in relation to its principal decisions made during the year is set out on page 61 in the Corporate Governance Report.

 For further information please refer to our KPIs on pages 2 to 3, acting with purpose on pages 18 to 19, investing sustainably on pages 28 to 29 and our climate related disclosures on pages 30 to 37.



### Society and environment

#### Supporting the wider society and environment

Schroders is a values-led business, and as a responsible steward of assets we actively target investments that make a measurable positive contribution to society and/or the environment and are expected to deliver positive financial returns to investors. Further we believe that demanding high levels of corporate responsibility is not only the right thing to do but supports our corporate purpose.

#### How do we engage with them and consider their interests?

Our Sustainable Investment team actively supports investee companies in transitioning to more sustainable business practices. Our Engagement Blueprint outlines our principles for engaging with these companies. This includes setting targets, focusing on material sustainable risks and opportunities, monitoring progress, voting in line with our active ownership principles, and escalating issues when necessary.

We are dedicated to supporting communities worldwide through fundraising and volunteering. Our Schroders Giving partnerships enhance our impact on society, and our employees actively participate in selecting causes to support.

Respecting human rights and preventing human rights violations, including modern slavery, is a top priority. We raise awareness and educate our staff about the scale and complexity of these issues. Additionally, the Board reviews and approves the annual Modern Slavery Statement and Climate Report.

#### Outcomes

In 2023, we engaged with 4,443 investee companies. Our 2023 CDP climate change questionnaire responses achieved a leadership level score of A for the second consecutive year. We committed £5.4 million to charitable causes around the world, and implemented a Global Volunteer Recognition Scheme. We also provided modern slavery training, including a session for our UK Procurement team.

### External suppliers

#### Working with trusted partners

Our global network of external service partners is essential to delivering our corporate strategy. They supplement our infrastructure, provide expertise and specialised skills, giving us a competitive advantage.

#### How do we engage with them and consider their interests?

Our third-party risk management framework governs sourcing, selection, onboarding, management, oversight, and reporting of suppliers. It outlines roles and responsibilities in supplier stakeholder relationships. We encourage strong relationships with key suppliers to monitor performance, manage risks, and foster mutual benefits. We prioritise critical providers, allocate resources effectively, and actively develop and monitor important partnerships.

Our Supplier Code of Conduct sets high standards for ourselves and our suppliers regarding human rights, ethical sourcing, anti-bribery and anti-corruption, diversity and inclusion, health and safety, and the environment. We look to enhance the code each year, which includes our whistleblowing hotline, as best practice evolves. In 2023, we reviewed the modern slavery risk in our supply chain with external support.

#### Outcomes

Schroders is dedicated to ensuring fair treatment of suppliers, recognising them as essential stakeholders. We establish and maintain a sustainable supply chain aligned with our values and objectives. We work exclusively with aligned suppliers, who reciprocate our expectations within their supply chain, fostering a virtuous cycle of improvement. The Board approved our Modern Slavery Statement, detailing risk assessment and due diligence processes for suppliers regarding modern slavery.

### Regulators

#### Building respectful relationships

As a global business, we are committed to collaborating and engaging with key regulatory stakeholders, including local and regional regulators, exchanges, non-governmental organisations, and trade associations. Through our participation, we share insights, support policy development, share best practices, and advocate for better functioning markets.

#### How do we engage with them and consider their interests?

In addition to our compliance and risk teams who directly liaise with regulators, we have a dedicated public policy presence in the UK and Brussels for the EU. This team works closely with colleagues globally, leveraging their knowledge and market expertise.

Our Public Policy team engages regularly with officials, covering topics such as sustainability, digitisation, retail investment, and primary market reform. Senior management maintains regular meetings with regulators, fostering strong relationships. The Audit and Risk Committee receives reports on regulatory engagement and the potential impact of regulatory changes on our business.

Through our engagements, we aim to comply with current requirements, shape future ones, and ultimately provide better service to our clients, while contributing to a competitive and resilient financial system.

#### Outcomes

We engaged with the Financial Conduct Authority to align the implementation of Consumer Duty with our business and clients' needs. Our input on UK Sustainable Disclosure Requirements influenced the policy framework. Ongoing engagement with supervisory teams covered various topics including operational resilience, sustainability, liquidity risk, and cyber security. We actively participate in the Bank of England's System-wide Exploratory Scenario (SWES) to enhance understanding of firm behaviour in stressed financial market conditions.

# Governing our non-financial information

In accordance with sections 414CA and 414CB of the Companies Act 2006 which outline requirements for non-financial reporting, the table below is intended to provide our stakeholders with the content they need to understand our development, performance, position and the impact of our activities with regards to non-financial and sustainability matters. Further information on these matters can be found on our website.

Description of business model	<b>Pages 20 to 21</b>
Description of principal risks, impacts on the business and risk mitigation	<b>Pages 38 to 43</b>
Non-financial key performance indicators	<b>Page 3</b>
Investing sustainably	<b>Pages 28 to 29</b>

Description of policies and policy outcomes <sup>1</sup>	
<b>Climate and environment</b> Further information on pages 30 to 37.	We have made a number of climate and nature-related commitments to support achieving net zero by 2050, or sooner. Our <b>Group Climate Change Position Statement</b> and <b>Group Nature and Biodiversity Position Statement</b> outline our position in relation to environmental management, and on nature and biodiversity, for the investments we manage and our operations.
<b>Employees</b> Further information on pages 18 to 19, 65, 74 to 93.	We seek to cultivate a purpose-led, high-performing culture that is inclusive, celebrates diversity and empowers all to have the opportunities to grow. Our <b>Guiding principles and values</b> , and policy on <b>Board Diversity</b> serve to achieve this outcome. Our <b>Directors' Remuneration</b> policy outlines our approach for setting Directors' remuneration. Our <b>Group Personal Data policy</b> summarises the obligations imposed upon the Schroders Group and employees by data protection laws and covers the rights of individual employees with respect to their personal data. Furthermore, our <b>Group Whistleblowing policy</b> outlines the process for staff and third parties to report any concerns in confidence. We have a number of internal policies and standards that are not published externally. These policies cover our commitment to providing equal opportunities in employment and to prevent all forms of discrimination as well as to encourage appropriate conduct and regulatory compliance.
<b>Social matters</b> Further information on pages 19 and 44 to 45.	Community investment is a core part of our culture. We have an internal policy that provides a framework for volunteering at Schroders.
<b>Human rights</b> Further information on pages 44 to 45.	Schroders is committed to upholding human rights. Our <b>Group Human Rights Position Statement</b> outlines our stance on respecting human rights. Our <b>Modern Slavery Statement</b> includes details of the policies, processes and measures we have in place to assess and manage modern slavery risks across our business.
<b>Anti-bribery and anti-corruption</b> Further information on pages 40 to 41, 44 to 45 and 66 to 73.	We maintain a strict policy of zero tolerance towards acts of bribery and corruption. Our utmost priority is to safeguard the interests of our clients, shareholders, employees, third-party vendors and the wider community from any form of financial crime. To reinforce this commitment, we have implemented a comprehensive set of internal policies, covering aspects such as financial crime (including bribery and corruption, money laundering, terrorist financing, tax evasion, proliferation financing, fraud and sanctions), inducements, gifts and entertainment, and conflicts of interest, all of which unequivocally prohibit any individual associated with our organisation from engaging in activities that promote, endorse or facilitate financial crime. <b>Group tax strategy:</b> We aim to comply with both the spirit and letter of the law and are committed to conducting our tax affairs in an open and transparent way. Our tax strategy, available at <a href="http://www.schroders.com/tax-strategy">www.schroders.com/tax-strategy</a> , sets out our approach to tax matters across the Group more generally. This strategy is reviewed and approved annually by the Audit and Risk Committee. We disclose our total tax contribution, which shows the total amount of tax we pay and collect each year at <a href="http://www.schroders.com/tax-contribution">www.schroders.com/tax-contribution</a> .

The following policies and statements apply to multiple categories noted above:

Our **ESG Policy for Listed Assets, ESG and Stewardship policy** and **Schroders Capital Sustainability and Impact policy** detail our principles and practices regarding sustainable investing across our different business areas, covering themes such as climate and environment (including nature and biodiversity), human rights, society, and anti-bribery and anti-corruption.

Our **Engagement Blueprint** outlines our principles towards engaging with investee companies. It includes measures relating to climate and environment (including nature and biodiversity), human rights and employees.

Our **Supplier Code of Conduct** outlines the standards and behaviours we expect from our suppliers, including on climate and environment, employees, human rights and anti-bribery and anti-corruption.

Our **Statement of Compliance with the UN Principles of Responsible Investment** further demonstrates our commitment to environmental, social and governance factors.

1. Across Schroders, policies and statements of intent are in place to foster consistent governance on a range of issues. For the purposes of the non-financial information statement, these include, but are not limited to, the policies and statements detailed in this report.

# 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 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**

	<b>Skills, experience and contribution</b>	<b>Current external appointments</b>
<b>Dame Elizabeth Corley</b> Chair	<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"><li>Non-executive Director of BAE Systems plc</li><li>Chair of the Impact Investing Institute</li><li>Trustee of the British Museum</li></ul>
<b>Peter Harrison</b> Group Chief Executive	<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"><li>Chair of Business in the Community</li><li>Member of the UK Capital Markets Industry Taskforce</li><li>Director of the Investment Association</li><li>Member of the Advisory Board of Antler Global</li><li>Director of FCLT Global</li></ul>
<b>Richard Oldfield</b> Chief Financial Officer	<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"><li>Trustee and Audit Committee Chair of The Duke of Edinburgh's International Award Foundation</li></ul>

	Skills, experience and contribution	Current external appointments
<b>Ian King</b> Senior Independent Director 	<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"> <li>Senior Adviser to the board of Gleacher Shacklock LLP</li> <li>Chairman of Senior plc</li> <li>Director of High Speed Two (HS2) Limited and lead non-executive Director for the Department for Transport</li> </ul>
<b>Rhian Davies</b> Independent non-executive Director 	<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"> <li>Director of Alexander Square Partners</li> </ul>
<b>Claire Fitzalan Howard</b> Non-executive Director 	<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 Schroders business in 1804. Claire's appointment reflects the commitment to Schroders of the Principal Shareholder Group, which has been an important part of Schroders' success over the long term.</p>	<ul style="list-style-type: none"> <li>Director and Trustee of the Schroder Charity Trust</li> <li>Trustee of a number of charitable foundations</li> <li>Non-executive Director of Caledonia Investments plc</li> </ul>
<b>Rakhi Goss-Custard</b> Independent non-executive Director 	<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"> <li>Non-executive Director of Trainline plc</li> <li>Non-executive Director of Kingfisher plc</li> <li>Non-executive Director of Nisbets plc (unlisted)</li> </ul>

## Board of Directors and Company Secretary continued

	Skills, experience and contribution	Current external appointments
<b>Iain Mackay</b> Independent non-executive Director 	<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 &amp; 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"> <li>Non-executive Director and Chair of the Audit and Risk Committee of National Grid plc</li> <li>Member of the Court of the University of Aberdeen and Chair of its Remuneration Committee</li> <li>Non-executive Director of UK Government Investments</li> </ul>
<b>Leonie Schroder</b> Non-executive Director 	<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 Schroders business in 1804. Leonie's appointment reflects the commitment to Schroders of the Principal Shareholder Group which has been an important part of Schroders' success over the long term.</p>	<ul style="list-style-type: none"> <li>Director and Trustee of the Schroder Charity Trust</li> <li>Director of a number of private limited companies</li> </ul>
<b>Annette Thomas</b> Independent non-executive Director 	<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"> <li>Non-executive Director of Pearson plc</li> <li>Non-executive Director of EcoVadis</li> <li>Non-executive Director of OpenClassrooms</li> <li>Senior Advisor to General Atlantic</li> </ul>
<b>Frederic Wakeman</b> Independent non-executive Director 	<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 Schroders Capital, our private markets business.</p>	<ul style="list-style-type: none"> <li>Founder of Blue Endeavor Ventures</li> <li>Co-Founder of Scale-Up Fund</li> </ul>

	Skills, experience and contribution	Current external appointments
<b>Deborah Waterhouse</b> Independent non-executive Director 	<p>Deborah was appointed as an independent non-executive Director in March 2019.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>CEO of ViiV Healthcare</li> <li>Member of the GSK Corporate Executive Team</li> </ul>
<b>Matthew Westerman</b> Independent non-executive Director 	<p>Matthew was appointed as an independent non-executive Director in March 2020 and was appointed as Chair of the Remuneration Committee in April 2022.</p> <p>Matthew started his career in 1986 at Credit Suisse First Boston. He subsequently worked at Rothschild &amp; 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.</p> <p>Matthew brings significant experience of global financial markets after a distinguished career in investment banking.</p>	<ul style="list-style-type: none"> <li>Director of MW&amp;L Capital Partners</li> <li>Chairman of the Board of Trustees of the Imperial War Museum</li> <li>Foundation Fellow of Balliol College, Oxford</li> <li>Trustee of the UK Holocaust Memorial Foundation</li> </ul>
<b>Graham Staples</b> Group Company Secretary	<p>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.</p> <p>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.</p> <p>Graham brings great experience in corporate governance and company law.</p>	<ul style="list-style-type: none"> <li>Director and Trustee of Sherborne Girls School Charitable Foundation</li> </ul>

## Composition of the Board at 28 February 2024

Board composition	Non-executive Directors' tenure	Board gender diversity	Board ethnic diversity
<ul style="list-style-type: none"> <li>Executive Directors 15%</li> <li>Non-independent non-executive Directors 15%</li> <li>Independent non-executive Directors 70%</li> </ul>	<ul style="list-style-type: none"> <li>0-3 years 36%</li> <li>3-6 years 36%</li> <li>6-9 years 28%</li> </ul>	<ul style="list-style-type: none"> <li>Male 46%</li> <li>Female 54%</li> </ul>	<ul style="list-style-type: none"> <li>White 85%</li> <li>Ethnically diverse 15%</li> </ul>

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

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](http://www.schroders.com/board-matters)

2. [www.schroders.com/board-committees](http://www.schroders.com/board-committees)

## Corporate governance report continued

### 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](http://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

## Corporate governance report continued

### Compliance with the 2018 UK Corporate Governance Code (Code)<sup>1</sup>

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

<b>A Role of the Board</b>	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.
	(i) See the Key areas of focus during the year on page 60.

<b>B Our purpose, values and strategy</b>	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.
	(i) See Stakeholder interests and engagement on page 61.

<b>C Resources and controls</b>	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.
	(i) See the Audit and Risk Committee report on pages 66 to 73.

<b>D Engagement</b>	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.
	(i) See page 61.

##### Workforce engagement

<b>E Workforce engagement</b>	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.
	(i) See pages 60 to 61.

##### Division of responsibilities

<b>F The role of the Chair</b>	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.
	(i) Job descriptions for the Chair and Chief Executive can be found at <a href="http://www.schroders.com/board-matters">www.schroders.com/board-matters</a>

<b>G Board composition</b>	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.
	(i) See page 53.

<b>H Role of the non-executive Directors</b>	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.
	(i) See page 53.

<b>I Group Company Secretary</b>	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.
	(i) See page 53.

1. The Code is available at [www.frc.org.uk](http://www.frc.org.uk)

### Code principle

#### Composition, succession and evaluation

##### J Appointments to the Board

The process for Board appointments is led by the Nominations Committee, which makes recommendations to the Board.

(i) See the Nominations Committee report on pages 64 to 65.

##### K Skills, experience and knowledge of the Board

In 2021, the Nominations Committee carried out a full analysis of the Board to identify the skills and experience required by future appointments. This analysis has been updated and the results formed part of role profiles used in the appointments of Annette Thomas and Richard Oldfield in 2023 and Ian Mackay and Frederic Wakeman in 2024. We will continue to update and use this analysis to help identify future candidates for the Board.

(i) See the Nominations Committee report on pages 64 to 65.

##### L Board evaluation

The 2023 Board evaluation was undertaken internally by the Chair. Independent Board Evaluation (IBE) facilitated an external Board evaluation in 2022 in accordance with the Code requirement. IBE conducted the previous externally facilitated Board evaluation in 2019, while the evaluations in 2020 and 2021 were conducted internally by the Chair.

(i) See page 63.

#### Audit, risk and internal control

##### M Internal and external audit

The Audit and Risk Committee oversees the relationship with the external auditor, Ernst & Young. The Group Head of Internal Audit reports directly to the Chair of the Audit and Risk Committee.

(i) See the Audit and Risk Committee report on pages 66 to 73.

##### N Fair, balanced and understandable assessment

The Audit and Risk Committee reviews the Company's financial reporting in detail and can recommend to the Board that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

(i) See the Audit and Risk Committee report on pages 66 to 73.

##### O Risk management and internal control framework

The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control and considers the adequacy of risk management arrangements in the context of the business and strategy. The Committee also considers the principal risks, alongside emerging and thematic risks, that may have an impact on the Group.

(i) See the Audit and Risk Committee report on pages 66 to 73.

#### Remuneration

##### P Policies and practices

Executive remuneration is designed to align to our purpose. Our remuneration policy was approved at the 2023 AGM, following engagement with shareholders, and is expected to apply for three years.

(i) See the Remuneration report on pages 74 to 93.

##### Q Remuneration Policy

The Remuneration Committee provides independent oversight of the Group's remuneration policy and determines the remuneration of the Chair and the executive directors within the policy, approved by shareholders. No Director is involved in discussions relating to their own remuneration.

(i) See the Remuneration report on pages 74 to 93.

##### R Exercising independent judgement and discretion

We pay for performance in a simple and transparent way, clearly aligned to shareholder and client interests, to the financial performance of the Group, and the progress made towards our strategic goals.

(i) See the Remuneration report on pages 74 to 93.



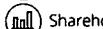
Clients



External suppliers



People



Shareholders



Regulators



Wider society

**i** For more detail on our stakeholders, see pages 44 to 45.

### Key areas of focus during the year

At each scheduled Board meeting, the Board discusses reports from: the Group Chief Executive on the performance of the business; the Chief Financial Officer on financial performance; the Group Company Secretary on governance developments; and, where relevant, a report from each of the Board Committees.

Set out below are the key topics considered by the Board during 2023, taking into account the views of key stakeholders while continuing to promote the Group's long-term success. Throughout the year, the Board has considered workforce welfare, external markets, our clients, the Group's capital position, business operations, and the need to keep the market updated on key developments.



#### Strategy

- The Board continued to focus on the development and delivery of our overall strategy. Throughout the year, the Board reviewed the Group's strategy, progress against our strategic initiatives, and received an update on the Group's five-year forecast.
- An ad hoc meeting was held in October to supplement the discussions on strategy. The Board's November 2023 meeting was held over two days and was primarily devoted to discussing the strategy for 2024 and beyond.
- At each scheduled meeting, the Board received a strategic update from the business. During 2023, these included Fixed Income, Multi-Asset, Product, Equities, Technology, the Client Group, Asia Pacific and the Group's operating platform.



#### Financial performance and risk management

- The Board reviews the Group's financial performance at each scheduled Board meeting. In February, the Board reviewed the 2022 Annual Report and Accounts and final dividend proposal. In July, the Board reviewed the 2023 half-year results and approved an interim dividend of 6.5 pence per share.
- The five-year forecast was discussed by the Board in September and November to support the Board's strategy review.
- During the year, the Board approved the Group's operational resilience self-assessment, ICAAP, ILAAP, recovery plan, resolution process and wind-down plan following their review by the Audit and Risk Committee.
- The Board also approved the Group's Climate Report 2022 to provide our shareholders, clients and other stakeholders with a better understanding of our exposure to climate-related risks.



#### People and culture

- The Board considers our people to be central to delivering the Group's strategic priorities and considers our culture to be one of our assets. In July, the Board received an update on our people strategy, including our approach to succession and how we are strengthening our long-term talent development processes.
- Attracting diverse talent and having an inclusive environment brings diversity of thought which allows for richer discussions, better decision-making, more innovation and better risk management for our clients. In June, the Board received an update on our inclusion and diversity strategy, including progress made to date, focus areas for 2023 and our long-term aspirations. The Board approved our 2030 inclusion and diversity goals.
- Ian King, our designated non-executive Director responsible for gathering workforce feedback and chair of the Global Employee Forum (GEF), provided updates to the Board from GEF meetings. The Board welcomes the additional feedback from employees through the GEF, and will continue to engage with the forum during 2024.



#### Shareholder engagement

- The Board engaged with shareholders throughout the year. The primary means of communicating with shareholders is through the AGM, the Annual Report and Accounts, full year and half year results and related presentations.
- The Investor Relations programme has continued our engagement with our major shareholders.
- We organised a Schroders in Focus event specifically tailored for our wealth management business. The event provided investors with updates on our growth plans in the sector and insights into our Cazenove Capital, Benchmark Capital and Schroders Wealth Management brands, as well as Schroders Personal Wealth, our joint venture with Lloyds Banking Group. It also offered an opportunity for investors to engage directly with and pose questions to our executive Directors and the Wealth Management leadership team. A recording of the event is available on our website<sup>1</sup>.



1. [www.schroders.com/results-and-presentations-archive](http://www.schroders.com/results-and-presentations-archive)

## Stakeholder interests and engagement

In discharging their section 172 duties, the Directors have regard to the factors set out on page 45 and any other factors considered relevant to the decision being made, such as the interests of employees and the views of regulators. The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities, and having a process for decision-making, the Board does, however, aim to make sure that its approach to decision-making and consideration of stakeholder interests is consistent.

The examples provided below show how the Board considered the matters set out in section 172 in respect of some of the key decisions made during 2023.

### Our people



Our people are central to the ongoing success of the business, and the interests of employees have formed an important part of many Board discussions and engagements throughout the year.

#### Inclusion and Diversity

Attracting diverse talent and having an inclusive environment where all can thrive brings diversity of thought which allows for richer discussions, better decision-making, more innovation and enhanced risk management for our clients. In June, the Board reviewed our Inclusion and Diversity strategy and approved our 2030 goals, including representation targets for gender, ethnicity, socio-economic background, disability and LGBTQ+, as well as inclusion and data disclosure targets. The Chair and Group Chief Executive launched these goals internally via a global webcast, giving employees worldwide the opportunity to ask their questions and provide valuable feedback. During the year, we also gained industry recognition for our work in this area: we won an award for 'Best overall Board and Exco' at the INSEAD Alumni Balance in Business Awards 2023, celebrating our work to close the gender diversity gap at senior levels of the business, including achieving a 50/50 gender split on our Board. We also won Gold for 'Best Diversity and Inclusion Reporting' at *Communicate* magazine's Corporate & Financial Awards.

#### Talent and succession

In line with the Board's objectives, in July the Board discussed how we are strengthening our long-term talent development processes and our approach to succession. This included identifying succession plans for critical roles that are key to the delivery of our strategy, as well as reviewing and providing feedback on our talent development offering.

#### Employee engagement

The Board engaged with employees throughout the year through regular pulse surveys. In addition, Ian King, our Senior Independent Director, chairs the GEF to hear directly from employees on issues that concern them. Ian met with the GEF twice in 2023 and provided feedback to the Board on the key issues raised at forum meetings. The Group Chief Executive also met with the GEF, where an update on the Group's strategy was provided.

A key theme arising out of the GEF discussions was the importance the Company places on allowing our employee resource groups to have a voice and feel heard as part of building an inclusive culture. In June, the Board held a breakfast with key representatives of these employee-led networks, allowing them the opportunity to raise awareness of the challenges that are faced by under-represented groups.

The Board welcomes opportunities to engage with our people and will continue to do so in 2024 and beyond.

### Client Group



In line with our strategic objective of building closer relationships with clients, the Board discussed and agreed a shift in our business approach to a 'client care' model via our newly restructured Client Group. The aim is to enhance our client-centric focus, working collaboratively across departments to deliver a seamless experience for our clients, whilst deepening our relationships. To facilitate this transition, our plan is to invest in our platforms, technology and global operating model; grow our investment capabilities so that we have the services our clients want and need and focus on wider engagement with clients across the whole organisation.

In July, we announced a series of internal promotions aimed at enhancing our client-first culture and commitment to our people. This included the appointment of two Co-Heads of Client Group, responsible for leading the Client Group and collaborating across the business so that we can bring the whole firm to our clients. In addition, a number of internal promotions were made to the senior leadership of the Client Group, increasing our specialist expertise in key focus areas for our clients.

The Board received regular updates on the transition throughout the year and considered the interests of all stakeholders when agreeing the new model. This included considering the benefits to our clients of a more client-focused approach, as well as the new opportunities it would present for our people, allowing them to continue to develop.

# 2023 Board objectives

The 2022 evaluation of the Board, its principal Committees and individual Directors was undertaken externally by Independent Board Evaluation (IBE). IBE has undertaken previous evaluations but has no other connection with the Company. In light of the findings of that evaluation and the conclusions of the Chair's Committee, the Board set the following high-level objectives for 2023.

Objective	Progress made during 2023
<b>Strategy</b>	<p>Strategy was a key focus for the Board during 2023. Given the deterioration in the external environment, we increased our focus on strategy in the second half of the year. In September, the Board reviewed the Group's strategy and progress against our strategic initiatives and received an update on the Group's five-year forecast. The Board's November meeting was a two-day meeting dedicated to discussing the Group's strategy for 2024 and beyond, allowing for a deep dive into different strategic options for the longer term. Recognising the importance of developing these strategic scenarios, an additional ad hoc Board meeting was held to supplement the strategic review. Value creation and the implementation of strategy formed an important part of the Board's discussions throughout the year.</p>
<b>Talent</b>	<p>The Board placed considerable focus on the areas of inclusion and diversity, talent, and succession during the year. The June meeting included an in-depth review of our Inclusion and Diversity strategy and the Board approved new goals for 2030. These goals were launched via a company-wide webcast hosted by the Chair and Group Chief Executive, and progress against these targets will be reviewed annually by the Board.</p> <p>In July, the Board focused on people, talent, and succession planning, recognising the significance of developing and retaining talent within the business. This included the consideration of a new concept of Group critical roles to increase Board focus on those positions that are key to the delivery of our strategy. Succession plans for each of these Group critical roles were reviewed by the Board.</p> <p>To increase Board exposure to talent, members of the GSC attended Board meetings held during 2023. In addition, the Board had lunches with the GMC, providing an opportunity for open dialogue and greater collaboration with members of the senior management team.</p>
<b>Board effectiveness</b>	<p>The Board recognises the importance of regularly reviewing its ways of working and has focused on embracing a hybrid working environment throughout the year. Various methods have been utilised to facilitate board discussions, including in-person meetings, board calls, briefings, the use of pre-recorded videos and remote attendance. This diverse approach has allowed for effective communication and collaboration at board and committee meetings, irrespective of geographical location, which is of great benefit to us given our international footprint.</p> <p>To enhance the knowledge and expertise of our Board, we carried out a thorough briefing programme during 2023. This programme included briefings on a range of topics, such as generative AI, sustainability, the macroeconomic environment, our private markets strategy and our strategy in Asia. These briefings have provided our Board with valuable insights into emerging technologies, industry trends, and strategic considerations, enabling them to make informed decisions.</p> <p>A key priority for 2023 was to appoint new non-executive Directors with a focus on priority skills areas. We have announced three new non-executive Director appointments during the year, each with experience in different areas, including: sustainability, private equity and private markets; digital, data and analytics; and finance, audit and international markets. Each new appointment is expected to bring diversity of skills, experience and background to the Board. Comprehensive and tailored induction programmes were provided to each new Director, further details of which can be found on page 57.</p>
<b>Governance</b>	<p>Throughout the year, the Group has maintained good standards of governance and oversight and has continued to focus on enhancing our brand and reputation with all stakeholders.</p> <p>The Board has actively explored options for Board oversight of reputation, recognising the importance of proactive reputation management. As a result of this review, we have designated an individual within the business to head up reputational risk, dedicating a portion of their role to this critical area. This appointment will allow for reputation to be given the necessary attention and oversight, helping us to identify, assess, and mitigate reputational risks effectively.</p>

## 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

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.

## 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

## 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](http://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

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 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

## 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

**i** See page 55 for meeting attendance

## 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.

## Audit and Risk Committee report continued

### 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
<b>Pension schemes</b>	
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.	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.
 Please refer to note 23 for more information on the estimates and judgements made in respect of the Scheme.	
<b>Carried interest</b>	
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.	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.
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.	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.
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.	The Committee considered the disclosures presented in respect of 2023 and concluded that they were appropriate.
 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.	
<b>Restructuring costs</b>	
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.	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.
	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.
 Please refer to note 3 for more information.	

## Audit and Risk Committee report continued

### 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.

## Audit and Risk Committee report continued

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

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.

### 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

**i** 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.*

## 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](http://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%**

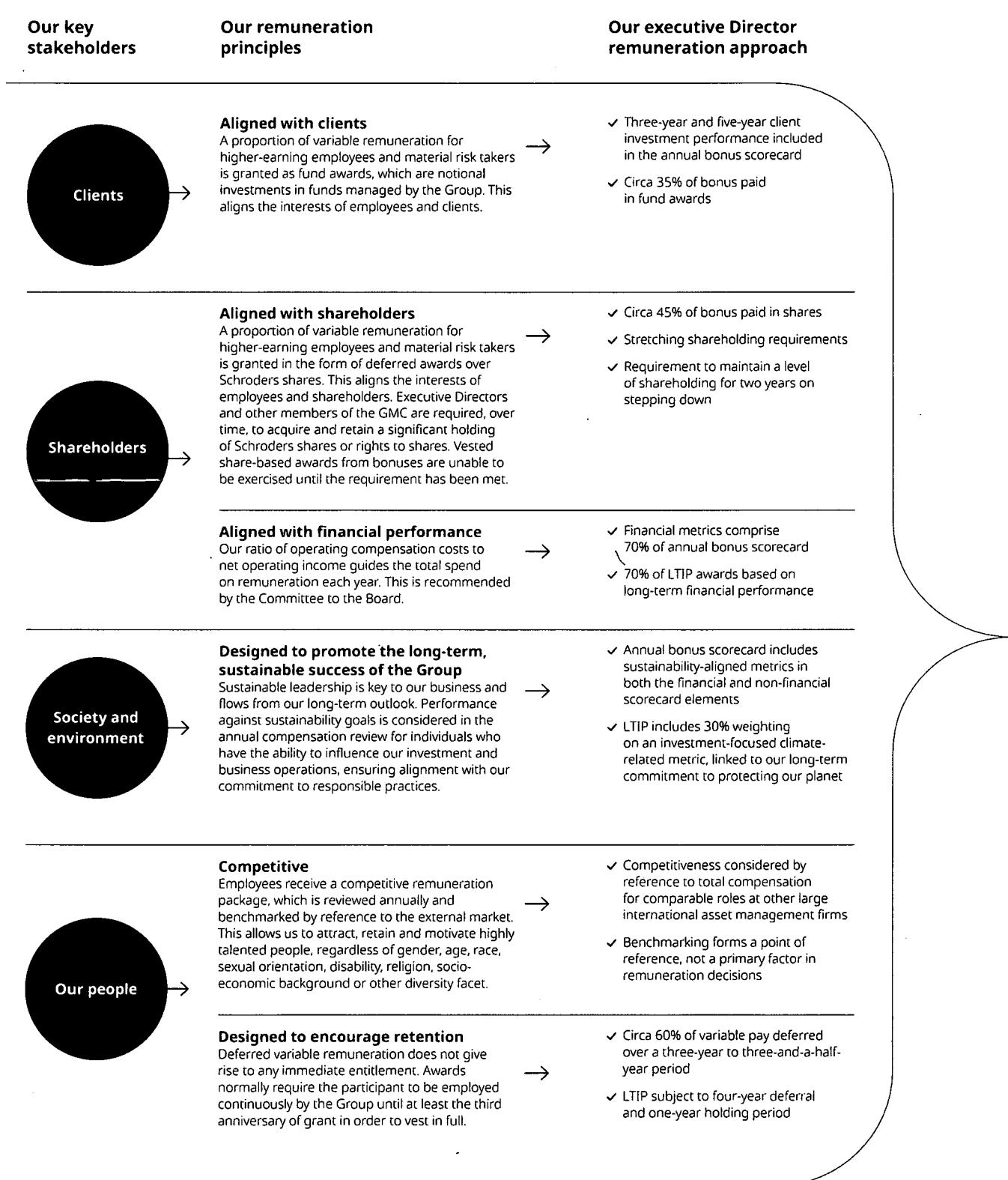
Executive Director salaries frozen since 2014

## Remuneration report continued

### Our remuneration philosophy

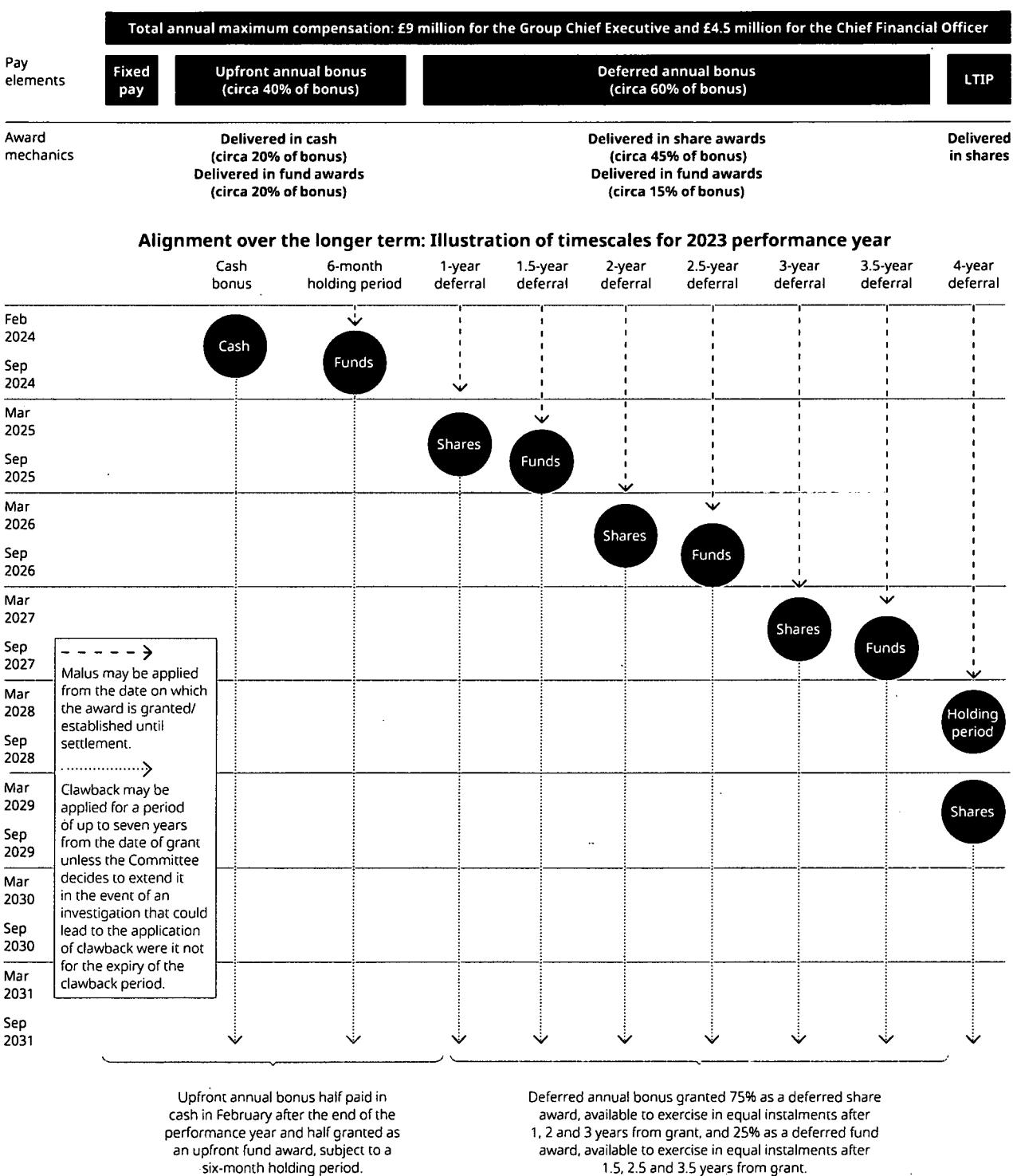
Our purpose is to provide excellent investment performance to clients through active management. By serving clients, we serve wider society. Channelling capital into sustainable and durable businesses accelerates positive change in the world. Paying our people based on the value we create for our stakeholders 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](http://www.schroders.com/rempolicy)

## Illustration of our executive Directors remuneration policy



Shareholding requirement: CEO: 500% base salary CFO: 300% base salary

# 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.



## Executive Director remuneration outcomes

### 2023 annual bonus

Executive Director bonuses are determined by the Committee through a balanced scorecard approach. At the start of 2023, the Committee established and disclosed metrics consisting of 70% financial factors and 30% non-financial factors. These were selected to align to the Group's long-term strategy. At the end of the year, the Committee assessed the level of performance against the financial target ranges. Meeting the threshold leads to a 25% payout, achieving the target results in a 65% payout, and reaching the maximum leads to a 100% payout.

In 2022, executive bonuses were misaligned with the experiences of employees and shareholders, as explained in the box to the right. Although the Committee ultimately decided not to exercise positive discretion to improve alignment, the insights gained around the impact of evolving market conditions on bonus outcomes were considered in establishing a broader profit range for 2023. Similar to 2022, the profit target range was asymmetrical, requiring greater upside performance to attain the maximum payout. The table below provides details of the target ranges and the corresponding payouts. The overall financial scorecard outcome was 55% out of the maximum 70%.

The bonus scorecard includes non-financial performance, which the Committee evaluates based on the strategic objectives established at the beginning of the year. This is combined with an assessment of each individual's personal performance. The Committee acknowledged the achievements detailed on the next page, which include: successful net new business growth in our wealth management business; the launch of an LTAF in Schroders Capital, which expanded investor access to private markets; improved operational efficiencies and risk management through integrating the acquired River and Mercantile solutions business into our front office service platform; and external recognition for our sustainability integration and inclusion and diversity efforts in 2023.

Based on the non-financial performance achieved in the Group scorecard and individual personal performance, the Committee confirmed non-financial scorecard outcomes of 20% for Peter Harrison, 24% for Richard Oldfield and 20% for Richard Keers, out of the maximum 30%.

### 2020 LTIP

In addition to annual bonuses, executive Directors are also eligible to receive long-term incentive plan (LTIP) awards. These awards are granted on an annual basis and are based on performance in the previous year and subject to stretching performance conditions over a four-year performance period. In 2020, in response to the societal challenges posed by the Covid-19 pandemic, the executive Directors voluntarily waived their LTIP awards, which had a total grant date face value of £1 million. Consequently, these awards, which would have vested based on performance to 31 December 2023, have already been forfeited. Therefore, no LTIP payments will be released to the executive Directors for the year to 2023.

## Target setting: learning from 2022

Target ranges are set with reference to the Board approved budget, market expectations, prior year outcomes, strategic priorities and the wider market outlook. When setting target ranges, the Committee is mindful of the potential significant impact that evolving market conditions could have on bonus outcomes. In 2022, additional stretch was introduced to the upside profit and net new business targets to help manage this potential impact.

Unfortunately, the story of 2022 was not one of recovery. Unfavourable market conditions that emerged after setting the scorecard targets led to a misalignment between the outcomes of executive Directors and the broader employee population, as well as the shareholder experience. The executive Directors experienced a decline of approximately 50% compared with the previous year, while the median employee experience reflected a decrease of 17%. While the Committee ultimately decided against utilising positive discretion to improve alignment, the insights gained were considered in establishing a broader profit target range for 2023.

## Assessment of the financial metrics of the executive Directors' 2023 annual bonus scorecard

2023 scorecard metric	Weighting	Targets			Outcome	Metric payout % of max for metric	Bonus payout % of max bonus
		Threshold 25%	Target 65%	Maximum 100%			
Operating profit (£m)	30%	494	581	723	661	85%	25%
Investment performance	3-year	50%	60%	70%	60%	65%	17%
	5-year	55%	65%	75%	77%	100%	
Net new business (£bn) (excluding JVs and associates)	10%	0.0	10.0	20.0	9.7	64%	6%
Proportion of Article 8 and 9 funds <sup>1</sup>	10%	63%	68%	73%	69%	72%	7%
							55%

1. Proportion of Article 8 and 9 funds is assessed as the proportion of the Company's funds which are in scope of the Sustainable Finance Disclosure Regulation (SFDR). Under SFDR, asset managers have to disclose how sustainability risks are considered in their investment processes and which of their products meet the disclosure requirements of 'Article 6', 'Article 8' and 'Article 9'. 'Article 8' products promote environmental or social characteristics amongst others, but do not necessarily have them as their overarching objective. 'Article 9' products must have sustainable investment as their objective. 'Article 6' products are those products that are in-scope of SFDR, but do not meet the requirements for Article 8 or Article 9.

## Non-financial assessment for executive Director annual bonus scorecard

Criteria	Performance in 2023
<b>Strategic progress (see pages 2 to 27 for more information)</b>	
Continued growth of Wealth Management	<ul style="list-style-type: none"> <li>Comfortably met Wealth Management net new business growth target of 5-7% per annum, achieving 6.7%.</li> <li>Record high AUM, with 2023 year end under Advised at £68.7 billion, Managed at £22.6 billion and Platform at £18.9 billion.</li> <li>A gold award given to Cazenove Capital for "Best Impact/ESG Manager" at the Magic Circle Awards 2023, reflecting our client-centric approach, innovative strategies and effective risk management.</li> </ul>
Continued growth of Schroders Capital	<ul style="list-style-type: none"> <li>Delivered resilient fundraising against challenging market backdrop, including £9.3bn gross inflows.</li> <li>Secured regulatory approval for pioneering the Long-Term Asset Fund (LTAF), broadening investor access to illiquid and private markets, including DC and eligible investors.</li> <li>Launched our unified Global Debt and Credit business through the creation of a Private Debt and Credit Alternatives (PDCA) pillar with over \$30bn in assets under management.</li> </ul>
Continued integration of recent acquisitions	<ul style="list-style-type: none"> <li>Successfully migrated the acquired River and Mercantile solutions business to the front office service platform, enhancing operational efficiencies and risk management in the ongoing integration of Schroders Solutions.</li> <li>Successful integration of Schroders Greencoat onto Schroders IT, Cloud services and Finance systems. Progress towards migration of wider platforms.</li> </ul>
Defining of the organisational design related to the Client Group	<ul style="list-style-type: none"> <li>Completed a strategic review of organisational design to unlock a client-centric approach to client management, replacing the previous concept of "distribution".</li> <li>Implemented new Client Group structure with leadership change, revised KPIs, and expanded segmentation across Pensions and Retirement, Wealth, Insurance, and Long-term Asset Owners segments.</li> </ul>
APAC strategic objectives	<ul style="list-style-type: none"> <li>Obtained regulatory approval for a wholly owned foreign public fund management company in China, demonstrating commitment to onshore investors and a significant milestone in regional business expansion.</li> </ul>
Cost discipline	<ul style="list-style-type: none"> <li>Cloud migration programme yielded financial benefits, avoiding £100 million in server update costs, mitigating IT cost inflation and reducing internal headcount needs.</li> <li>Progressed relocation of Wealth Management service centre from Zurich to the Schroders campus in Horsham, UK, yielding property and compensation cost savings.</li> </ul>
<b>Sustainability (see pages 28 to 37 for more information)</b>	
Climate engagement	<ul style="list-style-type: none"> <li>Achieved a notable milestone by doubling our engagement with companies on sustainability matters, conducting 1,500 engagements, which significantly exceeded our long-standing targets.</li> <li>Won "Best Global Equity Fund" by Morningstar for Schroder Global Sustainable Growth fund, recognising its investing excellence and the successful integration of sustainability and investment returns.</li> </ul>
Progress versus the Group's own multi-year climate-related targets	<ul style="list-style-type: none"> <li>Good progress made against our multi-year target of reducing our Scope 1 and 2 emissions by 46% from 2019 to 2030, achieving 40% and 34% reductions in Scope 1 and 2, respectively, in 2023, for a combined 35% reduction.</li> <li>Achieved a 39% reduction in Scope 3 business travel emissions from a 2019 baseline versus a 50% target decrease by 2030.</li> </ul>
Sustainability and Impact Framework	<ul style="list-style-type: none"> <li>Successful launch of Global Sustainability and Impact Product framework prioritising sustainability integration in investment decisions, delivering long-term returns for clients across public and private markets.</li> </ul>
<b>Our people (see pages 18 to 19 for more information)</b>	
Retention and engagement	<ul style="list-style-type: none"> <li>Retention of key talent and top performers significantly above target at 96%, versus a target of 90%.</li> <li>Schroders employees express high pride, with 87% reporting in our pulse survey, surpassing global benchmarks.</li> </ul>
Inclusion and diversity	<ul style="list-style-type: none"> <li>Exceeded 80% completion rate for UK ethnicity diversity profile, enabling release of first ethnicity pay gap report.</li> <li>Successfully increased disclosure rates and diverse representation of employees across all facets of our 2030 aspirations, including ethnic minority representation in the UK at 18% (previously 16%) and representation from non-professional socio-economic backgrounds in the UK at 19% (previously 16%).</li> <li>Won multiple awards for our approach to inclusion and diversity, including three awards at Citywire Gender Diversity Awards, Best Board and Exco representation at the INSEAD Balance in Business Awards and a gold award from the <i>Financial Times</i> for Championing Religious Inclusivity.</li> </ul>
<b>Risk and conduct (see pages 38 to 43 for more information)</b>	
Governance and risk management	<ul style="list-style-type: none"> <li>Successful implementation of the new Consumer Duty rules ahead of the regulatory deadline.</li> <li>Favourable reports from control function heads indicate positive risk profile assessment. Operational and business risks align with risk appetite or have corresponding action plans for effective mitigation.</li> </ul>

### Personal performance assessment for the Group Chief Executive

Peter Harrison's high energy and relentless work ethic have been in evidence throughout what has been a challenging year faced with strong industry headwinds. His leadership in reshaping our client proposition and driving growth in strategic areas is testament to his impact.

Peter Harrison continues to be very highly regarded by a complex set of stakeholders, having great impact across all areas of our business. His work with the Capital Markets Industry Taskforce, HM Treasury and the Investment Association this year are all examples of the positive and important influence and impact he has, not only within Schroders but also the UK investment management industry more widely.

People and culture remains an area of strength. Described in his feedback as "inspiring, engaging; a genuine role model for DE&I", his contribution to upholding the Schroders culture is key.

As a result of the non-financial performance achieved in the Group scorecard and Peter Harrison's personal performance, the Committee confirmed a non-financial bonus scorecard payout of 20% of the maximum 30%.

### Personal performance assessment for the Chief Financial Officer

Richard Oldfield's tenure with the Group has been marked by a strong start since joining the Company and Board on 2 October 2023. He has developed positive relationships with senior management and the Board, demonstrating open communication and collaboration. His active contributions towards year-end reporting and in investor relations discussions have been highly valuable, as have his steps towards enhancing our internal financial transparency. The Board has provided highly positive feedback, acknowledging his meaningful contribution towards key strategic initiatives notwithstanding his short tenure.

As a result of the performance against the non-financial performance measures in the scorecard as well as Richard Oldfield's personal performance since joining, the Committee confirmed a non-financial bonus scorecard payout of 24% of the maximum 30%, prorated for his tenure.

### Personal performance assessment for the former Chief Financial Officer

Richard Keers continued to support the Group's strategy and outcomes until his stepping down as executive Director from 2 October 2023. Through this period, he:

- engaged effectively with investors and analysts to communicate our strategic direction and key objectives
- delivered successful Capital Markets Day for our wealth management business, conveying our vision and opportunities to investors, analysts and key industry stakeholders
- demonstrated strong leadership in driving efficiency measures
- facilitated a successful handover to the current Chief Financial Officer, ensuring a smooth transition of financial leadership, knowledge transfer and continuity in financial management practices

As a result of the performance against the non-financial performance measures in the scorecard as well as Richard Keers' personal performance, the Committee confirmed a non-financial bonus scorecard payout of 20% of the maximum 30% for the period as Chief Financial Officer.

As confirmed in the Company's announcement on 27 April 2023, Richard Keers remained eligible to be considered for a bonus for the period between stepping down as an executive Director and his departure date of 31 December 2023. This eligibility was based on his continued role in advancing the firm's strategic priorities and a successful handover of responsibilities. The Committee conducted an assessment of Richard Keers' performance during this period, taking into account his role in supporting the design and implementation of the 2024 Board strategy, the delivery of high-priority projects and his overall contribution to the Group's financial and non-financial performance. Recognising his performance, the Committee determined to award Richard Keers a discretionary bonus of £367,000.

### Single figure outcomes for 2023

The graphs illustrate the resulting single figure outcomes for the executive Directors, and how the outcomes compare to the policy maximum that applied in 2023.

Executive Director	Single total remuneration figure (£'000)
Group Chief Executive <b>Peter Harrison</b>	
Chief Financial Officer <b>Richard Oldfield</b>	
Former Chief Financial Officer <b>Richard Keers</b>	
Total <b>Richard Oldfield &amp; Richard Keers</b>	

● Fixed pay ● Upfront bonus – cash ● Upfront bonus – fund award ● Deferred bonus – share award ● Deferred bonus – fund award ● LTIP vesting

## Stakeholder experience and executive Director pay

The Committee actively takes into account the perspectives of various stakeholders when discussing and determining policies, practices and outcomes related to executive Director compensation. It has the discretion to make adjustments to compensation outcomes if considered appropriate.

The graphic below provides a summary of key stakeholder indicators that were reviewed by the Committee as part of its decision-making this year. This includes data over multi-year periods, reflecting the long-term nature of decision-making. More information on many of these indicators can be found in the "Notes to the report on remuneration" section of this report beginning on page 84.

In addition to the indicators mapped out below, the Committee also closely monitors risk, compliance and regulatory matters in its decision-making. This includes regular reports from control function heads and the Conduct Assessment Group.

Our shareholders	Our clients	Our people	Wider society
<p>Compensation outcomes reflect key financial and non-financial performance delivered in the year.</p> <p>A significant portion of compensation is paid in shares and shareholding requirements apply.</p>	<p>Compensation outcomes reflect investment performance delivered.</p> <p>A portion of compensation is paid in fund awards.</p>	<p>Executive outcomes are evaluated in the context of broader workforce metrics, both within the year and over a multi-year horizon.</p>	<p>Compensation outcomes take into account performance against sustainability objectives.</p> <p>The Committee tracks diversity pay gaps and the actions being taken to close the gaps.</p>

## Monitoring how we performed

Aggregate value of share awards held by CEO	Aggregate value of fund awards held by CEO	Change in median UK employee total comp. since 2020	Proportion of Article 8 and 9 funds
<b>£6.7m</b>	<b>£1.5m</b>	<b>+13%</b>	<b>69%</b>
Reflecting alignment created through share award deferral	Reflecting alignment created through fund award deferral	CEO total compensation over same period: -2%	A key sustainability-focused metric in the bonus scorecard
(i) See page 89 for more information.	(i) See page 89 for more information.	(i) See page 87 for more information.	(i) See page 79 for more information.
Total shareholder return over 5 years	AUM outperforming stated comparator (5 years)	Mean annual salary increase for employees in 2023	Portfolio temperature score
<b>+27%</b>	<b>77%</b>	<b>+8%</b>	<b>2.5°C</b>
CEO total comp. change over the same period: -4%	A key metric in the bonus scorecard	Executive Director salaries frozen since 2014	A key sustainability-focused metric in the LTIP scorecard
(i) See page 91 for more information.	(i) See page 79 for more information.	(i) See page 87 for more information.	(i) See page 3 for more information.
Votes in favour of 2023 AGM remuneration resolutions	AUM outperforming stated comparator (3 years)	CEO bonus as a proportion of total bonus pool	Reduction in mean global gender fixed pay gap
<b>96% Policy</b>	<b>60%</b>	<b>1.9%</b>	<b>6%</b>
<b>99% ARR</b>	A key metric in the bonus scorecard	Bonus pool funded through total cost to net income ratio	Since first voluntary publication in 2017
(i) See page 92 for more information.	(i) See page 79 for more information.	(i) See pages 78 and 84 for more information.	(i) See page 18 for more information.

# 2024 implementation

Following strong support received by shareholders at the 2023 AGM, no changes are proposed to the policy in 2024. The implementation of the policy will also remain unchanged, allowing time for the changes made in 2023 to embed, most notably the new sustainability-aligned performance measures "proportion of Article 8 and 9 funds" in the bonus scorecard and "portfolio temperature score" in the LTIP.

In 2024, the Committee will be monitoring the effectiveness of remuneration arrangements in supporting our long-term strategy amidst the challenges posed by the current market environment. We value ongoing dialogue with our shareholders and welcome their input and feedback.

Element	Approach	2024 implementation																		
<b>Salaries</b>	<ul style="list-style-type: none"> <li>Reviewed annually. For the executive Directors, salaries are adjusted infrequently.</li> </ul>	<ul style="list-style-type: none"> <li>Neither executive Director will receive an increase in 2024. This means the most recent increase for executive Directors was in 2014.</li> <li>Current salaries remain low versus peer data.</li> </ul>																		
<b>2024 annual bonus</b>	<ul style="list-style-type: none"> <li>The Committee determines executive Director bonuses based on a scorecard across a range of metrics.</li> <li>Financial performance factors make up 70% of the scorecard and the remaining 30% is based on a combination of non-financial factors.</li> <li>In setting the metrics and target ranges, the Committee takes into account the Board-approved budget, market expectations, prior year achievement, strategic priorities and the wider economic landscape.</li> <li>The Committee may apply discretion to adjust annual bonus awards to the extent it deems it appropriate to align to the results achieved, with overall stakeholder experience, and/or in light of unexpected or unforeseen circumstances.</li> <li>Upfront fund awards and deferred share and fund awards are granted under the DAP, which shareholders approved at the 2020 AGM.</li> </ul>	<ul style="list-style-type: none"> <li>Overall performance measures and weightings will be consistent with 2023:</li> </ul> <table border="1"> <thead> <tr> <th>Measure</th> <th>Link to strategy</th> </tr> </thead> <tbody> <tr> <td><b>Financial (70%)</b></td> <td></td> </tr> <tr> <td>Operating profit (30%)</td> <td>The Group's primary measure of financial performance as reported to stakeholders.</td> </tr> <tr> <td>Client investment performance over three years (10%) and five years (10%)</td> <td>Helping our clients achieve their long-term financial goals is central to our purpose and represents a core output of our business.</td> </tr> <tr> <td>Annual net new business (10%) (excluding joint ventures and associates)</td> <td>Net new business is essential to our success and a key driver of both AUM and revenues.</td> </tr> <tr> <td>Proportion of Article 8 and 9 funds (10%)</td> <td>Client-focused, financial metric reflective of our commitment to our sustainable offering and establishing and maintaining our position as a sustainability leader.</td> </tr> <tr> <td><b>Non-financial (30%)</b></td> <td></td> </tr> <tr> <td>Strategic progress; sustainability; people and talent; risk and governance; personal goals</td> <td>All fundamental to the Group's long-term success, the Committee sets targets to robustly assess each of these measures.</td> </tr> </tbody> </table>			Measure	Link to strategy	<b>Financial (70%)</b>		Operating profit (30%)	The Group's primary measure of financial performance as reported to stakeholders.	Client investment performance over three years (10%) and five years (10%)	Helping our clients achieve their long-term financial goals is central to our purpose and represents a core output of our business.	Annual net new business (10%) (excluding joint ventures and associates)	Net new business is essential to our success and a key driver of both AUM and revenues.	Proportion of Article 8 and 9 funds (10%)	Client-focused, financial metric reflective of our commitment to our sustainable offering and establishing and maintaining our position as a sustainability leader.	<b>Non-financial (30%)</b>		Strategic progress; sustainability; people and talent; risk and governance; personal goals	All fundamental to the Group's long-term success, the Committee sets targets to robustly assess each of these measures.
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<b>2024 LTIP award</b>	<ul style="list-style-type: none"> <li>Awards are granted annually, based on performance in the preceding year.</li> <li>Awards vest subject to a four-year performance period, plus an additional one-year holding period post vesting.</li> <li>The Committee may apply discretion to adjust vesting to the extent it judges appropriate to align the results to the overall stakeholder experience.</li> <li>Awards are granted under LTIP rules approved by shareholders in 2020.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee has approved LTIP awards for the Group Chief Executive and Chief Financial Officer, amounting to £600,000 and £400,000 respectively. These awards reflect their performance in 2023 and are in line with amounts granted in prior years.</li> <li>Awards will be granted in March 2024, with performance conditions consistent with 2023:</li> </ul> <table border="1"> <thead> <tr> <th>Link to strategy</th> <th>Threshold (25% vesting)</th> <th>Maximum (100% vesting)</th> </tr> </thead> <tbody> <tr> <td>Operating earnings per share (EPS) (35%)</td> <td>Group KPI measuring our objective to grow earnings per share consistently, recognising the potential impact of market volatility on results in the short term.</td> <td>4% per annum</td> <td>10% per annum</td> </tr> <tr> <td>Cumulative net new business (NNB) (including joint ventures business across the Group. and associates) (35%)</td> <td>Group KPI measuring our ability to generate positive net new business across the Group.</td> <td>£25bn</td> <td>£50bn</td> </tr> <tr> <td>Portfolio temperature score (30%)</td> <td>Group KPI measuring our ambition to align portfolios to a 2.2°C pathway by 2030 and 1.5°C by 2040.</td> <td>5% decrease</td> <td>10% decrease Leadership CDP rating on climate change for all four years.</td> </tr> </tbody> </table>			Link to strategy	Threshold (25% vesting)	Maximum (100% vesting)	Operating earnings per share (EPS) (35%)	Group KPI measuring our objective to grow earnings per share consistently, recognising the potential impact of market volatility on results in the short term.	4% per annum	10% per annum	Cumulative net new business (NNB) (including joint ventures business across the Group. and associates) (35%)	Group KPI measuring our ability to generate positive net new business across the Group.	£25bn	£50bn	Portfolio temperature score (30%)	Group KPI measuring our ambition to align portfolios to a 2.2°C pathway by 2030 and 1.5°C by 2040.	5% decrease	10% decrease Leadership CDP rating on climate change for all four years.	
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## Navigation of this report and shareholder voting

This report from the Chair of the Remuneration Committee, together with the notes on pages 84 to 93, constitutes the annual report on remuneration, which will be presented for an advisory vote by shareholders at the upcoming AGM. We value the feedback from our shareholders and are grateful for their participation.

Where required and indicated, this information has been audited by EY.

**Matthew Westerman**  
Chair of the Remuneration Committee

28 February 2024

# Notes to the report on remuneration

The notes set out on pages 84 to 93 supplement the information on pages 74 to 83, combining both statutory and voluntary disclosures. You can also find more information about our current global workforce, along with details of our voluntary global and UK ethnicity pay gaps, by visiting our website [www.schroders.com/inclusion-and-diversity](http://www.schroders.com/inclusion-and-diversity)

## Additional detail on 2023 executive Director pay outcomes

### Single total remuneration figure for each executive Director (audited)

The total remuneration of each executive Director for the years ended 31 December 2021 through 31 December 2023 is set out in the table below. As noted earlier in this report, the Group Chief Executive requested the Committee consider a downwards adjustment to his bonus this year. Reflecting on the overall stakeholder experience over multiple years, the Committee determined that a £250,000 downwards discretionary adjustment to the Group Chief Executive's bonus would be appropriate, as shown in the table below.

For Richard Oldfield and Richard Keers, the 2023 amounts shown represent amounts paid in respect of their roles as executive Directors, being circa three months and nine months respectively. Richard Keers also received remuneration for the circa three-month period he was an employee before stepping down, as detailed in the next section. 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.

	(£'000)	Base salary <sup>1</sup>	Benefits and allowances <sup>2</sup>	Retirement benefits <sup>3</sup>	Total fixed pay	Initial bonus outcome	Discretionary bonus reduction	Annual bonus award <sup>4</sup>	LTIP vested <sup>5</sup>	Total variable pay	Total remuneration
2023	Peter Harrison	500	16	45	561	5,879	(250)	5,629	waived	5,629	6,190
	Richard Oldfield	94	1	10	105	731	-	731	-	731	836
	Richard Keers	281	5	34	320	2,066	-	2,066	waived	2,066	2,386
2022	Peter Harrison	500	14	45	559	3,842	-	3,842	341	4,183	4,742
	Richard Keers	375	7	45	427	1,726	-	1,726	227	1,953	2,380
2021	Peter Harrison	500	10	43	553	7,612	-	7,612	269	7,881	8,434
	Richard Keers	375	10	45	430	3,395	-	3,395	180	3,575	4,005

1. Represents the value of salary earned and paid during the financial year.
2. Includes one or more of: private healthcare, life assurance, permanent total disability insurance, Share Incentive Plan matching shares and private use of a company car and driver.
3. Represents the aggregate of contributions to defined contribution (DC) pension arrangements and cash in lieu of pension for Peter Harrison, and cash in lieu of pension for Richard Oldfield and Richard Keers. The table below shows how the retirement benefits figures above are comprised for each Director.
4. Pages 79 to 81 set out the basis on which annual bonus awards for 2023 were determined. The table below breaks down the annual bonus awards for 2023 into cash paid through the payroll in February 2024 and the upfront fund awards, deferred fund awards and deferred share awards that will be granted in March 2024.
5. As noted on page 79, the executive Directors waived entitlement to the 2020 LTIP whose performance period would have concluded on 31 December 2023. No amount will therefore vest in respect of this award for 2023. The comparative value for 2022 represents the actual value that vested on 6 March 2023 from LTIP awards granted on 11 March 2019. The LTIP vested values disclosed last year were estimates, as the Annual Report and Accounts was finalised prior to the vesting date. Page 88 sets out information on LTIP awards granted to the executive Directors during 2023. Page 83 sets out information on LTIP awards to be granted to the executive Directors in March 2024.

### Retirement arrangements for the former Chief Financial Officer (audited)

Richard Keers stepped down as Chief Financial Officer and executive Director on 2 October 2023, and continued to be employed by Schroders to facilitate an effective transition to Richard Oldfield through 31 December 2023, when he retired from the Company.

For the period of 2 October to 31 December 2023, Richard Keers continued to receive his salary, which amounted to £93,750, retirement benefits as cash in lieu of pension of £11,242 and £2,368 in other benefits per the provisions outlined in footnote 2 in the table above. In accordance with the Directors' remuneration policy, certain benefits (such as medical or life insurance) will continue until the end of the normal cover period. Any payments related to such will be disclosed in the report for the financial year to which they pertain, subject to relevant minimum disclosure requirements.

Mr Keers was eligible to receive an annual incentive award for the period after he stepped down as an executive Director, the value of which is not included in the table above. The Committee determined to award Richard Keers a bonus of £367,000 as detailed on page 81. His award will be deferred in line with the treatment for his executive Director period, as detailed on the following page. Richard Keers is not eligible to receive a bonus in respect of 2024.

Following 10 years of service with the Company, the Committee agreed that Richard Keers' deferred bonus awards previously granted to him will continue to vest based on the terms and conditions under which they were granted. Richard Keers will not be eligible for the grant of the 2024 long-term incentive award, and his 2022 and 2023 LTIP awards will be pro-rated for the time elapsed with the Company during the performance period. Final vesting of the LTIP awards will be determined by the Committee at the conclusion of the performance period upon assessment of the achievement of the conditions set out in each award's scorecard. Richard Keers waived his entitlement to his 2021 LTIP award, the performance period for which would have concluded on 31 December 2024. On stepping down as an executive Director, Richard Keers remains subject to the shareholding requirement which requires that he maintain for a period of two years a holding of shares or interests in shares equal in number to that which applied under the personal shareholding policy while he was an executive Director. Richard Keers has signed a commitment to adhere to this requirement as part of stepping down.

No other payments for loss of office or to former Directors were made during 2023.

## Key takeaways from section

- At the request of the Group Chief Executive, the Committee determined a downwards discretionary adjustment of £250,000 to his bonus in the context of the overall stakeholder experience over multiple years.
- The LTIP awards that would otherwise be vesting this year were waived by the executive Directors in 2020 in response to the societal challenges of the Covid-19 pandemic.
- Resulting total compensation for the Group Chief Executive was 69% of the policy maximum and 72% of maximum for the Chief Financial Officers (being the total delivered to the two individuals who served as Chief Financial Officer in the year).

## Retirement benefits – additional detail (audited)

The following table shows details of retirement benefits provided to executive Directors for the years ended 31 December 2023 and 31 December 2022. For the executive Directors, the sum of employer contributions and cash in lieu each year is reflected in the single total remuneration figures above. Employer contributions represent contributions paid into DC pension arrangements during the year and exclude any contributions made by the Directors. There has been no defined benefit (DB) pension accrual since 30 April 2011.

	2023 employer contributions £'000	2023 cash in lieu of pension <sup>1</sup> £'000	2023 retirement benefits total £'000	2022 employer contributions £'000	2022 cash in lieu of pension <sup>1</sup> £'000	2022 retirement benefits total £'000	Accrued DB pension at 31 December 2023	Normal retirement age <sup>2</sup>
Peter Harrison	8	37	45	3	42	45	-	60
Richard Oldfield	-	10	10	-	-	-	-	60
Richard Keers	-	34	34	-	45	45	-	60

- Peter Harrison received a combination of employer contributions to the Group's DC pension arrangement and cash in lieu of pension contributions, and Richard Oldfield and Richard Keers received cash in lieu of pension contributions.
- Normal retirement age is the earliest age at which a Director can elect to draw their pension under the rules of the Schroders Retirement Benefits Scheme without the need to seek the consent of the Company or the pension scheme trustee.

## Variable pay awards – additional detail (audited)

The table below sets out details of how the 2023 annual bonus award for each executive Director was structured, along with the face value of the LTIP award granted during 2024 (see page 83).

2023 (£'000)	DAP award					Total annual bonus award	Percentage deferred	LTIP award	
	Upfront cash bonus award	Upfront fund award	Deferred share award	Deferred fund award	Total DAP award			LTIP granted during 2024	Percentage of total variable pay deferred
Peter Harrison	1,246	1,246	2,353	784	4,383	5,629	56%	600	60%
Richard Oldfield	226	226	209	70	505	731	38%	400	60%
Richard Keers	413	413	930	310	1,653	2,066	60%	-	60%

Upfront fund awards normally cannot be exercised for six months from grant, but are not at risk of forfeiture if the holder resigns and leaves the Group. Deferred share awards are conditional rights to receive Schroders shares, granted as nil-cost options. They normally require the holder to remain in employment for three years following grant to vest in full and are available to exercise in three equal instalments 1, 2 and 3 years from grant. Deferred fund awards are conditional rights to receive a cash sum with an initial value equal to the value of bonus being deferred, granted as nil-cost options. That value is notionally invested in a range of Schroders funds and so the actual amount paid when the award is exercised is the initial amount plus or minus returns on those notional investments. They normally require the holder to remain in employment for 3.5 years following grant to vest in full and are available to exercise in three equal instalments 1.5, 2.5 and 3.5 years from grant.

## Key takeaways from section

- In 2023, 60% of executive Director variable pay was deferred, providing long-term alignment and retention.
- Delivering a significant portion of the bonus in share and fund awards creates alignment with investors and clients.

## Non-executive Directors' remuneration (audited)

Non-executive Directors receive fixed fees to reflect their Board and Committee responsibilities. They are not eligible to participate in any variable pay arrangements. This section provides an overview of the fees and resulting total remuneration received by each non-executive Director.

The fees for the non-executive Directors were not changed in 2023, having last been reviewed during 2022. The structure of non-executive Directors' fees is shown below. Fees are usually reviewed biennially.

	£
Chair	625,000
Board member	80,000
Senior Independent Director	25,000
Audit and Risk Committee Chair <sup>1</sup>	25,000
Audit and Risk Committee member	20,000
Nominations Committee Chair	-
Nominations Committee member	-
Remuneration Committee Chair <sup>1</sup>	25,000
Remuneration Committee member	20,000

1. In addition to the Committee membership fee.

The total remuneration of each of the non-executive Directors for the years ended 31 December 2023 and 31 December 2022 is set out in the table below:

£'000	2023					2022						
	Basic fee	Committee Chair	Committee member	SID	Taxable benefits	Total	Basic fee	Committee Chair	Committee member	SID	Taxable benefits	
Dame Elizabeth Corley	625	-	-	-	3	628	448	-	-	-	1	449
Sir Damon Buffini	26	-	6	-	-	32	80	8	20	-	-	108
Rhian Davies	80	25	40	-	1	146	80	25	40	-	1	146
Paul Edgecliffe-Johnson	53	-	13	-	2	68	40	-	10	-	1	51
Claire Fitzalan Howard	80	-	-	-	2	82	80	-	-	-	1	81
Rakhi Goss-Custard	80	-	20	-	2	102	80	-	20	-	1	101
Ian King	80	-	20	25	1	126	80	-	20	22	1	123
Leonie Schroder	80	-	-	-	-	80	80	-	-	-	-	80
Annette Thomas	27	-	7	-	-	34	-	-	-	-	-	-
Deborah Waterhouse	80	-	40	-	3	123	80	-	28	-	1	109
Matthew Westerman	80	25	40	-	-	145	80	17	40	-	-	137

The fees shown in each Director's case reflect the portion of 2023 and 2022 that they each served in their respective roles.

- Sir Damon Buffini stepped down from the Board at the conclusion of the 2023 AGM on 27 April 2023.
- Paul Edgecliffe-Johnson stepped down from the Board from 31 August 2023.
- Annette Thomas was appointed to the Board and Remuneration Committee with effect from 1 September 2023, with fees set at the same level as for other non-executive Directors.
- Iain Mackay and Frederic Wakeman were appointed on 1 January 2024, and therefore do not feature in the table.

Benefits listed comprised travel expenses.

### Key takeaways from section

- Non-executive Director remuneration comprised fixed pay only.
- There have been no changes to the structure or levels of non-executive Director fees in 2023.
- Year-on-year changes in total remuneration paid to non-executive Directors reflect changes in Committee responsibilities and/or the timing of their appointments.

## Workforce and Director pay outcomes

The statutory disclosures presented in this section offer insights into the relationship between employee and executive pay outcomes. The higher proportion of total compensation that is variable for executives can sometimes make year-on-year comparisons challenging. Looking at multiple years of data can help identify overarching trends.

### UK pay ratios

The table below compares the Group Chief Executive's single total remuneration figure for 2023 to the remuneration of the Group's UK workforce as at 31 December 2023, along with the comparative figures for the previous year. As noted on page 79, the 2022 bonus scorecard outcome for the Group Chief Executive was misaligned with the employee bonus experience and the Committee determined not to exercise positive discretion to improve alignment. As a result, the CEO pay ratio has increased this year. This also reflects a difference in the structure of the Group Chief Executive's overall pay versus typical employees, with a larger proportion variable based on business performance each year. The Group is committed to ensuring pay fairness throughout its workforce, and the principle of providing greater certainty in remuneration through proportionally higher fixed pay for junior and lower-paid employees aligns with the Group's pay and reward policies for the global workforce.

Method	Pay ratio to lower quartile UK employee	Pay ratio to median UK employee	Pay ratio to upper quartile UK employee	Lower quartile UK employee		Median UK employee		Upper quartile UK employee		
	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary		
2023	Option A	93:1	59:1	37:1	66,536	52,938	105,779	78,000	169,250	115,000
2022	Option A	74:1	46:1	28:1	63,067	49,702	101,409	75,000	167,622	110,000
2021	Option A	134:1	84:1	49:1	63,093	47,000	100,761	69,433	173,941	100,000
2020	Option A	110:1	70:1	42:1	57,205	45,000	89,541	58,000	150,310	122,500
2019	Option A	117:1	72:1	42:1	55,400	50,000	89,743	68,000	154,667	85,000

The rules that require this disclosure set out three methodologies that companies can adopt, termed Options A, B and C. The Group has adopted Option A as this is the most robust methodology, requiring the Group to calculate the pay and benefits of all its UK employees in order to identify the total remuneration at the upper quartile, median and lower quartile. We have based the calculation of these total remuneration quartiles on salaries as at 31 December 2023 plus any annual bonus award in respect of 2023 and any other incentive awards granted during 2023. In calculating these ratios, salary and any annual bonus award or other incentive awards for employees who work part-time have been pro-rated up to a full-time equivalent. We have not included taxable travel benefits such as the reimbursement of occasional travel home from work that was covered by the Group's travel and expenses policy. No other assumptions or statistical modelling was required.

### Comparing Director and wider workforce pay

The Committee considers executive Director pay structures and outcomes in the context of wider workforce pay. The table below compares percentage change in base salary/fees, benefits and annual bonus awards for the Directors with the average change across employees of the Group as a whole for the past three performance years. The outcome for employees of Schroders plc is also included to satisfy the statutory requirement but is shown as not applicable given the legal entity does not itself have any employees. The values shown for the executive Directors are based on those shown in the single total remuneration figure table on page 84 and those for non-executive Directors are based on the table on page 86. The employee mean and median figures in this table represent the change experienced for individual employees who were employed by Schroders in both years.

	2023			2022			2021			2020						
	Base salary/ fee	Benefits	Bonus	Total compen- sation	Base salary/ fee	Benefits	Bonus	Total compen- sation	Base salary/ fee	Benefits	Bonus	Total compen- sation				
<b>Executive Directors</b>																
Peter Harrison	0%	+3%	+47%	+31%	0%	+38%	-50%	-44%	+0%	+16%	+40%	+33%				
Richard Oldfield	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Richard Keers	-25%	-25%	+20%	0%	0%	-26%	-49%	-41%	+0%	+49%	+41%	+31%				
<b>Non-executive Directors</b>																
Dame Elizabeth Corley <sup>1</sup>	+40%	+180%	n/a	+40%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Sir Damon Buffini	-70%	n/a	n/a	-71%	-13%	n/a	n/a	-13%	0%	n/a	n/a	+20%				
Rhian Davies <sup>1</sup>	0%	+180%	n/a	+1%	0%	0%	n/a	0%	0%	n/a	0%	+13%				
Paul Edgecliffe-Johnson <sup>1</sup>	+33%	+209%	n/a	+36%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Claire Fitzalan Howard <sup>1</sup>	0%	+260%	n/a	+2%	0%	0%	n/a	0%	+51%	0%	n/a	+49%				
Rakhi Goss-Custard <sup>1</sup>	0%	+108%	n/a	+1%	0%	-50%	n/a	-1%	0%	0%	n/a	n/a				
Ian King <sup>1</sup>	+2%	+54%	n/a	+3%	+2%	0%	n/a	+2%	0%	0%	n/a	0%				
Leonie Schroder	0%	n/a	n/a	0%	0%	n/a	n/a	0%	0%	-100%	n/a	-1%				
Annette Thomas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Deborah Waterhouse <sup>1</sup>	+11%	+157%	n/a	+13%	+8%	0%	n/a	+8%	0%	0%	n/a	+47%				
Matthew Westerman	+6%	n/a	n/a	+6%	+14%	n/a	n/a	+14%	+43%	n/a	n/a	+43%				
<b>Employees</b>																
Employees of Schroders plc	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Employees of the Group <sup>2,3,4</sup>																
Mean	+8%	+10%	-4%	+5%	+10%	+8%	-10% <sup>5</sup> -22% <sup>6</sup>	3%	+9%	+5%	+49% <sup>5</sup> +78% <sup>6</sup>	17%	+4%	+2%	+7%	4%
Median	+6%	+7%	-15%	+3%	+5%	+6%	-17% <sup>5</sup> -28% <sup>6</sup>	1%	+2%	+3%	+34% <sup>5</sup> +62% <sup>6</sup>	12%	+2%	+3%	+0%	2%

Footnotes are provided on the following page.

1. The fee increases shown reflect the timing of appointment to the Board and/or roles on Board Committees as set out on page 86. Increases in benefits reflect travel expenses which vary in each year based on actual usage, with amounts listed on page 86.
2. For base salary, employees of the Group are those who were in employment between 31 December 2022 and 31 December 2023 and represents the salary increase over this period. Salary adjustments agreed as part of the 2023 compensation review will be effective in 2024.
3. For benefits, the mean percentage change for employees of the Group is a per capita figure for those who were in employment for all of the two years under review and represents the average change in benefits value during the year, while the median is the median percentage change of individual employees within the same population.
4. For bonus, the mean and median percentage change for employees of the Group is the mean and the median respectively of the individual year-on-year percentage change in bonus for employees who were in employment and bonus-eligible for all of 2022 and 2023. More commentary on the annual bonus award for each executive Director can be found on pages 79 to 81.
5. Excluding Share in Success Award, an award granted in December 2021 to c.4,600 employees valued at the equivalent of 5% of annual salary.
6. Including Share in Success Award.

## Key takeaways from section

- The annual bonus change for executive Directors differs from employees due to their pay structure, which includes a higher proportion in bonus based on business performance. This contrasts with a desire to provide greater certainty through higher fixed pay for junior and lower-paid employees.
- Looking over multiple years, total compensation outcomes for employees have generally been more favourable than outcomes for executive Directors. This is reflected in the decrease in pay ratio from 72:1 in 2019 when UK pay ratios were first reported, to 59:1 this year.
- The fees for the non-executive Directors were not changed in 2023 and any changes in fees are reflective of their change in role. Non-executive Directors are not eligible to receive a bonus, which reinforces their independence.

## Alignment with shareholders and clients

**By delivering a substantial portion of variable pay in shares and funds, we foster meaningful alignment among our executive Directors, shareholders and clients. The tables below provide details of awards granted, movements in share and fund awards held by the executive Directors in the year and the total share interests for all our Directors.**

### Directors' rights under fund and share awards

#### DAP and LTIP granted during 2023 (audited)

The following awards were granted under the DAP on 6 March 2023 in respect of deferred bonuses for performance during 2022. No further performance conditions need to be met for awards to vest. The terms of the awards are the same as those that apply to the 2024 deferred bonus awards, as described on page 83. These awards were included in the 2022 single total remuneration figures disclosed last year and form part of the prior year value shown in this year's single total remuneration figures on page 84. They are also shown in the tables of rights under fund and share awards on page 89.

Individual	Basis of DAP award granted	Face value at grant (£'000)				Share price at grant	Number of shares	Performance conditions
		Upfront fund awards	Deferred share awards	Deferred fund awards	Total DAP award			
Peter Harrison	Deferral of bonus awarded for performance in 2022	888	1,549	516	2,953	4.904	315,844	Awarded for performance in 2022. No further performance conditions apply
Richard Keers		425	657	219	1,301	4.904	133,911	

The following awards under the LTIP were granted on 6 March 2023 as nil-cost options. They are also reflected in the table of rights under share awards on page 89. Vesting of LTIP awards granted during 2023 are subject to the same performance conditions for the 2024 LTIP award as detailed on page 83.

Individual	Basis of LTIP award granted	Face value at grant (£'000)	Vesting maximum as % of face value	% of face value that would vest at threshold <sup>1</sup>	Share price at grant	Number of shares	End of performance period
Peter Harrison	A specified face value of shares on the date of grant	600	100	25	4.904	122,349	31 December 2026
Richard Keers		400	100	25	4.904	81,566	31 December 2026

1. Percentage of face value that would vest if performance measures were at the threshold level to achieve non-zero vesting.

All DAP share awards and LTIP awards were granted over ordinary shares. The number of shares under each DAP share award and LTIP award is determined by dividing the grant date face value by the mid-market closing share price on the last trading day prior to the date of grant. Annual bonus and LTIP awards (including bonus awards delivered via the DAP) are subject to the Group malus and clawback policy.

**Directors' rights under fund awards (audited)**

Directors had the following fund award rights under the Group's incentive plans, based on the award values at grant:

		Unvested fund awards £'000	Vested fund awards £'000	Total £'000
Peter Harrison	At 31 December 2022	2,209	-	2,209
	Granted	516	888	1,404
	Vested	(1,195)	1,195	-
	Exercised	-	(2,083)	(2,083)
	At 31 December 2023	<b>1,530</b>	-	<b>1,530</b>
Richard Keers	At 31 December 2022	955	227	1,182
	Granted	219	425	644
	Vested	(508)	508	-
	Exercised	-	(1,160)	(1,160)
	At 31 December 2023	<b>666</b>	-	<b>666</b>

**Directors' rights under share awards (audited)**

Directors had the following share rights under the Group's incentive plans. These are in the form of nil-cost options shown based on the number of shares in each case.

		Unvested LTIP awards <sup>1</sup>	Other unvested share awards <sup>2</sup>	Vested but unexercised share awards	Total
Peter Harrison (Ordinary shares)	At 31 December 2022	261,523	1,174,033	52,723	1,488,279
	Granted	122,349	315,844	-	438,193
	Dividend-equivalent accrual	-	45,338	21,200	66,538
	Vested	(69,447)	(544,952)	614,399	-
	Lapsed where LTIP conditions were not met	(69,447)	-	-	(69,447)
	Exercised	-	-	(367,903)	(367,903)
	At 31 December 2023	<b>244,978</b>	<b>990,263</b>	<b>320,419</b>	<b>1,555,660</b>
Richard Keers (Ordinary shares)	At 31 December 2022	174,346	512,504	236,339	923,189
	Granted	81,566	133,911	-	215,477
	Dividend-equivalent accrual	-	19,739	15,018	34,757
	Vested	(46,297)	(234,976)	281,273	-
	Lapsed where LTIP conditions were not met	(148,347)	-	-	(148,347)
	Exercised	-	-	(412,144)	(412,144)
	At 31 December 2023	<b>61,268</b>	<b>431,178</b>	<b>120,486</b>	<b>612,932</b>

1. These awards will only vest to the extent that the relevant performance conditions are met.

2. No performance conditions apply for these awards.

During 2023, the aggregate gain on nil-cost options, which were settled in shares, was as follows:

- Peter Harrison received £1,711,445 from exercising nil-cost options over 367,903 ordinary shares, in part granted as an element of his annual bonus awards for performance in 2020 and 2021 and in part being the vested element of the LTIP award granted to him in 2018.
- Richard Keers received £1,778,189 from exercising nil-cost options over 279,907 ordinary shares, in part granted as an element of his annual bonus awards for performance in 2020, 2021 and 2022 and in part being the vested element of the LTIP award granted to him in 2018.

## Executive

### Director alignment to shareholders (audited)

To align the interests of senior management with those of shareholders, the executive Directors and the other members of the GMC are required, over time, to acquire and retain a holding of Schroders shares or rights to shares. The required shareholdings are 500% of base salary for the Group Chief Executive and 300% of base salary for the Chief Financial Officer. Shares that count towards this policy include the estimated after-tax value of unvested deferred bonus share awards under the DAP (shown as "Other unvested share awards" on page 89) and vested DAP or LTIP awards (shown as "Vested but unexercised share awards" on page 89). Unvested LTIP awards are not included as these rights to shares are subject to performance conditions. Peter Harrison's shareholdings are well in excess of the level required under our personal shareholding policy. Richard Oldfield, who was appointed as an executive Director on 2 October 2023, is unable to exercise any vested deferred awards until he has met the policy. Richard Keers remains subject to the shareholding policy for two years post his stepping down as an executive Director on 2 October 2023.

### Value of shareholding vs. shareholding policy (% of salary)

Group Chief Executive <b>Peter Harrison</b>	Chief Financial Officer <b>Richard Oldfield</b>	Former Chief Financial Officer <b>Richard Keers</b>
--	--	--

● Policy ● Shareholding ● LTIP shares subject to performance conditions

The illustration above includes DAP deferred share awards to be granted in respect of performance in 2023 (see page 85). It does not include the value of any LTIP awards that would have vested in March following the performance year as the executive Directors waived entitlement at the time of grant (see page 79).

### Directors' share interests (audited)

The Directors and their connected persons had the following interests in shares in the Company. Iain Mackay and Frederic Wakeman were appointed on 1 January 2024 and therefore do not feature in the table.

	Number of shares at 31 December 2023
	Ordinary shares of 20 pence each
<b>Executive Directors</b>	
Peter Harrison	61,555
Richard Oldfield	74,927
Richard Keers <sup>1</sup>	7,230
<b>Non-executive Directors</b>	
Dame Elizabeth Corley	65,294
Sir Damon Buffini <sup>2</sup>	25,000
Rhian Davies	7,500
Paul Edgecliffe-Johnson <sup>3</sup>	9,559
Claire Fitzalan Howard <sup>4</sup>	640,322,307
Rakhi Goss-Custard	8,301
Ian King	13,205
Leonie Schroder <sup>4</sup>	687,302,227
Annette Thomas	-
Deborah Waterhouse	4,190
Matthew Westerman	11,764

Between 31 December 2023 and 28 February 2024, the only movements in the Directors' share interests were the acquisition under the Share Incentive Plan of 120 ordinary shares by Peter Harrison and 123 ordinary shares by Richard Oldfield.

1. The interests of Richard Keers refer to the position as at 2 October 2023, the date he stepped down as a Director of the Company.
2. The interests of Sir Damon Buffini refer to the position as at 27 April 2023, the date he stepped down as a Director of the Company.
3. The interests of Paul Edgecliffe-Johnson refer to the position as at 31 August 2023, the date he stepped down as a Director of the Company.
4. The interests of Claire Fitzalan Howard and Leonie Schroder include their personal holdings and the beneficial interests held by them and their connected persons in their capacity as members of a class of potential beneficiaries under certain settlements made by members of the Schroder family.

### Key takeaways from section

- Alignment to shareholders is a key pillar of our remuneration approach, with senior leadership required to hold a meaningful number of shares.
- Peter Harrison's shareholdings are well in excess of the required level. Richard Oldfield, who was appointed as an executive Director on 2 October 2023, will not be able to exercise any share awards until he meets the required level.
- Richard Keers remains subject to the shareholding policy for two years post his stepping down as an executive Director on 2 October 2023.

## Contextualising pay outcomes with overall performance

The disclosures that follow provide further details of the relationship between pay outcomes and performance delivered for shareholders.

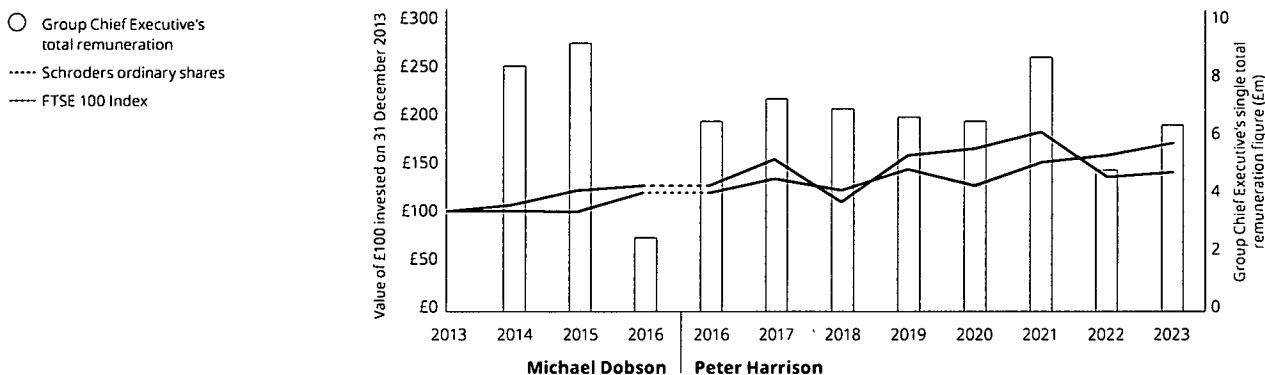
### Relative spend on pay

The charts below illustrate the relative spend on pay for 2023 compared with 2022. The values are taken from the financial statements and show how remuneration costs compare with shareholder distributions, taxes arising and earnings retained, to illustrate how net operating income is utilised.

2023	2022
Fixed remuneration £735.2m +5%	Fixed remuneration £703.1m
Variable remuneration – upfront £209.1m -17%	Variable remuneration – upfront £250.9m
Variable remuneration – deferred £93.6m -12%	Variable remuneration – deferred £106.0m
Other operating expenses £633.3m +2%	Other operating expenses £618.9m
Other income/expenses £155.4m +27%	Other income/expenses £122.0m
Corporate tax and social security £189.8m +1%	Corporate tax and social security £188.2m
Retained earnings £68.7m -55%	Retained earnings £152.8m
Interim dividend paid and final dividend recommended £333.9m 0%	Interim dividend paid and final dividend recommended £333.4m

### The Group Chief Executive's total remuneration over the past ten years

The chart below illustrates the Group Chief Executive's single total remuneration figure over the past ten years and compares it with the total shareholder return of Schroders shares and the FTSE 100 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Single total remuneration figure (£'000)	8,155	8,905	2,451	6,311	7,059	6,735	6,453	6,321	8,434	4,696
Annual bonus award (outcome as a % of maximum, or actual award as a % of ten-year highest bonus) <sup>1,2,3</sup>	87%	100%	25%	70%	82%	78%	72%	69%	97%	49%
LTIP (vesting as a % of maximum) <sup>4</sup>	50%	50%	50%	50%	n/a	0%	50%	50%	50%	50%

- From performance year 2020, this represents the Group Chief Executive's actual annual bonus award as a percentage of the maximum annual bonus award for the year. For performance years prior to 2020, each annual bonus award is shown as a percentage of the highest bonus award over the past ten years, as no maximum annual bonus opportunity was in place.
- The 2016 remuneration for Michael Dobson reflects the actual remuneration that he received for the portion of 2016 that he served as Chief Executive.
- Peter Harrison was appointed Group Chief Executive on 3 April 2016. The 2016 remuneration value above reflects his full-year single total remuneration figure.
- The first LTIP award vested on 5 March 2014 based on the four-year performance period ended on 31 December 2013 and so is shown under 2013 in the table. 2017 shows as 'n/a' as Peter Harrison did not receive an LTIP award in 2014 and so had no LTIP due to vest based on performance to the end of 2017.

### Key takeaways from section

- The relative spend on pay has remained largely consistent from prior years, demonstrating the close linkage between pay and financial performance.
- Schroders plc total shareholder return is c.+40% over the past ten years. The single total figure of remuneration paid to the Schroders Group Chief Executive has decreased over this same period.

## Shareholder voting on remuneration

Each year, shareholders are invited to vote on our remuneration report. Last year, we also put our Directors' remuneration policy to vote as it had been three years since it was last voted on. The graphs below summarise the voting outcomes received on these resolutions.

The following votes were cast in respect of the Directors' remuneration report and Directors' remuneration policy at our 2023 AGM.

Key performance and remuneration metrics	To approve the Directors remuneration policy at the 2023 AGM		
● Votes for	1,383,574,693	● Votes for	1,347,696,221
● Votes against	20,657,093	● Votes against	56,519,151
Votes withheld	187,551	Votes withheld	56,519,151
2023 AGM	Votes for 99%	Votes against 1%	2023 AGM
	Votes for 96%	Votes against 4%	

### Key takeaways from section

- We continued to receive strong support from our shareholders in respect of both our remuneration policy and report.
- We value the feedback from our shareholders and their continued participation at the 2024 AGM.

## Other statutory disclosures

### Committee advisers

After a competitive bidding process, the Committee appointed Deloitte as advisers from September 2023 after receiving advice from PricewaterhouseCoopers LLP (PwC) from January until Deloitte's appointment. In its annual review of advisers, the Committee elected to retain McLagan (Aon) Limited (McLagan) to provide advice on executive Director pay during the year. The Committee assesses the performance of its advisers, the associated fees and the quality of advice provided annually to ensure that the advice is independent of any support provided to management.

PwC attended three meetings as independent Remuneration Committee advisers, with Deloitte attending two. A fixed fee structure operated for both advisers upon appointment to cover standard services, with any additional items charged on a time/cost basis. The total fees paid for advice to the Committee during 2023 on executive Director pay totalled £42,000 for PwC and £47,417 for Deloitte.

PwC and Deloitte also provide professional services in the ordinary course of business, including HR consulting services and advice to management on remuneration design and its regulatory implications, tax, social security, governance, operational and technical issues, as well as other professional services to the Group, including tax, consulting, regulatory and fund audit and support for corporate acquisitions. The Committee monitors its adviser independence, noting advice received is predominantly based on objective data trends/facts. Where relevant, advisers were asked to leave discussions when sensitive strategic context was being discussed, in recognition of the advisory roles they may have for competitors.

The Committee utilised McLagan data on market conditions and competitive rates of pay, as McLagan provides remuneration benchmarking data covering a wide cross section of the Group's competitors, including firms that are not publicly listed and so are not required to publish the remuneration of their directors. The total fees paid for advice to the Committee during 2023 on executive Director pay totalled £3,410. The Committee is satisfied that the advice received from McLagan was independent and objective, as it was factual and not judgemental. McLagan is part of Aon plc, which also provides advice and services to the Group in relation to pension benefit valuations and pension actuarial advice. McLagan's fees were charged on the basis of a fixed fee for the preparation of reports setting out the information requested. Neither Deloitte, PwC nor McLagan has a connection to the Company or any individual Director, save as outlined above.

At the invitation of the Committee Chair, the Group Chair and Group Chief Executive attended six meetings, the former Chief Financial Officer attended four meetings and the current Chief Financial Officer attended two meetings. The executive Directors left the meetings where/when relevant to avoid any conflicts of interest. The Chief Risk Officer, Group General Counsel and Head of Group Internal Audit advised the Committee on matters that could influence remuneration decisions and were available to attend meetings if required. The Global Head of Human Resources and Head of Reward, Wellbeing and Inclusion attended meetings to provide advice and support to the Committee and the Head of Executive Compensation and Regulatory Reward acted as secretary to the Committee. The Global Head of Sustainable Investment also attended meetings to provide expert input on the topic of sustainability measurement. The Committee also received regular updates from the Conduct Assessment Group, which comprised the Control Function Heads to ensure the Group is taking account of compliance and conduct risk considerations as part of the firm's compensation processes. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration.

### Compliance with the 2018 UK Corporate Governance Code ("the Code")

Code requirements	How the Committee has addressed the requirement
<b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	<ul style="list-style-type: none"> <li>Prospective disclosure of bonus and LTIP metrics (page 83)</li> <li>Full retrospective disclosure of financial targets and non-financial factors (pages 79 to 81)</li> <li>Review of shareholder feedback and guidance and engagement with shareholders (pages 74, 83)</li> </ul>
<b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	<ul style="list-style-type: none"> <li>Executive Directors incentivised via annual bonus with deferral and LTIP (page 77)</li> <li>Clear disclosure of rationale and operation of each element (see pages 77, 83)</li> </ul>
<b>Risk</b> – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	<ul style="list-style-type: none"> <li>Defined maximum limit for annual total remuneration (page 77)</li> <li>Significant deferral, providing alignment to clients and shareholders (page 77)</li> <li>Committee discretion to adjust formulaic bonus or LTIP outcomes (page 83)</li> <li>Extensive malus and clawback provisions (page 77)</li> </ul>
<b>Predictability</b> – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy	<ul style="list-style-type: none"> <li>Regular Committee review of likely bonus scorecard outcomes (page 75)</li> </ul>
<b>Proportionality</b> – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	<ul style="list-style-type: none"> <li>Annual bonus and LTIP performance measures reviewed annually against strategic priorities (page 75)</li> <li>Significant deferral, providing alignment to clients and shareholders (page 77)</li> <li>Extensive malus and clawback provisions (page 77)</li> </ul>
<b>Alignment to culture</b> – incentive schemes should drive behaviours consistent with Company purpose, values and strategy	<ul style="list-style-type: none"> <li>Remuneration principles aligned with our key stakeholders (page 76)</li> <li>Executive Director remuneration considered in the context of employee outcomes (page 82)</li> <li>Commitment to fair pay for performance across the workforce (page 78)</li> <li>Inclusion of non-financial metrics in both executive Director annual bonus and LTIP scorecards (pages 80 to 81, 83)</li> </ul>

### Fees from external appointments

The executive Directors are permitted to retain for their own benefit fees they receive from any external non-executive directorships, provided the directorships do not relate to any interest held by the Group. Peter Harrison, Richard Oldfield and Richard Keers did not receive any fees in respect of external non-executive roles during the course of their appointment to the Company in 2023.

### Directors' service contracts and letters of appointment

Each of the executive Directors has a rolling service contract with a mutual notice period of six months. Each of the non-executive Directors has a letter of appointment with a mutual notice period of six months. Shareholders may review letters of appointment and service contracts at the Company's registered office from the date of dispatch of the Notice of AGM on business days between 9am and 5pm. Additionally, these documents are available for viewing at each AGM.

### Further remuneration disclosures

The remuneration disclosures required under the Capital Requirements Directive are incorporated into the Group's Pillar 3 disclosures and are available at [www.schroders.com/pillar3](http://www.schroders.com/pillar3). Other regulatory remuneration disclosures can be found at [www.schroders.com/rem-disclosures/](http://www.schroders.com/rem-disclosures/)

### Evaluating the performance of the Committee

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process which is described in the Governance Report on page 63. The findings relating to the Committee were discussed with the Committee Chair. The overall conclusion of the evaluation was that the Remuneration Committee was functioning effectively and had performed its duties diligently. The reporting to the Board on the Committee's discussions by the Chair of the Committee was felt to be comprehensive.

By order of the Board

Matthew Westerman  
Chair of the Remuneration Committee

28 February 2024

## Directors' report

The information in the following sections of this Annual Report and Accounts forms part of this Directors' report:

- Strategic report
- Board of Directors and Company Secretary
- Corporate governance report, including the Nominations Committee report and the Audit and Risk Committee report
- The Statement of Directors' responsibilities

### Share capital

Schroders has developed under stable ownership for 220 years and has been a public company whose ordinary shares have been listed on the London Stock Exchange since 1959.

The Company's share capital comprises 1,612,071,525 ordinary shares of 20 pence each, which have a premium listing on the London Stock Exchange. No shares are held in treasury.

Under the terms of the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust, ordinary shares are held in trust on behalf of employee share plan participants. The trustees may exercise their voting rights in any way they think appropriate. In doing so, they may consider the financial and non-financial interests of the beneficiaries and their dependants. As at 27 February 2024, being the latest practicable date before the publication of this Annual Report and Accounts, the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust together held 57,853,690 ordinary shares.

Under the terms of the Share Incentive Plan, as at 27 February 2024, 6,745,692 ordinary shares were held in trust on behalf of plan participants. At the participants' direction, the trustees can exercise their voting rights over ordinary shares in respect of participant share entitlements.

There are no restrictions on the transfer of the Company's shares, except for:

- Restrictions imposed by laws and regulations.
- Restrictions on the transfer of shares imposed under the Company's Articles of Association or under Part 22 of the UK Companies Act 2006, in either case after a failure to supply information required to be disclosed following service of a request under section 793 of the UK Companies Act 2006.
- Restrictions on the transfer of shares held under certain employee share plans while they remain subject to the plan.

The Company is not aware of any agreement between shareholders that may restrict the transfer of securities or voting rights.

### Principal Shareholder Group

The history of Schroders began in 1804 when JH Schröder became a partner in J.F. Schröder & Co, a London-based firm founded by his brother JF Schröder. It has evolved since then into the company today known as Schroders plc. Throughout that time, the Schroder family have maintained a significant interest in the business, which the Company believes has been a significant benefit to it. Today, the interests of some members of the Schroder family (being certain descendants of the late Helmut Schröder and, in some cases, their spouse or former spouse) are spread across a number of parties, who are collectively known as the Principal Shareholder Group.

The Principal Shareholder Group is comprised of a number of private trustee companies (and investment companies controlled by those trustee companies), a number of Schroder family individuals, and a Schroder family charity which, directly or indirectly, are shareholders in the Company.

The Principal Shareholder Group currently holds 711,068,586 ordinary shares (44.11% of the issued ordinary shares) in the Company. This is comprised as follows:

- A. 662,474,955 of the ordinary shares (41.09%) are owned directly or indirectly by four private trustee companies which act as the trustees of various trusts settled by the Schroder family and investment companies wholly owned by the private trust companies. The trustee companies are Vincitas Limited, Veritas Limited, Alster Limited and Treva Limited. Flavida Limited and Fervida Limited are protector companies which act as protectors of certain of those trusts, and therefore also form part of the Principal Shareholder Group.
- B. 29,364,559 of the ordinary shares (1.82%) are owned directly or indirectly by certain trustee and investment companies following the execution of the estate of Bruno Lionel Schröder (deceased). The trustee companies are Lionel Trustees I Limited and Lionel Trustees II Limited. The investment companies are MEB Investments Limited, CRH Investments Limited and JMF Investments Limited, which are controlled by those trustee companies.
- C. 16,877,633 of the ordinary shares (1.05%) are personally held, directly or indirectly, by certain Schroder family individuals (who are direct descendants of the late Helmut Schröder or, in some cases, a former spouse of such direct descendants).
- D. 2,351,439 of the ordinary shares (0.15%) are owned by the Schroder Charity Trust, a family charity.

### Relationship Agreement

As the Principal Shareholder Group is presumed to be acting in concert, it is required to enter into a binding agreement with the Company to comply with certain independence provisions as set out under the Listing Rules. On 14 November 2014, the Company entered into such an agreement (Relationship Agreement) with members of the Principal Shareholder Group holding ordinary shares at that time. Additional persons who have since become members of the Principal Shareholder Group holding ordinary shares have adhered to the Relationship Agreement.

The Company's Group provides private banking and wealth management services to certain members of the Principal Shareholder Group. These arrangements are conducted at arm's length and on normal commercial terms.

In accordance with Listing Rule 9.8.4(14), the Board confirms that, for the year ended 31 December 2023:

- the Company has complied with the independence provisions included in the Relationship Agreement
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

## Substantial shareholdings

The table below shows the notifiable holdings of major shareholders in the voting rights of the Company, as at 31 December 2023, as disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules.

Shareholder	% of voting rights held
Vincitas Limited <sup>1</sup>	24.18
Veritas Limited <sup>1</sup>	15.22
Flavida Limited <sup>1</sup>	24.27
Fervida Limited <sup>1</sup>	16.27
Harris Associates <sup>2</sup>	5.02
Lindsell Train <sup>2</sup>	4.99
HSBC Holdings Limited <sup>2,3</sup>	3.45
Sir Michael Kadoorie <sup>2,4</sup>	3.44

1. Vincitas Limited, Veritas Limited, Flavida Limited and Fervida Limited are party to the Relationship Agreement. Flavida Limited and Fervida Limited are protector companies and have made notifications as protectors of certain settlements, which include the holdings of Vincitas Limited and Veritas Limited.

2. Lindsell Train Limited, Harris Associates L.P., HSBC Holdings Limited, and Sir Michael Kadoorie are not parties to the Relationship Agreement.

3. HSBC Holdings Limited is acting as a Corporate Director for the underlying client.

4. Shares are held through Orchid Equity Limited.

On 11 January 2024, Silchester International Investors LLP notified the Company that their holding had increased to 5.01% of voting rights held. They are not a party to the Relationship Agreement. There have been no other changes to these notifications or additional notifications as at the date of the report.

## Dividends

It is our policy to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%.

The payout ratio is determined as the total dividend per share in respect of the year, divided by the Group's basic operating earnings per share. In line with this policy, the Board recommends a final dividend of 15.0 pence per share (2022: 15.0 pence per share) which, if approved by shareholders at the AGM, will be paid on 2 May 2024 to shareholders on the register of members at close of business on 22 March 2024. It means a total dividend for the year of 21.5 pence per share (2022: 21.5 pence per share), representing a payout ratio of 66% (2022: 57%).

	2023		2022	
	pence	£m	pence	£m
Interim	6.5	100.8	6.5	100.6
Final*	15.0	233.1	15.0	232.2
Total	<b>21.5</b>	<b>333.9</b>	<b>21.5</b>	<b>332.8</b>

\* Subject to approval by shareholders at the 2024 AGM.

In setting the dividend, the Board has regard to overall Group strategy, capital requirements, liquidity and profitability. This approach enables the Group to maintain sufficient surplus capital to take advantage of future investment opportunities, while providing financial security to withstand possible risk scenarios and periods of economic downturn.

The distributable profits of Schroders plc are £2.8 billion (2022: £2.7 billion). The Group's ability to pay dividends is, however, restricted by the need to hold regulatory capital and to maintain sufficient operating capital to support its ongoing business activities. Operating capital requirements include co-investments with clients and seed capital investments in our funds to support new investment strategies.

Certain circumstances could adversely impact the Group's ability to pay dividends in line with the policy. This includes a significant increase in the ratio of total costs to net income. After deducting the regulatory capital requirement and the regulatory capital buffer, there continues to be sufficient capital to maintain our current dividend level for at least three years before taking account of any future profits.

The Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust have waived their rights to dividends paid on the ordinary shares in respect of 2023 and future periods. See notes 6 and 20 to the financial statements.

## 2024 Annual General Meeting

The 2024 AGM will be held on Thursday 25 April 2024 at 11.30am.

All resolutions are voted on separately and the final voting results will be published as soon as practicable after the meeting. Together with the rest of the Board, the Chairs of the Nominations, Audit and Risk, and Remuneration Committees will be present to answer questions.

## Rule 9 Waiver and authority to purchase own shares

The Company simplified its dual share class structure on 20 September 2022. As a result, the aggregate holding of the Principal Shareholder Group decreased from 47.93% to 43.11% of ordinary shares. Prior to 20 September 2023, the Principal Shareholder Group was permitted to acquire up to 1% of ordinary shares without being required to make a mandatory cash offer for the whole Company under the Takeover Code. The Principal Shareholder Group used this permission during 2023 and increased their holding to 44.11% of the Company's ordinary shares.

At the 2023 AGM, the Company was authorised by shareholders to purchase up to 161,207,153 ordinary shares. At the 2024 AGM, the Board will seek authority to purchase up to 128,515,118 ordinary shares so that, if such repurchases were exclusively from persons other than the Principal Shareholder Group, this would not result in the Principal Shareholder Group holding more than 47.93% of the Company's voting ordinary shares, which is the level it held prior to the simplification of the Company's dual share class structure in September 2022. Exercise of this authority would be subject to prior consent of the Prudential Regulation Authority.

If the Company were to buy back shares, it is likely that the Principal Shareholder Group's overall ownership in the Company would passively increase from the current level of 44.11%. If this were to happen, under the Takeover Code, the Principal Shareholder Group would be required to make a mandatory cash offer for the whole Company. However, the Company has obtained a waiver from the Takeover Panel that exempts the Principal Shareholder Group from this obligation as a result of any buyback of shares. This waiver is conditional on the independent shareholders approving the Waiver Resolution at the 2024 AGM.

Importantly, the waiver will not permit the Principal Shareholder Group's holding of ordinary shares to increase above the 47.93% holding of voting ordinary shares held prior to the simplification of the Company's dual share class structure without triggering a mandatory cash offer for the whole Company.

Members of the Principal Shareholder Group are supportive long-term shareholders and intend to retain a substantial shareholding in the Company over the long term. The Board expects to seek renewal of the Buyback Authority (and the associated Waiver Resolution) annually until such time as the Principal Shareholder Group's holding of ordinary shares has returned to the level of 47.93%.

## Directors' report continued

### Employment practices

Details of the Company's employment practices, including diversity and employee engagement, can be found in the Strategic report on pages 18 and 19.

### Workforce diversity

We are proud of our award-winning Inclusion at Schroders report, which was awarded Gold at the *Communicate* magazine's Corporate & Financial Awards. We have voluntarily published our UK ethnicity pay gap for the first time, which provides us with an additional quantitative metric to assess our progress on inclusion and diversity at Schroders. This continues to demonstrate our commitment to transparency and allowing our stakeholders to hold us to account.

Our Board representation meets the FTSE Women Leaders targets and we comply with the recommendations of the Parker Review.

Our Board approved our new 2030 inclusion and diversity aspirations, including increasing ethnic minority representation amongst our UK employee population to 25% and that in UK senior

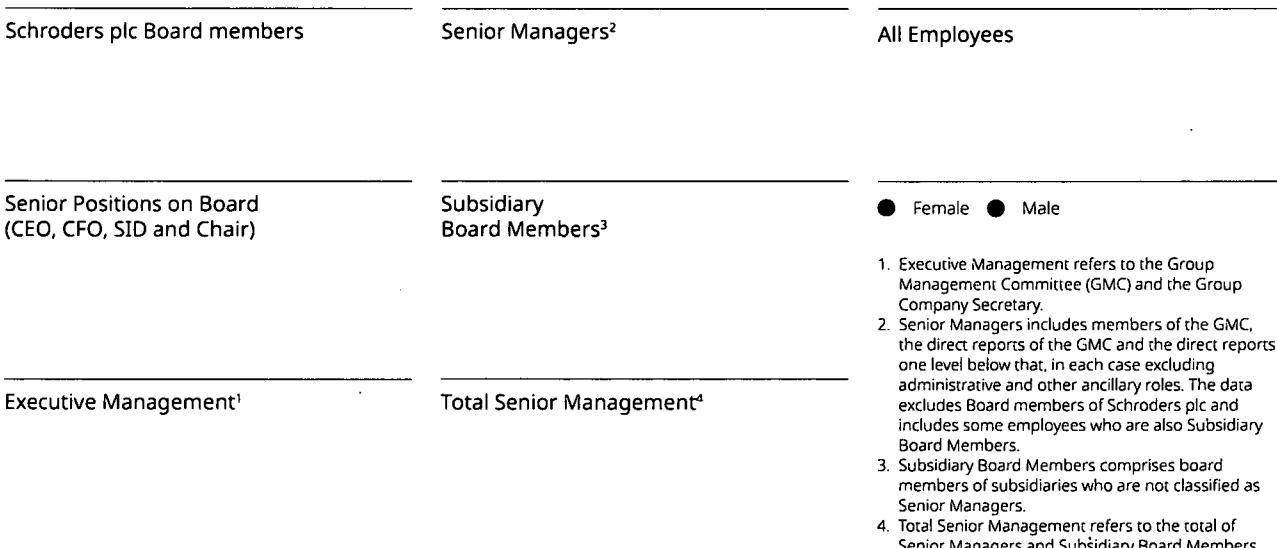
management to 20%. The Board also reviewed the succession plans for all our critical roles globally, including from a gender and ethnicity perspective.

As at 31 December 2023, the Company has met the following FCA Diversity Targets (as required by Listing Rule 9.8.6):

- at least 40% of the Board being women (2023: 64%);
- at least one of the senior Board positions being held by a woman (2023: Chair); and
- at least one member of the Board being from an ethnic minority background (2023: two).

The data required by Listing Rule 9.8.6 for the Board of Directors and executive management is set out in the table below. The data is based on information collected via self-reporting by employees and Board members and existing information held by the Company's HR and Governance teams.

### Gender diversity



### Gender diversity representation

2023	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management
Men	4	36%	3	16	62%
Women	7	64%	1	10	38%
Not specified/prefer not to say	-	-	-	-	-

### Ethnicity diversity representation

2023	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management <sup>1</sup>	Percentage of executive management
White British or other White (including minority-white groups)	9	82%	4	23	88%
Mixed/Multiple Ethnic Groups	1	9%	-	-	-
Asian/Asian British	1	9%	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	3	12%

### **Indemnities and insurance**

Shareholders have authorised the Company to provide indemnities to, and to fund defence costs for, Directors in certain circumstances. On appointment, all Directors are granted an indemnity as defined in the Companies Act 2006 in respect of any third-party liabilities that they may incur as a result of their service on the Board. All Directors' indemnities were in place during the financial year and remain in force.

Directors' and Officers' Liability Insurance is maintained by the Company for all Directors.

Under the Trust Deed and Rules of the Schroders Retirement Benefit Scheme (Scheme), the Company provides a qualifying pension scheme indemnity in line with the Companies Act 2006. The indemnity covers each director of the trustee company that acts as trustee of the Scheme. The provisions have been in force during the financial year.

As part of the integration of Cazenove Capital, the Cazenove Capital Management Limited Pension Scheme was merged with the Schroders Retirement Benefits Scheme, with effect from 31 December 2014. Pursuant to that merger, a qualifying pension scheme indemnity in line with the Companies Act 2006 is provided by Schroders plc for the benefit of the directors of Cazenove Capital Management Pension Trustee Limited, a subsidiary of the Company at that time, was put in place at that time and remains in force. This indemnity covers, to the extent permitted by law, certain losses or liabilities incurred by the directors of Cazenove Capital Management Pension Trustee Limited in connection with that company's activities as trustee of the Cazenove Capital Management Limited Pension Scheme.

### **Directors' Conflicts of Interest and Recusal Policy**

The Company has procedures to identify, authorise and manage conflicts of interest, including of Directors of the Company. They have operated effectively during the year. In circumstances where a potential conflict arises, the Board (excluding the Director concerned) will consider the situation and either authorise the arrangement in accordance with the Companies Act 2006 and the Company's Articles of Association, or take other appropriate action.

All potential conflicts authorised by the Board are recorded in a conflicts register, which is maintained by the Group Company Secretary and reviewed by the Board annually. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

### **Change of control**

The Company does not consider that it has any significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid that are required to be disclosed pursuant to paragraph 13(2) (j) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), other than as disclosed below.

Under the Group's Revolving Credit Facility Agreement, if a change of control of the Company occurs, the lenders are not obliged to provide further funding under the facility. The Company and lenders have up to 30 days to agree the continued use of the facility. If there is no agreement, repayment of the facility and accrued interest may be requested by the lenders with not less than ten days' notice.

Under the Amended and Restated Framework Agreement (Framework Agreement) with Lloyds Banking Group plc (LBG), signed on 3 October 2019 in relation to the strategic partnership announced on 23 October 2018, on a change of control of the Company to: (1) either a material competitor of an LBG business; or (2) an entity or person on, or controlled by an entity or person on, a recognised sanctions list, or located in a specified jurisdiction, LBG may terminate the Framework Agreement. Such termination provisions provide for LBG and the Company to return to the status quo prior to establishing the strategic partnership in relation to shareholdings in subsidiary entities, with any implementing transactions conducted at specified valuations.

The Company entered into an amended Shareholders Agreement with Greencoat management shareholders on 10 April 2022, with respect to their respective shareholdings in Greencoat Capital Holdings Limited. On a change of control of the Company to a person who does not form part of the Principal Shareholder Group, the management shareholders have the right to sell their shares to Schroder International Holdings Limited, a subsidiary of the Company.

Directors' and employees' employment contracts do not normally provide for compensation for loss of office or employment as a result of a change of control. However, the provisions of the Company's employee share schemes may cause awards granted to employees under such schemes to vest on a change of control.

### **Political donations**

No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year (2022: nil) and there is no intention to make or incur any in the current year.

## Directors' report continued

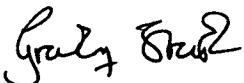
### UK Listing Authority Listing Rules (LR) – compliance with LR 9.8.4C

The majority of the disclosures required under LR 9.8.4C are not applicable to Schroders. The table below sets out the location of the disclosures for those requirements that are applicable.

Applicable sub-paragraph within LR 9.8.4C	Disclosure provided
(5) Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking.	See pages 79, 84, 85 and 90
(12) Details of any arrangements under which a shareholder has waived or agreed to waive any dividends.	See pages 95, 114 and 139
(13) Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	See pages 95, 114 and 139
(14) A statement made by the Board that the Company has entered into an agreement under LR 9.2.2A, that the Company has, and, as far as it is aware, the other parties to the agreement have, complied with the provisions in the agreement.	See page 94

By order of the Board.

Graham Staples  
Company Secretary



28 February 2024

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

The Companies Act 2006, being the applicable law in the UK, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that the statements give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make estimates and judgements that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure where compliance with the specific requirements of UK-adopted international accounting standards is insufficient to enable users to understand the impact of a particular transaction, other events or conditions on the Company or Group's financial position or financial performance;
- state whether the financial statements comply with UK-adopted international accounting standards, subject to any material departure disclosed, and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company or Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company and the Group.

The Directors are responsible for keeping proper books of accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time, the Company's and the Group's financial position, and to enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the Company's and the Group's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities.

### Directors' statement

Each of the Directors, whose name and functions are listed in the Board of Directors and Company Secretary section of this Annual Report and Accounts, confirms that, to the best of each person's knowledge and belief:

- The consolidated financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group.
- The Directors' report contained in this Annual Report and Accounts, which comprises the sections described on page 94, includes a fair review of the business development and performance and the Company's and Group's position, and a description of the principal risks and uncertainties that they face.
- So far as the Directors are aware, there is no relevant audit information which the Company's auditors are unaware of.
- The Directors have taken all the steps that ought to have been taken as a Director to make himself or herself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

In addition, each of the Directors considers that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the audited financial information on the website at [www.schroders.com](http://www.schroders.com).

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Forward-looking statements

This Annual Report and Accounts and the Schroders website may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Company and the Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend on circumstances in the future, and you should not place reliance on them. Without limitation, any statements preceded or followed by, or that include the words 'foresee', 'targets', 'plans', 'believes', 'expects', 'confident', 'aims', 'will have', 'will be', 'will ensure', 'estimates' or 'anticipates', or the negative of these terms or other similar terms, are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this Annual Report and Accounts. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts should be construed as a forecast, estimate or projection of future financial performance.

# **FINANCIAL STATEMENTS**

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## Consolidated financial statements

### Consolidated income statement for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Revenue		2,936.7	2,891.7
Cost of sales		(602.3)	(530.3)
<b>Net operating revenue</b>	2	<b>2,334.4</b>	<b>2,361.4</b>
Of which: Performance fees		37.3	43.0
Net carried interest income		46.9	16.5
Net operating revenue excluding performance-based revenues		2,250.2	2,301.9
Share of profit of associates and joint ventures	9	51.1	77.6
Other operating income		33.5	36.5
<b>Net operating income</b>		<b>2,419.0</b>	<b>2,475.5</b>
Operating expenses	3	(1,758.0)	(1,752.5)
<b>Operating profit</b>		<b>661.0</b>	<b>723.0</b>
Central costs	3	(52.9)	(48.8)
Net gain/(loss) on financial instruments and other income		32.1	(6.7)
Interest income		23.6	5.8
Acquisition costs and related items	3	(90.0)	(86.4)
Restructuring costs	3	(86.2)	–
<b>Profit before tax</b>		<b>487.6</b>	<b>586.9</b>
Tax	4(a)	(85.0)	(100.7)
<b>Profit after tax<sup>1</sup></b>		<b>402.6</b>	<b>486.2</b>
<b>Earnings per share</b>			
Basic	5	<b>24.6p</b>	<b>30.4p</b>
Diluted	5	<b>24.2p</b>	<b>29.9p</b>
<b>Operating earnings per share</b>			
Basic	5	<b>32.5p</b>	<b>37.4p</b>
Diluted	5	<b>31.9p</b>	<b>36.7p</b>

### Consolidated statement of comprehensive income for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
<b>Profit after tax<sup>1</sup></b>		<b>402.6</b>	<b>486.2</b>
<b>Items that may be reclassified to the income statement:</b>			
Net exchange differences on translation of foreign operations after hedging		(52.0)	148.6
Net gain/(loss) on financial assets at fair value through other comprehensive income		0.3	(1.6)
Tax on items taken directly to other comprehensive income	4(b)	–	(0.2)
		(51.7)	<b>146.8</b>
<b>Items that have been reclassified to the income statement:</b>			
		<b>(4.2)</b>	<b>0.1</b>
<b>Items that will not be reclassified to the income statement:</b>			
Net actuarial loss on defined benefit pension schemes	23	(4.2)	(66.0)
Tax on items taken directly to other comprehensive income	4(b)	1.0	16.5
		(3.2)	<b>(49.5)</b>
<b>Other comprehensive income for the year, net of tax<sup>1</sup></b>		<b>(59.1)</b>	<b>97.4</b>
<b>Total comprehensive income for the year<sup>1</sup></b>		<b>343.5</b>	<b>583.6</b>

1. Non-controlling interest is presented in the statement of changes in equity.

Schroders plc  
Company number: 03909886

## Consolidated financial statements continued

### Consolidated statement of financial position at 31 December 2023

	Notes	2023 £m	2022 £m
<b>Assets</b>			
Cash and cash equivalents		3,649.9	4,440.3
Trade and other receivables	7	920.4	896.5
Financial assets	8	2,827.1	2,670.3
Associates and joint ventures	9	531.7	497.7
Property, plant and equipment	10, 11	464.3	524.1
Goodwill and intangible assets	12	1,885.2	1,929.5
Deferred tax	13	203.9	185.8
Retirement benefit scheme surplus	23	138.3	136.3
		<b>10,620.8</b>	<b>11,280.5</b>
<b>Assets backing unit-linked liabilities</b>			
Cash and cash equivalents		453.1	605.0
Financial assets		9,555.0	9,449.1
	14	<b>10,008.1</b>	<b>10,054.1</b>
<b>Total assets</b>		<b>20,628.9</b>	<b>21,334.6</b>
<b>Liabilities</b>			
Trade and other payables	15	1,087.5	1,049.5
Financial liabilities	8	4,578.2	5,140.1
Current tax		12.6	73.1
Lease liabilities	11	318.7	361.0
Provisions	16	23.0	25.4
Deferred tax	13	128.3	138.9
Retirement benefit scheme deficits		8.8	12.8
		<b>6,157.1</b>	<b>6,800.8</b>
<b>Unit-linked liabilities</b>		<b>10,008.1</b>	<b>10,054.1</b>
<b>Total liabilities</b>		<b>16,165.2</b>	<b>16,854.9</b>
<b>Net assets</b>		<b>4,463.7</b>	<b>4,479.7</b>
<b>Total equity<sup>1</sup></b>		<b>4,463.7</b>	<b>4,479.7</b>

1. Non-controlling interest is presented in the statement of changes in equity.

The financial statements were approved by the Board of Directors on 28 February 2024 and signed on its behalf by:

Richard Oldfield  
Director

Schroders plc  
Company number: 03909886

**Consolidated statement of changes in equity**  
for the year ended 31 December 2023

Notes	Attributable to owners of the parent								
	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
<b>At 1 January 2023</b>	<b>322.4</b>	<b>84.3</b>	<b>(185.1)</b>	<b>291.2</b>	<b>203.6</b>	<b>3,639.5</b>	<b>4,355.9</b>	<b>123.8</b>	<b>4,479.7</b>
Profit for the year	-	-	-	-	40.5	347.7	388.2	14.4	402.6
Other comprehensive income <sup>1</sup>	-	-	-	(56.3)	-	(2.8)	(59.1)	-	(59.1)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56.3)</b>	<b>40.5</b>	<b>344.9</b>	<b>329.1</b>	<b>14.4</b>	<b>343.5</b>
Own shares purchased	20	-	-	(66.6)	-	-	(66.6)	-	(66.6)
Share-based payments	24	-	-	-	-	-	62.8	62.8	-
Tax in respect of share schemes	4(c)	-	-	-	-	-	1.4	1.4	-
Other movements <sup>2</sup>	-	-	-	-	-	-	41.0	41.0	(49.6) (8.6)
Dividends	6	-	-	-	-	-	(333.0)	(333.0)	(15.5) (348.5)
<b>Transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>(66.6)</b>	<b>-</b>	<b>-</b>	<b>(227.8)</b>	<b>(294.4)</b>	<b>(65.1)</b>	<b>(359.5)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>79.6</b>	<b>-</b>	<b>(28.9)</b>	<b>(50.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2023</b>	<b>322.4</b>	<b>84.3</b>	<b>(172.1)</b>	<b>234.9</b>	<b>215.2</b>	<b>3,705.9</b>	<b>4,390.6</b>	<b>73.1</b>	<b>4,463.7</b>
Notes	Attributable to owners of the parent								
	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
<b>At 1 January 2022</b>	<b>282.5</b>	<b>124.2</b>	<b>(150.2)</b>	<b>144.6</b>	<b>183.4</b>	<b>3,701.4</b>	<b>4,285.9</b>	<b>139.8</b>	<b>4,425.7</b>
Profit for the year	-	-	-	-	71.5	408.2	479.7	6.5	486.2
Other comprehensive income <sup>1</sup>	-	-	-	146.6	-	(51.2)	95.4	2.0	97.4
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146.6</b>	<b>71.5</b>	<b>357.0</b>	<b>575.1</b>	<b>8.5</b>	<b>583.6</b>
Own shares purchased	20	-	-	(120.2)	-	-	(120.2)	-	(120.2)
Share-based payments	24	-	-	-	-	-	68.2	68.2	-
Tax in respect of share schemes	4(c)	-	-	-	-	-	(3.4)	(3.4)	-
Other movements <sup>2</sup>	-	-	-	-	-	-	(113.3)	(113.3)	(15.2) (128.5)
Bonus issue	19	39.9	(39.9)	-	-	-	(4.3)	(4.3)	-
Dividends	6	-	-	-	-	-	(332.1)	(332.1)	(9.3) (341.4)
<b>Transactions with shareholders</b>	<b>39.9</b>	<b>(39.9)</b>	<b>(120.2)</b>	<b>-</b>	<b>-</b>	<b>(384.9)</b>	<b>(505.1)</b>	<b>(24.5)</b>	<b>(529.6)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>85.3</b>	<b>-</b>	<b>(51.3)</b>	<b>(34.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2022</b>	<b>322.4</b>	<b>84.3</b>	<b>(185.1)</b>	<b>291.2</b>	<b>203.6</b>	<b>3,639.5</b>	<b>4,355.9</b>	<b>123.8</b>	<b>4,479.7</b>

1. Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange (loss)/gain on the translation of foreign operations net of hedging and any recycling on realisations. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial loss on the Group's retirement benefit schemes and post-tax fair value movements on financial assets at fair value through other comprehensive income.
2. Other movements in the profit and loss reserve principally comprise amounts relating to financial liabilities in respect of options to purchase the remaining non-controlling interest in certain subsidiaries (see note 8). In 2023, other movements in the non-controlling interest reserve principally comprise the derecognition of BOCOM Wealth Management Company Limited on reclassification from a subsidiary to an associate (see note 9a).

## Consolidated financial statements continued

### Consolidated cash flow statement for the year ended 31 December 2023

	Notes	2023 £m	2022 £m
<b>Net cash (used in)/from operating activities<sup>1</sup></b>	21	(238.1)	972.8
<b>Cash flows from investing activities</b>			
Net disposal/acquisition of businesses, associates and joint ventures <sup>2</sup>		(125.1)	(607.5)
Net acquisition of property, plant and equipment and software		(79.9)	(104.3)
Acquisition of financial assets		(1,882.1)	(1,734.7)
Disposal of financial assets		1,787.8	1,820.4
Non-banking interest received		24.7	7.3
Distributions received from associates and joint ventures		49.6	15.0
<b>Net cash used in investing activities</b>		(225.0)	(603.8)
<b>Cash flows from financing activities</b>			
Purchase of subsidiary shares from non-controlling interest holders		(10.5)	(13.6)
Lease payments	11	(52.3)	(51.3)
Acquisition of own shares	20	(66.6)	(120.2)
Dividends paid	6	(348.5)	(341.4)
Other		(1.6)	(6.8)
<b>Net cash used in financing activities</b>		(479.5)	(533.3)
<b>Net decrease in cash and cash equivalents</b>		(942.6)	(164.3)
Opening cash and cash equivalents		5,045.3	5,119.0
Net decrease in cash and cash equivalents		(942.6)	(164.3)
Effect of exchange rate changes		0.3	90.6
<b>Closing cash and cash equivalents</b>		4,103.0	5,045.3
<b>Closing cash and cash equivalents consist of:</b>			
Cash and cash equivalents available for use by the Group		3,644.2	4,409.8
Cash held in consolidated pooled investment vehicles		5.7	30.5
<b>Cash and cash equivalents presented within assets</b>		3,649.9	4,440.3
Cash and cash equivalents presented within assets backing unit-linked liabilities	14	453.1	605.0
<b>Closing cash and cash equivalents</b>		4,103.0	5,045.3

1. Includes Wealth Management interest income received of £191.6 million (2022: £75.3 million) and interest paid of £151.6 million (2022: £38.4 million).

2. Includes the derecognition of cash on reclassification of BOCOM Wealth Management Company Limited from a subsidiary to an associate (see note 9a).

## Notes to the accounts

### 1. Segmental reporting

#### (a) Operating segments

The Group has two operating segments: Asset Management and Wealth Management. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive.

Operating expenses represent the costs incurred in running the Asset Management and Wealth Management segments and include an allocation of costs between the individual business segments on a basis that aligns the charge with the resources employed by the Group in respect of particular business functions. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure. Operating expenses exclude items related to acquisitions, central management activities and certain restructuring costs (see note 3). The reconciliation of operating profit to profit before tax is included on the income statement.

	Asset Management £m	Wealth Management £m	Total £m
<b>Year ended 31 December 2023</b>			
Revenue	2,349.3	587.4	2,936.7
Cost of sales	(438.1)	(164.2)	(602.3)
<b>Net operating revenue</b>	<b>1,911.2</b>	<b>423.2</b>	<b>2,334.4</b>
<i>Of which: Performance fees</i>	36.7	0.6	37.3
<i>Net carried interest income</i>	46.9	-	46.9
<i>Net operating revenue excluding performance-based revenues</i>	<i>1,827.6</i>	<i>422.6</i>	<i>2,250.2</i>
Share of profit of associates and joint ventures	48.7	2.4	51.1
Other operating income	22.3	11.2	33.5
<b>Net operating income</b>	<b>1,982.2</b>	<b>436.8</b>	<b>2,419.0</b>
Operating expenses	(1,471.7)	(286.3)	(1,758.0)
<b>Operating profit</b>	<b>510.5</b>	<b>150.5</b>	<b>661.0</b>

	Asset Management £m	Wealth Management £m	Total £m
<b>Year ended 31 December 2022</b>			
Revenue	2,441.9	449.8	2,891.7
Cost of sales	(474.8)	(55.5)	(530.3)
<b>Net operating revenue</b>	<b>1,967.1</b>	<b>394.3</b>	<b>2,361.4</b>
<i>Of which: Performance fees</i>	42.6	0.4	43.0
<i>Net carried interest income</i>	16.5	-	16.5
<i>Net operating revenue excluding performance-based revenues</i>	<i>1,908.0</i>	<i>393.9</i>	<i>2,301.9</i>
Share of profit of associates and joint ventures	73.6	4.0	77.6
Other operating income	28.0	8.5	36.5
<b>Net operating income</b>	<b>2,068.7</b>	<b>406.8</b>	<b>2,475.5</b>
Operating expenses	(1,475.6)	(276.9)	(1,752.5)
<b>Operating profit</b>	<b>593.1</b>	<b>129.9</b>	<b>723.0</b>

Segment assets and liabilities are not presented as such information is not presented on a regular basis to the Group's chief operating decision maker.

## **Consolidated financial statements** continued

Notes to the accounts continued

### **1. Segmental reporting** continued

#### **(b) Geographical information**

The Group's non-current assets<sup>1</sup> are located in the following countries:

	2023 £m	2022 £m
United Kingdom	2,054.1	2,115.9
China	270.8	244.8
Switzerland	203.6	205.3
United States	98.7	116.6
France	74.5	79.4
India	54.8	45.3
Singapore	28.9	37.8
Other	100.0	111.1
<b>Total</b>	<b>2,885.4</b>	<b>2,956.2</b>

1. Comprises the following non-current assets: property, plant and equipment, goodwill and intangible assets, associates and joint ventures and prepayments.

### **2. Net operating revenue**

#### **Revenue**

The Group's primary source of revenue is fee income from investment management activities performed within both the Asset Management and Wealth Management segments. Fee income includes management fees, performance fees, carried interest and other fees. Revenue also includes interest income earned within the Wealth Management segment.

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Performance fees and carried interest are earned from certain arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised where it is highly probable that a significant reversal will not occur in future periods. Performance fees are typically earned over one year and are recognised at the end of the performance period. Carried interest is earned over a longer time frame and is recognised over the period for which the service is provided and when certain performance hurdles are expected to be met. This may result in the recognition of revenue before the contractual crystallisation date.

Other fees principally comprise revenues for other services, which typically vary according to the volume of transactions. Other fees are recognised as the relevant service is provided and it is probable that the fee will be collected.

Within Wealth Management, earning a net interest margin is a core activity and interest is therefore recognised within revenue. Interest income is earned as a result of placing loans and deposits with other financial institutions, advancing loans and overdrafts to clients, and holding debt and other fixed income securities. Interest income is recognised as it is earned using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

#### **Cost of sales**

Fee expenses incurred by the Group that relate directly to revenue are presented as cost of sales. These expenses include commissions, external fund manager fees and distribution fees payable to financial institutions, investment platform providers and financial advisers that distribute the Group's products.

Fee expense is generally based on an agreed percentage of the valuation of AUM and is recognised in the income statement as the service is received.

Cost of sales also includes the cost of financial obligations arising from carried interest. Amounts payable in respect of carried interest are determined based on the proportion of carried interest income that is payable to third parties.

Wealth Management pays interest to clients on deposits taken. Within Wealth Management, earning a net interest margin is a core activity. Interest payable in respect of these activities is therefore recorded separately from finance costs arising elsewhere in the business and is reported as part of cost of sales. Interest is recognised using the effective interest method (see above).

## 2. Net operating revenue continued

### (a) Net operating revenue by segment

	Asset Management £m	Wealth Management £m	Total £m
<b>Year ended 31 December 2023</b>			
Management fees	2,230.6	340.6	2,571.2
Performance fees	36.7	0.6	37.3
Carried interest	64.8	-	64.8
Other fees	17.2	31.8	49.0
Wealth Management interest income	-	214.4	214.4
<b>Revenue</b>	<b>2,349.3</b>	<b>587.4</b>	<b>2,936.7</b>
Fee expense	(420.2)	(13.1)	(433.3)
Cost of financial obligations in respect of carried interest	(17.9)	-	(17.9)
Wealth Management interest expense	-	(151.1)	(151.1)
<b>Cost of sales</b>	<b>(438.1)</b>	<b>(164.2)</b>	<b>(602.3)</b>
<b>Net operating revenue</b>	<b>1,911.2</b>	<b>423.2</b>	<b>2,334.4</b>
<b>Year ended 31 December 2022</b>			
Management fees	2,334.5	335.2	2,669.7
Performance fees	42.6	0.4	43.0
Carried interest	32.3	-	32.3
Other fees	32.5	38.9	71.4
Wealth Management interest income	-	75.3	75.3
<b>Revenue</b>	<b>2,441.9</b>	<b>449.8</b>	<b>2,891.7</b>
Fee expense	(459.0)	(17.1)	(476.1)
Cost of financial obligations in respect of carried interest	(15.8)	-	(15.8)
Wealth Management interest expense	-	(38.4)	(38.4)
<b>Cost of sales</b>	<b>(474.8)</b>	<b>(55.5)</b>	<b>(530.3)</b>
<b>Net operating revenue</b>	<b>1,967.1</b>	<b>394.3</b>	<b>2,361.4</b>

## Consolidated financial statements continued

Notes to the accounts continued

### 2. Net operating revenue continued

#### (b) Net operating revenue by region based on the location of clients

Year ended 31 December 2023	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Total £m
Management fees	870.6	785.4	560.9	354.3	2,571.2
Performance fees	6.6	14.0	5.4	11.3	37.3
Carried interest	-	64.8	-	-	64.8
Other fees	29.6	13.4	6.0	-	49.0
Wealth Management interest income	191.2	19.9	3.3	-	214.4
<b>Revenue</b>	<b>1,098.0</b>	<b>897.5</b>	<b>575.6</b>	<b>365.6</b>	<b>2,936.7</b>
Fee expense	(54.3)	(181.5)	(149.9)	(47.6)	(433.3)
Cost of financial obligations in respect of carried interest	-	(17.9)	-	-	(17.9)
Wealth Management interest expense	(149.1)	(1.2)	(0.8)	-	(151.1)
<b>Cost of sales</b>	<b>(203.4)</b>	<b>(200.6)</b>	<b>(150.7)</b>	<b>(47.6)</b>	<b>(602.3)</b>
<b>Net operating revenue</b>	<b>894.6</b>	<b>696.9</b>	<b>424.9</b>	<b>318.0</b>	<b>2,334.4</b>
Year ended 31 December 2022	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Total £m
Management fees	882.9	814.1	608.9	363.8	2,669.7
Performance fees	6.5	15.4	8.2	12.9	43.0
Carried interest	-	32.3	-	-	32.3
Other fees	37.5	25.9	8.0	-	71.4
Wealth Management interest income	65.7	8.1	1.5	-	75.3
<b>Revenue</b>	<b>992.6</b>	<b>895.8</b>	<b>626.6</b>	<b>376.7</b>	<b>2,891.7</b>
Fee expense	(58.5)	(196.2)	(169.1)	(52.3)	(476.1)
Cost of financial obligations in respect of carried interest	-	(15.8)	-	-	(15.8)
Wealth Management interest expense	(38.3)	-	(0.1)	-	(38.4)
<b>Cost of sales</b>	<b>(96.8)</b>	<b>(212.0)</b>	<b>(169.2)</b>	<b>(52.3)</b>	<b>(530.3)</b>
<b>Net operating revenue</b>	<b>895.8</b>	<b>683.8</b>	<b>457.4</b>	<b>324.4</b>	<b>2,361.4</b>

#### Estimates and judgements – revenue

The principle estimates and judgements for revenue relate to carried interest. Carried interest represents the Group's contractual right to a share of the profits of 133 private asset investment vehicles (2022: 122 vehicles), if certain performance hurdles are met. It is recognised as the services are provided and it is highly probable that a significant reversal will not occur.

The amount of carried interest that will ultimately be received by the Group is dependent on the cash flows realised by the respective investment vehicles when the underlying investments are successfully disposed of. The resultant cash flows are assessed against the applicable performance hurdle, which is dependent on the capital invested and the timing and quantum of distributions. For accounting purposes, the outcome is discounted to determine the present value of the carried interest to be recognised. The actual amount receivable at maturity will depend on the realised value and may differ from the projected value.

The Group estimates the cash flows that will be received by the investment vehicles with reference to the current fair value of the underlying investments. Judgement is applied to determine certain assumptions used in the estimate. Those assumptions principally relate to the future growth and the timing of distributions. No future growth is assumed, reflecting the uncertainty of future investment returns. The timing of distributions to clients is based on individual investment managers' expectations as to the realisation of cash flows from the successful disposal of the underlying securities.

The Group assesses the nature and maturity of the respective investment vehicles. This helps the Group to understand whether a significant risk of reversal exists and to determine whether the revenue should be recognised or further constrained in accordance with the accounting standards.

## 2. Net operating revenue continued

### Estimates and judgements – cost of sales

The principle estimates and judgements for cost of sales relate to carried interest. The crystallisation of associated financial obligations in respect of carried interest (carried interest payable, see note 8) is contingent on the Group receiving the related revenue. The areas of estimates and judgements are the same as those used to determine the present value of the carried interest receivable, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £3.9 million (2022: £3.1 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £3.3 million/£3.2 million (2022: £2.1 million/£2.0 million) and this amount would be lower than the corresponding increase/reduction in revenue.

## 3. Total expenses

Total expenses represent the Group's administrative expenses including compensation costs. They are generally recognised as the services are received. Certain costs, such as depreciation of property, plant and equipment and amortisation of intangible assets, are expensed evenly over the useful life of the asset or relevant contract.

Expenses comprise operating expenses, central costs, acquisition costs and related items and restructuring costs. Operating expenses are those costs incurred through the operating activities of the Group's operating segments: Asset Management and Wealth Management. Central costs are those arising from capital and treasury management activities, corporate development and strategy activities and the costs associated with the governance and corporate management of the Group. Acquisition costs and related items include deal costs associated with corporate transactions and costs associated with the integration of acquired businesses and amortisation of acquired intangible assets. The 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.

The biggest component of the Group's total expenses is the cost of employee benefits, as shown below. Other costs primarily consist of accommodation, information technology, marketing and outsourcing costs. Compensation costs are managed to a target operating compensation ratio of between 45% and 49%. Targeting a compensation ratio range provides some flexibility to manage the overall cost base in response to market conditions.

Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses. The Group makes some performance awards to employees that are deferred over a specified vesting period. Such awards are expensed to the income statement over the performance and vesting periods. The Group holds investments that are linked to these performance awards in order to hedge the related exposure. Gains and losses on these investments are netted against the relevant costs in the income statement but are presented separately below.

Further detail on other employee benefits can be found elsewhere within these financial statements. See note 23 for pension costs and note 24 for compensation that is awarded in Schroders plc shares.

### (a) Group cost components

Year ended 31 December	2023 £m	2022 £m
Operating expenses	1,758.0	1,752.5
Central costs	52.9	48.8
Acquisition costs and related items	90.0	86.4
Restructuring costs	86.2	–
<b>Total expenses</b>	<b>1,987.1</b>	<b>1,887.7</b>

### (b) Employee benefits expense and number of employees

Year ended 31 December	2023 £m	2022 £m
Salaries, wages and other remuneration	1,058.7	1,001.1
Social security costs	104.9	88.2
Pension costs	72.0	66.1
<b>Employee benefits expense</b>	<b>1,235.6</b>	<b>1,155.4</b>
Net (gain)/loss on financial instruments held to hedge deferred cash awards	(13.7)	11.7
<b>Employee benefits expense – net of hedging</b>	<b>1,221.9</b>	<b>1,167.1</b>

The employee benefits expense net of hedging includes £27.9 million (2022: £26.1 million) that is presented within central costs, £19.7 million (2022: £19.7 million) presented within acquisition costs and related items and £61.9 million (2022: nil) presented within restructuring costs.

## Consolidated financial statements continued

Notes to the accounts continued

### 3. Total expenses continued

#### (b) Employee benefits expense and number of employees continued

Information about the compensation of key management personnel can be found in note 25. Details of the amounts payable to Directors along with the number of Directors who exercised share options in the year is provided in the Remuneration report on pages 74 to 93.

The monthly average number of employees of the Company and its subsidiary undertakings during the year was:

	2023 Number	2022 Number
Full-time employees	6,191	5,934
Contract and temporary employees	199	262
	<b>6,390</b>	<b>6,196</b>

#### Employed as follows:

Asset Management	5,045	4,909
Wealth Management	1,313	1,258
Central	32	29
	<b>6,390</b>	<b>6,196</b>

#### (c) Audit and other services

Year ended 31 December	2023 £m	2022 £m
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	0.7	0.7

#### Fees payable to the auditor and its associates for other services:

Audit of the Company's subsidiaries	5.0	4.7
Audit-related assurance services	1.5	1.3
Other assurance services	0.8	0.7
	<b>8.0</b>	<b>7.4</b>

### 4. Tax expense

The Group is headquartered in the UK and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the income statement (see part (a)) and relate to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income or expenses are recognised in a different period for tax and accounting purposes or when there are specific treatments applicable relating to items such as acquisitions (deferred tax – see note 13). Some current and deferred taxes are recorded through other comprehensive income (see part (b)) or directly to equity where the tax arises from changes in the value of remuneration settled as shares (see part (c)).

#### (a) Analysis of tax charge reported in the income statement

Year ended 31 December	2023 £m	2022 £m
UK current year charge	59.2	71.6
Rest of the world current year charge	64.5	74.7
Prior year adjustments	(6.2)	1.8
<b>Total current tax</b>	<b>117.5</b>	<b>148.1</b>
Origination and reversal of temporary differences	(30.9)	(29.8)
Prior year adjustments	2.1	(3.0)
Effect of changes in corporation tax rates	(3.7)	(14.6)
<b>Total deferred tax</b>	<b>(32.5)</b>	<b>(47.4)</b>
<b>Tax charge reported in the income statement</b>	<b>85.0</b>	<b>100.7</b>

#### (b) Analysis of tax credit reported in other comprehensive income

Year ended 31 December	2023 £m	2022 £m
Deferred tax credit on actuarial gains and losses on defined benefit pension schemes	(1.0)	(12.6)
Deferred tax charge on other movements through other comprehensive income	-	0.1
Deferred tax – effect of changes in corporation tax rates	-	(3.8)
<b>Tax credit reported in other comprehensive income</b>	<b>(1.0)</b>	<b>(16.3)</b>

## 4. Tax expense continued

### (c) Analysis of tax (credit)/charge reported in equity

Year ended 31 December	2023 £m	2022 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(2.1)	(1.5)
Deferred tax charge on Deferred Award Plan and other share-based remuneration	0.7	5.7
Deferred tax – effect of changes in corporation tax rates	–	(0.8)
<b>Tax (credit)/charge reported in equity</b>	<b>(1.4)</b>	<b>3.4</b>

### (d) Factors affecting tax charge for the year

The UK rate of corporation tax applicable for 2023 is a blended rate of 23.5% (2022: standard rate of 19%). The tax charge for the year is lower (2022: higher) than a charge based on the UK blended rate. The differences are explained below:

Year ended 31 December	2023 £m	2022 £m
Profit before tax	487.6	586.9
Less share of profit of associates and joint ventures after amortisation	(40.5)	(71.5)
<b>Profit before tax of Group entities</b>	<b>447.1</b>	<b>515.4</b>
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK blended rate	105.1	97.9
<b>Effects of:</b>		
Different statutory tax rates of overseas jurisdictions	(17.3)	(0.4)
Permanent differences including non-taxable income and non-deductible expenses	3.4	7.7
Net movement in temporary differences for which no deferred tax is recognised	1.6	11.3
Deferred tax adjustments in respect of changes in corporation tax rates	(3.7)	(14.6)
Prior year adjustments	(4.1)	(1.2)
<b>Tax charge reported in the income statement</b>	<b>85.0</b>	<b>100.7</b>

### Estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. Liabilities relating to open and judgemental matters, including those in relation to deferred taxes, are based on the Group's assessment of the most likely outcome based on the information available. As a result, certain tax amounts are based on estimates using factors that are relevant to the specific judgement. The Group engages constructively and transparently with tax authorities with a view to early resolution of any uncertain tax matters. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. Such estimates are based on assumptions made on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances, including local tax laws. There was no individual judgemental component of the tax expense that was material to the Group results when taking into account the likely range of potential outcomes (2022: none).

## 5. Earnings per share

This key performance indicator shows the portion of the Group's profit after tax that is attributable to each share issued by the Company, excluding own shares held by the Group. The calculation is based on the weighted average number of shares in issue during the year. The diluted figure recalculates that number as if all share options that would be expected to be exercised, as they have value to the option holder, had been exercised in the year. Shares that may be issued are not taken into account if the impact does not reduce earnings per share.

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

Year ended 31 December	2023 Number Millions	2022 Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	1,575.9	1,576.6
Effect of dilutive potential shares – share options	28.0	27.4
Effect of dilutive potential shares – contingently issuable shares	0.3	0.4
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>1,604.2</b>	<b>1,604.4</b>

Earnings per share calculations are based on profit after tax of £402.6 million (2022: £486.2 million) less non-controlling interest earnings of £14.4 million (2022: £6.5 million).

Operating earnings per share calculations are based on operating profit after tax of £533.0 million (2022: £599.4 million) less non-controlling interest operating earnings of £21.3 million (2022: £10.4 million).

## Consolidated financial statements continued

Notes to the accounts continued

### 6. Dividends

Dividends are distributions of profit to holders of the Group's share capital, usually announced with the Group's half-year and annual results. Dividends are recognised only when they are paid to or approved by shareholders. The reduction in equity in the year therefore comprises the prior year final dividend and the current year interim dividend.

	2024		2023		2022	
	£m	Pence per share	£m	Pence per share	£m	Pence per share <sup>1</sup>
Prior year final dividend paid			232.2	15.0	231.5	14.9
Interim dividend paid			100.8	6.5	100.6	6.5
<b>Total dividends paid</b>	<b>333.0</b>	<b>21.5</b>	<b>332.1</b>	<b>21.4</b>		
<b>Current year final dividend recommended</b>	<b>233.1</b>	<b>15.0</b>				

1. Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 19).

Dividends of £13.6 million (2022: £12.6 million) on shares held by employee benefit trusts have been waived. The Board has recommended a 2023 final dividend of 15.0 pence per share (2022: 15.0 pence), amounting to £233.1 million (2022 final dividend: £232.2 million). The dividend will be paid on 2 May 2024 to shareholders on the register at 22 March 2024 and will be accounted for in 2024.

The Group paid £15.5 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2023 (2022: £9.3 million), resulting in total dividends paid of £348.5 million (2022: £341.4 million).

### 7. Trade and other receivables

Trade and other receivables include prepayments and deposits with banks in the form of bullion as well as amounts the Group is due to receive from third parties in the normal course of business. Trade and other receivables, other than deposits with banks in the form of bullion, are recorded initially at fair value and subsequently at amortised cost (see note 8). Prepayments arise where the Group pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense is recognised in the income statement. Accrued income, other than amounts relating to carried interest, represents unbilled revenue and is not dependent on future performance. Amounts due from third parties also include settlement accounts for transactions undertaken on behalf of funds and investors. Deposits with banks in the form of bullion are recorded at fair value.

	2023			2022		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
<b>Trade and other receivables held at amortised cost:</b>						
<b>Fee debtors</b>						
Fee debtors	-	97.1	97.1	-	91.2	91.2
Settlement accounts	-	142.8	142.8	-	103.9	103.9
Accrued income	118.9	405.5	524.4	95.4	395.4	490.8
Prepayments	4.2	61.2	65.4	4.9	71.7	76.6
Other receivables	3.6	49.6	53.2	5.8	112.7	118.5
Current tax	-	35.3	35.3	-	12.9	12.9
	<b>126.7</b>	<b>791.5</b>	<b>918.2</b>	<b>106.1</b>	<b>787.8</b>	<b>893.9</b>
<b>Trade and other receivables held at fair value:</b>						
Deposits with banks in the form of bullion	-	2.2	2.2	-	2.6	2.6
<b>Total trade and other receivables</b>	<b>126.7</b>	<b>793.7</b>	<b>920.4</b>	<b>106.1</b>	<b>790.4</b>	<b>896.5</b>

The fair value of trade and other receivables held at amortised cost approximates their carrying value. Deposits with banks in the form of bullion are categorised as level 1 in the fair value hierarchy. Refer to note 8 for details on the fair value hierarchy.

#### Estimates and judgements – carried interest receivable

Accrued income includes £140.2 million of receivables in respect of carried interest (2022: £110.9 million). This income is due over a number of years and only when contractually agreed performance levels are exceeded. The income received may vary as a result of the actual experience, including future investment returns, differing from that assumed. Further information regarding the estimates and judgements applied is set out in note 2.

## 8. Financial assets and liabilities

### Financial assets

The Group holds financial assets including loans and advances to clients and banks, equities, debt securities, pooled investment vehicles and derivatives to support its Group capital strategies, activities within the Wealth Management banking book and client facilitation (see note 17).

The Group initially recognises all financial assets at fair value. The Group subsequently measures each financial asset at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial fair value to the maturity value on a systematic basis using the effective interest rate, taking account of repayment dates and initial expected premiums or discounts.

#### Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. The carrying value of amortised cost financial assets is adjusted for impairment under the expected credit loss (ECL) model. Movements in the ECL provision are recognised in other operating income in the income statement (see note 18).

#### Financial assets at FVOCI

Financial assets are measured at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows and to sell assets. This classification applies to certain debt securities, principally within the Group's Wealth Management entities. Impairment is recognised for debt securities classified as FVOCI under the ECL model. Movements in the ECL provision are recognised in other operating income in the income statement (see note 18). Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income. Cumulative gains and losses are transferred to the income statement if the asset is sold or otherwise realised. Interest earned on FVOCI assets is recognised using the effective interest method and recorded as interest in the income statement.

#### Financial assets at FVTPL

All other financial assets are measured at FVTPL. Net gains and losses are presented in the income statement based on the substance of the transaction. Net gains and losses on co-investments are presented within other operating income; net gains and losses on the Group's investment and seed capital are presented within net gain/(loss) on financial instruments and other income; and net gains and losses on investments that are held to hedge deferred employee cash awards are presented within operating expenses (see note 3). This separate presentation provides more relevant information about the applicable components of the Group's income statement.

### Financial liabilities

The Group's financial liabilities principally comprise deposits by Wealth Management clients and banking counterparties. They also include derivatives to support its Group capital strategies, activities within the Wealth Management banking book and client facilitation (see note 17). Financial liabilities also arise from obligations in respect of carried interest, contingent consideration and other liabilities arising from acquisitions completed by the Group, and third party interests in consolidated funds.

The Group initially recognises all financial liabilities at fair value. These are subsequently measured at amortised cost or fair value.

#### Financial liabilities at amortised cost

The majority of the Group's financial liabilities are measured at amortised cost and this typically applies to the Group's Wealth Management client accounts, banking deposits and trade payables.

#### Financial liabilities at FVTPL

Financial liabilities are measured at FVTPL when this reduces an accounting mismatch or when otherwise required by the accounting standards. This classification typically applies to financial obligations in respect of carried interest, third party interests in consolidated funds (see Basis of preparation on page 152) and contingent consideration.

Net gains and losses are presented in the income statement based on the substance of the instrument. Net gains and losses on financial obligations in respect of carried interest are presented within cost of sales; and net gains and losses on contingent consideration are presented within acquisition costs and related items. This separate presentation provides more relevant information about the applicable components of the Group's income statement.

#### Liabilities to purchase subsidiary shares

Financial liabilities in relation to equity transactions arise on certain acquisitions where the Group has a liability to purchase the remaining interest in a subsidiary that is not wholly owned by the Group (see Basis of preparation on page 152).

## Consolidated financial statements continued

Notes to the accounts continued

### 8. Financial assets and liabilities continued

	2023				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Financial assets at amortised cost:</b>					
Loans and advances to banks	-	-	-	397.9	397.9
Loans and advances to clients	-	-	-	446.0	446.0
Debt securities	-	-	-	356.7	356.7
	-	-	-	<b>1,200.6</b>	<b>1,200.6</b>
<b>Financial assets at FVOCI:</b>					
Debt securities	697.6	3.2	10.6	-	711.4
	<b>697.6</b>	<b>3.2</b>	<b>10.6</b>	-	<b>711.4</b>
<b>Financial assets at FVTPL:</b>					
Debt securities	13.6	64.7	-	-	78.3
Pooled investment vehicles	420.2	10.3	200.6	-	631.1
Equities	153.3	9.9	27.5	-	190.7
Derivative contracts	-	15.0	-	-	15.0
	<b>587.1</b>	<b>99.9</b>	<b>228.1</b>	-	<b>915.1</b>
<b>Total financial assets</b>	<b>1,284.7</b>	<b>103.1</b>	<b>238.7</b>	<b>1,200.6</b>	<b>2,827.1</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	-	-	-	4,135.0	4,135.0
Deposits by banks	-	-	-	64.4	64.4
	-	-	-	<b>4,199.4</b>	<b>4,199.4</b>
<b>Financial liabilities at FVTPL:</b>					
Derivative contracts	1.5	10.7	-	-	12.2
Other financial liabilities	92.1	-	96.9	-	189.0
	<b>93.6</b>	<b>10.7</b>	<b>96.9</b>	-	<b>201.2</b>
<b>Liabilities to purchase subsidiary shares</b>	-	-	<b>177.6</b>	-	<b>177.6</b>
<b>Total financial liabilities</b>	<b>93.6</b>	<b>10.7</b>	<b>274.5</b>	<b>4,199.4</b>	<b>4,578.2</b>

## 8. Financial assets and liabilities continued

	2022				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Financial assets at amortised cost:</b>					
Loans and advances to banks	-	-	-	122.8	122.8
Loans and advances to clients	-	-	-	615.6	615.6
Debt securities	-	-	-	263.9	263.9
	-	-	-	<b>1,002.3</b>	<b>1,002.3</b>
<b>Financial assets at FVOCI:</b>					
Debt securities	588.4	3.5	-	-	591.9
	<b>588.4</b>	<b>3.5</b>	-	-	<b>591.9</b>
<b>Financial assets at FVTPL:</b>					
Debt securities	21.9	126.2	-	-	148.1
Pooled investment vehicles	462.4	60.2	179.6	-	702.2
Equities	190.8	0.5	11.6	-	202.9
Derivative contracts	5.9	17.0	-	-	22.9
	<b>681.0</b>	<b>203.9</b>	<b>191.2</b>	-	<b>1,076.1</b>
<b>Total financial assets</b>	<b>1,269.4</b>	<b>207.4</b>	<b>191.2</b>	<b>1,002.3</b>	<b>2,670.3</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	-	-	-	4,532.8	4,532.8
Deposits by banks	-	-	-	59.4	59.4
Other financial liabilities	-	-	-	3.7	3.7
	-	-	-	<b>4,595.9</b>	<b>4,595.9</b>
<b>Financial liabilities at FVTPL:</b>					
Derivative contracts	3.7	24.6	-	-	28.3
Other financial liabilities	205.8	-	91.4	-	297.2
	<b>209.5</b>	<b>24.6</b>	<b>91.4</b>	-	<b>325.5</b>
<b>Liabilities to purchase subsidiary shares</b>	-	-	<b>218.7</b>	-	<b>218.7</b>
<b>Total financial liabilities</b>	<b>209.5</b>	<b>24.6</b>	<b>310.1</b>	<b>4,595.9</b>	<b>5,140.1</b>

The Group has recognised a net gain on financial instruments at fair value through profit or loss of £19.9 million (2022: loss of £10.9 million). A net loss on financial instruments at fair value through other comprehensive income of £0.1 million (2022: loss of £0.1 million) has been transferred to the income statement.

For the maturity profiles of client accounts, deposits by banks and derivative contracts, see notes 17 and 18.

The fair value of financial assets and liabilities at amortised cost approximates their carrying value. No financial assets or liabilities were transferred between levels during 2023 (2022: none).

	2023		2022	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
Current	2,052.5	4,316.6	1,928.5	4,827.7
Non-current	774.6	261.6	741.8	312.4
	<b>2,827.1</b>	<b>4,578.2</b>	<b>2,670.3</b>	<b>5,140.1</b>

## Consolidated financial statements continued

Notes to the accounts continued

### 8. Financial assets and liabilities continued

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

	2023			2022		
	Financial assets at FVTPL £m	Financial liabilities at FVTPL £m	Liabilities to purchase subsidiary shares £m	Financial assets at FVTPL £m	Financial liabilities at FVTPL £m	Liabilities to purchase subsidiary shares £m
At 1 January	191.2	91.4	218.7	147.3	88.9	60.8
Exchange translation adjustments	(6.2)	(3.5)	(1.1)	13.2	8.1	7.5
Net gain/(loss) recognised in the income statement	21.6	20.5	-	(0.8)	18.1	-
Remeasurements	-	-	(37.9)	-	-	(1.2)
Additions	34.8	2.7	-	48.2	2.2	173.0
Disposals and settlements	(13.3)	(14.2)	(2.1)	(16.7)	(25.9)	(21.4)
<b>At 31 December</b>	<b>228.1</b>	<b>96.9</b>	<b>177.6</b>	<b>191.2</b>	<b>91.4</b>	<b>218.7</b>

#### Estimates and judgements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may be derived from readily available sources or may require some estimation. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below. The fair value levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities, government debt and exchange-traded derivatives.
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities and asset and mortgage backed securities. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value that is issued monthly or quarterly is used.
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs that are not based on observable market data. The Group's level 3 financial assets principally comprise holdings in pooled investment vehicles, including private equity funds, and holdings in property investment vehicles that operate hotel businesses. The pooled investment vehicles are measured in accordance with International Private Equity and Venture Capital Valuation Guidelines 2022 using the valuation technique that is most suitable to the applicable investment. The property investment vehicles are valued based on the expected future cash flows that could be generated from the underlying hotel businesses. Given the application of different valuation techniques, and as the investments are not homogenous in nature, there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value.

The Group's financial liabilities categorised as level 3 principally consist of third-party liabilities related to carried interest arrangements, obligations arising from contingent consideration and other liabilities to purchase the remaining interest in acquired subsidiaries.

Information about the estimates and judgements made in determining the fair value of carried interest payable is set out in note 2.

Liabilities in respect of options to purchase the remaining interest in certain subsidiaries require judgement in determining the appropriate assumptions to be applied in the estimation of the fair value. The amount that will ultimately be paid in relation to an option is dependent on the future earnings of the subsidiary and may be subject to a cap over the enterprise value. In estimating the liability, the assumptions principally relate to the future earnings of the business, the market multiple applied to the earnings and the rate applied to discount the liability back to present value. The future earnings of the applicable subsidiaries are estimated based on cash flow forecasts specific to the individual business and consequently there is no one assumption that is individually material to the valuation. Market multiples are applied to the forecast earnings to estimate the fair value of the business. Market multiples reflect the nature of the business and take into account observable market transactions where appropriate. Market multiples range from 10 to 15 times earnings. An increase/decrease in market multiples of one would increase/decrease the financial liability by £10 million/£10 million (2022: £12 million/£12 million). Discount rates between 12% and 14% have been used to discount these liabilities. An increase/decrease in the discount rate of 1% would decrease/increase the financial liability by £5 million/£5 million (2022: £9 million/£9 million). The remaining level 3 liabilities are measured using different valuation methodologies and assumptions, and there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value.

## 9. Associates and joint ventures

Associates are entities in which the Group has an investment and over which it has significant influence, but not control, through participation in the financial and operating policy decisions. Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. In both cases, the Group initially records the investment at the fair value of the purchase consideration, including purchase-related costs. The Group's income statement reflects its share of the entity's profit or loss after tax and amortisation of intangible assets. The Group's statement of other comprehensive income records the Group's share of gains and losses arising from the entity's financial assets at FVOCI (see note 8). The statement of financial position subsequently records the Group's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase, less subsequent amortisation. The statement of changes in equity records the Group's share of other equity movements of the entity. At each reporting date, the Group applies judgement to determine whether there is any indication that the carrying value of associates and joint ventures may be impaired.

The associates and joint ventures reserve in the statement of changes in equity represents the Group's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss where permitted by the accounting standards (see note 8). Information about the Group's principal associates measured at fair value is disclosed within this note.

### (a) Investments in associates and joint ventures accounted for using the equity method

	2023			2022		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	304.8	192.9	497.7	260.6	206.1	466.7
Exchange translation adjustments	(25.9)	(0.3)	(26.2)	7.4	0.4	7.8
Additions <sup>1</sup>	51.9	2.0	53.9	1.7	1.6	3.3
Disposals	(1.1)	(3.3)	(4.4)	(0.3)	–	(0.3)
Profit/(loss) for the year after tax <sup>2</sup>	47.4	(6.9)	40.5	72.7	(1.2)	71.5
Distributions of profit	(28.9)	(0.9)	(29.8)	(37.3)	(14.0)	(51.3)
<b>At 31 December</b>	<b>348.2</b>	<b>183.5</b>	<b>531.7</b>	<b>304.8</b>	<b>192.9</b>	<b>497.7</b>

1. The 51% holding in Schroder BOCOM Wealth Management Company Limited has been reclassified from a subsidiary to an associate. Total assets of £118.6 million, including cash and cash equivalents of £99.7 million, have accordingly been derecognised from the statement of financial position. £51.8 million has subsequently been recognised as an addition to investments in associates and joint ventures.
2. Share of profit of associates and joint ventures as presented on the income statement excludes acquisition costs and related items of £5.9 million (2022: £6.1 million) and restructuring costs of £4.7 million (2022: nil), net of tax.

Information about the significant associates and joint ventures held by the Group at 31 December 2023 is shown below. The companies are unlisted.

Name of associate or joint venture	Nature of its business	Principal place of business	Class of share	Percentage owned by the Group
Scottish Widows Schroder Wealth Holdings Limited (SPW)	Wealth management	England	Ordinary shares	49.9%
Bank of Communications Schroder Fund Management Company Limited (BoCom FMC)	Investment management	China	Ordinary shares	30.0%
Axis Asset Management Company Limited (Axis)	Investment management	India	Ordinary shares	25.0%
Schroder BOCOM Wealth Management Company Limited (BoCom WMC)	Wealth management	China	Ordinary shares	51.0%

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### 9. Associates and joint ventures continued

#### (a) Investments in associates and joint ventures accounted for using the equity method continued

	2023						2022				
	SPW <sup>1</sup> £m	BaCom FMC £m	Axis £m	BaCom WMC £m	Other £m	Total £m	SPW <sup>1</sup> £m	BaCom FMC £m	Axis £m	Other £m	Total £m
Non-current assets	199.9	48.0	51.9	8.7	1,123.0	1,431.5	207.2	61.9	46.4	1,251.7	1,567.2
Current assets	112.2	812.9	150.8	81.7	161.4	1,319.0	119.1	885.9	109.1	245.1	1,359.2
Non-current liabilities	(18.7)	-	-	(1.3)	(1,066.3)	(1,086.3)	(22.5)	(0.4)	-	(1,248.0)	(1,270.9)
Current liabilities	(41.3)	(119.2)	(22.7)	(7.9)	(124.1)	(315.2)	(41.6)	(193.4)	(16.4)	(146.2)	(397.6)
<b>Total equity</b>	<b>252.1</b>	<b>741.7</b>	<b>180.0</b>	<b>81.2</b>	<b>94.0</b>	<b>1,349.0</b>	<b>262.2</b>	<b>754.0</b>	<b>139.1</b>	<b>102.6</b>	<b>1,257.9</b>
Group's share of net assets	125.8	222.5	45.0	41.4	20.9	455.6	130.8	226.2	34.8	23.8	415.6
Goodwill and intangible assets	52.4	-	9.8	-	15.8	78.0	55.2	-	10.5	18.8	84.5
Deferred tax liability	(1.9)	-	-	-	-	(1.9)	(2.4)	-	-	-	(2.4)
<b>Carrying value held by the Group</b>	<b>176.3</b>	<b>222.5</b>	<b>54.8</b>	<b>41.4</b>	<b>36.7</b>	<b>531.7</b>	<b>183.6</b>	<b>226.2</b>	<b>45.3</b>	<b>42.6</b>	<b>497.7</b>
Net income	128.4	275.0	111.4	4.1	58.4	577.3	125.8	359.2	98.9	92.0	675.9
Profit/(loss) for the year	(9.6)	136.7	50.4	(12.7)	7.5	172.3	1.8	191.0	43.2	28.8	264.8
<b>Total comprehensive income</b>	<b>(9.6)</b>	<b>136.7</b>	<b>50.4</b>	<b>(12.7)</b>	<b>7.5</b>	<b>172.3</b>	<b>1.8</b>	<b>191.0</b>	<b>43.2</b>	<b>28.8</b>	<b>264.8</b>
<b>Group's share of operating profit/(loss)</b>	<b>2.1</b>	<b>41.0</b>	<b>12.6</b>	<b>(6.5)</b>	<b>1.9</b>	<b>51.1</b>	<b>3.1</b>	<b>57.3</b>	<b>10.8</b>	<b>6.4</b>	<b>77.6</b>
Acquisition costs and related items <sup>2</sup>	(4.6)	-	-	-	(1.3)	(5.9)	(4.6)	-	-	(1.5)	(6.1)
Restructuring costs	(4.7)	-	-	-	-	(4.7)	-	-	-	-	-
<b>Group's share of total comprehensive income</b>	<b>(7.2)</b>	<b>41.0</b>	<b>12.6</b>	<b>(6.5)</b>	<b>0.6</b>	<b>40.5</b>	<b>(1.5)</b>	<b>57.3</b>	<b>10.8</b>	<b>4.9</b>	<b>71.5</b>

1. SPW is a joint venture and has £82.9 million of cash and cash equivalents (2022: £81.6 million) within its current assets.

2. Includes a £3.7 million (2022: £3.9 million) amortisation charge on intangible assets recognised on acquisition.

#### (b) Investments in associates measured at fair value

Where the Group holds units in pooled investment vehicles that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, the Group records such investments at fair value. Information about the Group's principal associates measured at fair value is shown below. The investments are recorded as financial assets within the statement of financial position.

	2023									
	Schroder Best Ideas FIA £m	Schroder ISF Sustainable Future Trends £m	Schroders Capital Semi-Liquid Global Real Estate Total Return £m	BlueOrchard Impact Credit Fund £m	Schroder QEP Global Active Value Fund £m	Schroder Long Dated Corporate Bond Fund £m	Schroder Global Equity Component Fund £m	Schroder Global Sovereign Bond Tracker Component Fund £m	Schroder ISF Emerging Markets Equity Impact £m	
Current assets	23.1	33.9	18.8	15.4	338.5	162.0	126.5	420.1	45.5	
Current liabilities	(0.2)	(16.9)	(0.1)	(0.1)	(2.8)	(0.5)	(0.1)	(1.3)	-	
<b>Total equity</b>	<b>22.9</b>	<b>17.0</b>	<b>18.7</b>	<b>15.3</b>	<b>335.7</b>	<b>161.5</b>	<b>126.4</b>	<b>418.8</b>	<b>45.5</b>	
Net income	0.6	0.6	0.4	(0.1)	14.0	13.6	5.0	13.8	2.0	
Profit for the year	0.6	0.6	0.4	(0.1)	14.0	13.6	5.0	14.8	2.0	
<b>Total comprehensive income</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>(0.1)</b>	<b>14.0</b>	<b>13.6</b>	<b>5.0</b>	<b>14.8</b>	<b>2.0</b>	
Country of incorporation <sup>3</sup>	BR	LU	LU	LU	UK	UK	UK	UK	LU	
Percentage owned by the Group	31%	28%	22%	26%	25%	25%	22%	33%	24%	

## 9. Associates and joint ventures continued

### (b) Investments in associates measured at fair value continued

	2022						
	ICBC (Europe) ECITS SICAV £m	Schroder Global Sustainable Growth Fund (Canada) £m	Schroder Indian Equity Fund £m	Schroder ISF Nordic Smaller Companies £m	Schroder Global Emerging Markets Fund £m	Schroder Global Equity Component Fund £m	Schroder Long Dated Corporate Bond £m
Current assets	22.0	16.2	28.0	30.4	628.8	107.8	180.7
Current liabilities	-	-	-	-	(1.9)	(0.2)	(0.9)
<b>Total equity</b>	<b>22.0</b>	<b>16.2</b>	<b>28.0</b>	<b>30.4</b>	<b>626.9</b>	<b>107.6</b>	<b>179.8</b>
Net income	-	0.7	0.1	0.2	8.1	0.4	7.0
Profit for the year	-	0.7	0.1	0.2	8.1	0.4	7.0
<b>Total comprehensive income</b>	<b>-</b>	<b>0.7</b>	<b>0.1</b>	<b>0.2</b>	<b>8.1</b>	<b>0.4</b>	<b>7.0</b>
Country of incorporation <sup>3</sup>	UK	US	UK	LU	UK	UK	UK
Percentage owned by the Group	33%	29%	27%	23%	29%	29%	21%

3. Country abbreviations: Brazil (BR), Luxembourg (LU), United Kingdom (UK) and United States (US).

## 10. Property, plant and equipment

The Group's property, plant and equipment provides the infrastructure to enable the Group to operate and principally comprise leasehold improvements, freehold land and buildings, fixtures and fittings and computer equipment. Right-of-use assets in the form of leases are also included within property, plant and equipment (further detail is found in note 11). Assets are initially stated at cost, which includes expenditure associated with the acquisition. The cost of the asset is recognised in the income statement as a depreciation charge on a straight-line basis over the estimated useful life, with the exception of land which is assumed to have an indefinite useful life.

	2023				2022			
	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
<b>Cost</b>								
At 1 January	207.0	19.7	169.0	395.7	194.6	19.7	165.8	380.1
Exchange translation adjustments	(2.1)	-	(2.5)	(4.6)	5.1	-	4.6	9.7
Additions	7.6	-	4.9	12.5	7.6	-	12.1	19.7
Disposals	(1.8)	-	(5.0)	(6.8)	(0.3)	-	(13.5)	(13.8)
<b>At 31 December</b>	<b>210.7</b>	<b>19.7</b>	<b>166.4</b>	<b>396.8</b>	<b>207.0</b>	<b>19.7</b>	<b>169.0</b>	<b>395.7</b>
<b>Accumulated depreciation</b>								
At 1 January	(75.7)	(2.2)	(112.0)	(189.9)	(59.2)	(1.8)	(89.2)	(150.2)
Exchange translation adjustments	1.3	-	1.8	3.1	(2.5)	-	(3.0)	(5.5)
Depreciation charge	(15.7)	(0.4)	(10.9)	(27.0)	(14.3)	(0.4)	(21.3)	(36.0)
Disposals	0.8	-	2.4	3.2	0.3	-	1.5	1.8
<b>At 31 December</b>	<b>(89.3)</b>	<b>(2.6)</b>	<b>(118.7)</b>	<b>(210.6)</b>	<b>(75.7)</b>	<b>(2.2)</b>	<b>(112.0)</b>	<b>(189.9)</b>
<b>Net book value at 31 December</b>	<b>121.4</b>	<b>17.1</b>	<b>47.7</b>	<b>186.2</b>	<b>131.3</b>	<b>17.5</b>	<b>57.0</b>	<b>205.8</b>
Right-of-use assets (see note 11)				278.1				318.3
<b>Property, plant and equipment net book value at 31 December</b>				<b>464.3</b>				<b>524.1</b>

## Consolidated financial statements continued

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### 11. Leases

The Group's lease arrangements primarily consist of operating leases relating to office space.

The Group initially records a lease liability in the statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that the Group would have to pay for a loan of a similar term and with similar security to obtain an asset of similar value. A right-of-use (ROU) asset is recorded at the value of the lease liability plus any directly related costs and estimated future dilapidation expense and is presented within property, plant and equipment (see note 10) on the balance sheet. Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease while the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

The Group considers whether the lease term should reflect options to extend or reduce the life of the lease. Relevant factors that could create an economic incentive to exercise the option are considered and the extension/termination is included if it is reasonably certain to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option. Should this occur, the Group modifies the lease liability and associated ROU asset to reflect the revised remaining expected cash flows.

	2023	2022	
	Right-of-use assets £m	Lease liabilities £m	Right-of-use assets £m
At 1 January	318.3	361.0	330.1
Exchange translation adjustments	(4.3)	(6.5)	9.8
Additions and remeasurements of lease obligations	7.7	7.2	18.0
Lease payments	-	(52.3)	-
Depreciation charge	(43.6)	-	(39.6)
Interest expense	-	9.3	-
<b>At 31 December</b>	<b>278.1</b>	<b>318.7</b>	<b>318.3</b>
			<b>361.0</b>

The depreciation charge and interest expense relating to leases are recorded within operating expenses (see note 3).

	2023 £m	2022 £m
Lease liabilities – current	35.3	39.2
Lease liabilities – non-current	283.4	321.8
	<b>318.7</b>	<b>361.0</b>

The Group's lease liabilities contractually mature in the following time periods:

	2023 £m	2022 £m
Less than 1 year	43.0	48.9
1 – 2 years	38.2	47.3
2 – 5 years	92.1	106.7
More than 5 years	201.8	235.2
	<b>332.1</b>	<b>389.2</b>
	<b>375.1</b>	<b>438.1</b>

## 12. Goodwill and intangible assets

Intangible assets (other than software) arise when the Group acquires a business and the fair value paid exceeds the fair value of the net tangible assets acquired. This premium reflects additional value that the Group determines to be attached to the business. Identifiable acquired intangible assets relating to business combinations include technology and contractual agreements to manage client assets and gain additional access to new or existing clients and geographies. Where such assets can be identified, they are classified as acquired intangible assets and amortised to the income statement within acquisition costs and related items on a straight-line basis, primarily over seven years.

Consideration paid to acquire a business in excess of the acquisition date fair value of net tangible and identifiable intangible assets is known as goodwill. Goodwill is not charged to the income statement unless its value has diminished. The assessment of whether goodwill has become impaired is based on the expected future returns of the relevant cash-generating unit (CGU) as a whole.

Software purchased and developed for use in the business is also classified as an intangible asset. The cost of purchasing and developing software is taken to the income statement over time as an amortisation charge within operating expenses. The treatment is similar to that for property, plant and equipment, and the asset is normally amortised on a straight-line basis over three to five years, but can have an estimated useful life of up to ten years.

	2023				2022			
	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
<b>Cost</b>								
At 1 January	1,239.7	710.0	573.0	2,522.7	803.4	361.9	470.7	1,636.0
Exchange translation adjustments	2.1	0.6	(0.9)	1.8	36.1	15.7	4.7	56.5
Additions	13.2	20.0	67.4	100.6	400.2	332.4	97.6	830.2
Disposals	–	–	(6.8)	(6.8)	–	–	–	–
<b>At 31 December</b>	<b>1,255.0</b>	<b>730.6</b>	<b>632.7</b>	<b>2,618.3</b>	<b>1,239.7</b>	<b>710.0</b>	<b>573.0</b>	<b>2,522.7</b>
<b>Accumulated amortisation</b>								
At 1 January	–	(308.8)	(284.4)	(593.2)	–	(252.8)	(214.7)	(467.5)
Exchange translation adjustments	–	(0.4)	0.2	(0.2)	–	(8.9)	(3.5)	(12.4)
Amortisation charge	–	(58.5)	(83.1)	(141.6)	–	(47.1)	(66.2)	(113.3)
Disposals	–	–	1.9	1.9	–	–	–	–
<b>At 31 December</b>	<b>–</b>	<b>(367.7)</b>	<b>(365.4)</b>	<b>(733.1)</b>	<b>–</b>	<b>(308.8)</b>	<b>(284.4)</b>	<b>(593.2)</b>
<b>Carrying amount at 31 December</b>	<b>1,255.0</b>	<b>362.9</b>	<b>267.3</b>	<b>1,885.2</b>	<b>1,239.7</b>	<b>401.2</b>	<b>288.6</b>	<b>1,929.5</b>

The Group completed three business combinations during the year ended 31 December 2023 for a total consideration of £18.5 million, resulting in £10.7 million of identifiable intangible assets and £13.2 million of Wealth Management goodwill. The Group acquired £9.3 million of customer contracts through Benchmark Capital that were not considered to be business combinations. £7.0 million of Wealth Management goodwill relates to the acquisition of Unique Financial Planning Limited. Due to the timing of this acquisition, the determination of the final amounts is ongoing and subject to review.

### Estimates and judgements

The Group estimates the fair value of identifiable intangible assets acquired at the acquisition date based on forecast profits, taking account of synergies, derived from existing contractual arrangements. This assessment involves judgement in determining assumptions relating to potential future revenues, profit margins, appropriate discount rates and the expected duration of client relationships. The difference between the fair value of the consideration and the value of the identifiable assets and liabilities acquired, including intangible assets, is accounted for as goodwill.

At each reporting date, the Group applies judgement to determine whether there is any indication that an acquired intangible asset may be impaired. If any indication exists, a full assessment is undertaken. Goodwill is assessed for impairment on an annual basis. If the assessment of goodwill or an acquired intangible asset determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions, the Group has determined that the lowest level CGU for Asset Management acquisitions is the segment. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £1,012.3 million (2022: £1,009.6 million) is allocated to Asset Management and £242.7 million (2022: £230.1 million) is allocated to Wealth Management, of which £81.4 million (2022: £68.2 million) relates to Benchmark Capital.

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### 12. Goodwill and intangible assets continued

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2022: 2%), a pre-tax discount rate of 13% (2022: 12%), expected flows and expected changes to revenue margins. The results of the calculations indicate that goodwill is not impaired.

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2022: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised in the income statement but may be reversed if relevant conditions improve.

### 13. Deferred tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded. A deferred tax asset represents a tax reduction that is expected to arise in a future period based on past transactions. A deferred tax liability represents taxes that will become payable in a future period as a result of current or prior year transactions.

Deferred tax liabilities also arise on certain acquisitions where the amortisation of the acquired intangible asset does not result in a tax deduction. The deferred tax liability is established on acquisition and is released to the income statement to match the intangible asset amortisation. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year-end date.

	2023						
	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Tax losses £m	Intangible assets on acquisition £m	Other net temporary differences £m	Total £m
At 1 January	15.9	110.9	(33.1)	68.3	(98.5)	(16.6)	46.9
Income statement credit/(charge)	7.1	(6.1)	(1.8)	16.4	11.3	1.9	28.8
Income statement credit/(charge) due to changes in tax rates	0.3	2.6	(0.1)	3.7	1.7	(4.5)	3.7
Credit to other comprehensive income	-	-	0.9	-	-	-	0.9
Credit to statement of other comprehensive income due to changes in tax rates	-	-	-	-	-	0.1	0.1
Charge to equity	-	(0.2)	-	-	-	(0.5)	(0.7)
Business combinations	-	-	-	-	(2.7)	-	(2.7)
Exchange translation adjustments	-	(1.3)	0.1	(0.1)	0.1	(0.2)	(1.4)
<b>At 31 December</b>	<b>23.3</b>	<b>105.9</b>	<b>(34.0)</b>	<b>88.3</b>	<b>(88.1)</b>	<b>(19.8)</b>	<b>75.6</b>

	2022						
	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Tax losses £m	Intangible assets on acquisition £m	Other net temporary differences £m	Total £m
At 1 January	11.8	101.3	(48.7)	48.2	(25.5)	(22.5)	64.6
Income statement credit/(charge)	4.2	(1.5)	(0.7)	14.8	8.4	7.6	32.8
Income statement credit/(charge) due to changes in tax rates	0.1	10.1	(0.2)	5.0	(0.6)	0.2	14.6
Credit/(charge) to other comprehensive income	-	-	12.6	-	-	(0.1)	12.5
Credit/(charge) to statement of other comprehensive income due to changes in tax rates	-	-	3.9	-	-	(0.1)	3.8
Charge to equity	-	(5.7)	-	-	-	-	(5.7)
Credit to equity due to changes in tax rates	-	0.8	-	-	-	-	0.8
Business combinations	-	1.8	-	-	(79.9)	-	(78.1)
Exchange translation adjustments	(0.2)	4.1	-	0.3	(0.9)	(1.7)	1.6
<b>At 31 December</b>	<b>15.9</b>	<b>110.9</b>	<b>(33.1)</b>	<b>68.3</b>	<b>(98.5)</b>	<b>(16.6)</b>	<b>46.9</b>

### 13. Deferred tax continued

Following the 2021 Budget, the UK tax rate increased to 25% from April 2023. This results in a blended tax rate applicable to the UK Group for 2023 of 23.5%.

Included in the deferred tax asset is an asset relating to UK tax deductions for share-based remuneration which is dependent on the prices of the Company's ordinary shares at the time the awards are exercised.

A deferred tax asset of £9.9 million (2022: £9.7 million) relating to £39.9 million of realised capital losses has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised.

A deferred tax asset of £28.0 million (2022: £26.5 million) relating to £117.2 million of losses, including unrealised capital losses, and other temporary differences has not been recognised as there is insufficient evidence that there will be sufficient taxable profits against which these losses and temporary differences can be utilised.

The mandatory IAS 12 temporary exception from the recognition and disclosure of deferred taxes arising from implementation of the OECD's Pillar Two model rules has been applied. The OECD's Pillar Two model rules, which establish a global minimum tax regime, will apply from 2024. This is not expected to have a significant impact on the Group's tax expense.

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2023 £m	2022 £m
Deferred tax assets	203.9	185.8
Deferred tax liabilities	(128.3)	(138.9)
	<b>75.6</b>	<b>46.9</b>

### 14. Unit-linked liabilities and assets backing unit-linked liabilities

The Group operates a unit-linked life assurance business through the wholly owned subsidiary Schroder Pension Management Limited (the Life Company). The Life Company provides unit-linked investment products through a life assurance wrapper. The investment products do not provide cover for insurance risk and are therefore recognised and accounted for as financial instruments and presented as financial liabilities due to Life Company investors (policyholders) within unit-linked liabilities. The financial risks of these products are largely borne by the third-party investors, consistent with other investment products managed by the Group. However, since the Life Company, which is a subsidiary, issues the investment instrument and holds the relevant financial assets, both the investments and the third-party obligations are recorded in the statement of financial position.

The investment product is almost identical to a unit trust. As it is a life assurance product, the contractual rights and obligations of the investments remain with the Group and the AUM is therefore included on the statement of financial position, together with the liability to investors. The Group earns fee income from managing the investment, which is included in revenue.

Financial assets held by the Life Company are measured at FVTPL. Other balances include cash and receivables, which are measured at amortised cost (see note 8). The unit-linked liabilities are measured at FVTPL to avoid an accounting mismatch. The Life Company's assets are regarded as current assets as they represent the amount available to Life Company investors (or third party investors in consolidated funds) who are able to withdraw their funds on call, subject to certain restrictions in the case of illiquidity. Gains and losses from assets held to cover investor obligations are attributable to investors in the Life Company or to third party investors in the funds. As a result, any gain or loss is offset by a change in the obligation to investors.

	2023 £m	2022 £m
Financial liabilities due to Life Company investors	7,744.0	8,174.1
Financial liabilities due to third parties <sup>1</sup>	2,264.1	1,880.0
	<b>10,008.1</b>	<b>10,054.1</b>

1. In accordance with the accounting standards, the Group is deemed to hold a controlling interest in certain funds as a result of the investments held by the Life Company. This results in all of the assets and liabilities of those funds being consolidated within the statement of financial position and the third party interest in the fund being recorded as a financial liability due to third party investors.

The Group has no primary exposure to market risk, credit risk or liquidity risk in relation to the investments due to Life Company investors. The risks and rewards associated with its investments are borne by the investors in the Life Company's investment products or third party investors in the funds and not by the Life Company itself. Consequently, no further financial instrument risk disclosures are included.

## Consolidated financial statements continued

Notes to the accounts continued

### 14. Unit-linked liabilities and assets backing unit-linked liabilities continued

Fair value measurements of Life Company financial assets and liabilities

Each of the Life Company's financial assets and liabilities has been categorised using a fair value hierarchy as shown below. These levels are based on the degree to which the fair value is observable and are defined in note 8.

	2023				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Assets backing unit-linked liabilities</b>					
<b>Financial assets at fair value through profit or loss:</b>					
Debt securities	1,490.4	1,793.4	-	-	3,283.8
Pooled investment vehicles	3,070.1	-	18.3	-	3,088.4
Equities	3,032.8	3.0	-	-	3,035.8
Derivative contracts	28.7	69.9	-	-	98.6
	<b>7,622.0</b>	<b>1,866.3</b>	<b>18.3</b>	-	<b>9,506.6</b>
<b>Financial assets at amortised cost:</b>					
Cash and cash equivalents	-	-	-	453.1	453.1
Trade and other receivables	-	-	-	48.4	48.4
	-	-	-	<b>501.5</b>	<b>501.5</b>
<b>Total assets backing unit-linked liabilities</b>	<b>7,622.0</b>	<b>1,866.3</b>	<b>18.3</b>	<b>501.5</b>	<b>10,008.1</b>
<b>Unit-linked liabilities</b>	<b>9,960.4</b>	<b>32.8</b>	-	<b>14.9</b>	<b>10,008.1</b>
	2022				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Assets backing unit-linked liabilities</b>					
<b>Financial assets at fair value through profit or loss:</b>					
Debt securities	2,385.3	1,731.3	-	-	4,116.6
Pooled investment vehicles	2,478.6	-	22.8	-	2,501.4
Equities	2,639.3	29.8	-	-	2,669.1
Derivative contracts	12.4	51.5	-	-	63.9
	<b>7,515.6</b>	<b>1,812.6</b>	<b>22.8</b>	-	<b>9,351.0</b>
<b>Financial assets at amortised cost:</b>					
Cash and cash equivalents	-	-	-	605.0	605.0
Trade and other receivables	-	-	-	98.1	98.1
	-	-	-	<b>703.1</b>	<b>703.1</b>
<b>Total assets backing unit-linked liabilities</b>	<b>7,515.6</b>	<b>1,812.6</b>	<b>22.8</b>	<b>703.1</b>	<b>10,054.1</b>
<b>Unit-linked liabilities</b>	<b>9,996.1</b>	<b>48.7</b>	-	<b>9.3</b>	<b>10,054.1</b>

The fair value of financial instruments not held at fair value approximates their carrying value. No financial assets were transferred between levels during the year (2022: none).

## 14. Unit-linked liabilities and assets backing unit-linked liabilities continued

### Estimates and judgements – fair value measurements

Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 8). Level 1 investments principally comprise quoted equities, investments in pooled investment vehicles, government debt and exchange-traded derivatives. Level 2 investments principally comprise debt securities such as commercial paper and certificates of deposit. Level 3 investments principally comprise investments in private equity funds. There are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in the fair value of these assets.

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

	2023 £m	2022 £m
At 1 January	22.8	22.9
Exchange translation adjustments	(0.4)	0.6
Net (loss)/gain recognised in the income statement	(0.3)	5.6
Disposals	(3.8)	(6.3)
<b>At 31 December</b>	<b>18.3</b>	<b>22.8</b>

## 15. Trade and other payables

Trade and other payables include amounts the Group is due to pay in the normal course of business, accruals and deferred income (being fees received in advance of services provided as well as deferred cash awards), and bullion deposits by customers. Trade and other payables, other than deferred cash awards and bullion deposits, are recorded initially at fair value and subsequently at amortised cost (see note 8). Amounts due to be paid by the Group in the normal course of business are made up of creditors and accruals. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred cash awards (being deferred employee remuneration payable in cash) and bullion deposits by customers are recorded at fair value.

	2023			2022		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
<b>Trade and other payables at amortised cost:</b>						
Settlement accounts	–	128.2	128.2	–	96.6	96.6
Trade creditors	–	15.7	15.7	–	14.7	14.7
Social security	25.6	81.5	107.1	19.5	88.6	108.1
Accruals and deferred income	36.7	514.7	551.4	22.3	568.6	590.9
Other payables	3.6	69.7	73.3	–	24.3	24.3
	<b>65.9</b>	<b>809.8</b>	<b>875.7</b>	<b>41.8</b>	<b>792.8</b>	<b>834.6</b>
<b>Trade and other payables at fair value:</b>						
Deferred cash awards	87.8	121.8	209.6	52.8	159.5	212.3
Bullion deposits by customers	–	2.2	2.2	–	2.6	2.6
	<b>87.8</b>	<b>124.0</b>	<b>211.8</b>	<b>52.8</b>	<b>162.1</b>	<b>214.9</b>
<b>Total trade and other payables</b>	<b>153.7</b>	<b>933.8</b>	<b>1,087.5</b>	<b>94.6</b>	<b>954.9</b>	<b>1,049.5</b>

## Consolidated financial statements continued

### Notes to the accounts continued

#### 15. Trade and other payables continued

The fair value of trade and other payables held at amortised cost approximates their carrying value. The fair value of bullion deposits by customers is derived from level 1 inputs (see note 8). The fair value of deferred cash awards is derived from level 1 inputs, being equal to the fair value of the units in funds to which the employee award is linked.

The Group's trade and other payables contractually mature in the following time periods:

	2023 £m	2022 £m
Less than 1 year <sup>1</sup>	933.8	954.9
1 - 2 years	45.1	46.8
2 - 5 years	104.9	45.8
More than 5 years	3.7	2.0
	<b>153.7</b>	<b>94.6</b>
	<b>1,087.5</b>	<b>1,049.5</b>

1. Settlement accounts are generally settled within four working days (2022: four working days) and trade creditors have an average settlement period of 18 working days (2022: 24 working days).

#### 16. Provisions and contingent liabilities

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and therefore they usually require the use of estimates. They are recognised when three conditions are fulfilled: when the Group has a present obligation (legal or constructive) as a result of a past event; when it is probable that the Group will incur a loss in order to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. They are recorded at the Group's best estimate of the cost of settling the obligation. Any differences between those estimates and the amounts for which the Group actually becomes liable are taken to the income statement as additional charges where the Group has underestimated and credits where the Group has overestimated. Where the estimated timing and settlement are longer term, the amount is discounted using a rate reflecting specific risks associated with the provision.

Contingent liabilities are potential liabilities, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are disclosed only where significant and are not included within the statement of financial position.

	Dilapidations £m	Legal, regulatory and other £m	Total £m
At 1 January 2023	18.2	7.2	25.4
Exchange translation adjustments	(0.2)	-	(0.2)
Utilised	-	(1.1)	(1.1)
Charged	0.4	0.4	0.8
Released	-	(2.4)	(2.4)
Additions	0.5	-	0.5
<b>At 31 December 2023</b>	<b>18.9</b>	<b>4.1</b>	<b>23.0</b>

	Dilapidations £m	Legal, regulatory and other £m	Total £m
Current - 2023	1.2	1.0	2.2
Non-current - 2023	17.7	3.1	20.8
	<b>18.9</b>	<b>4.1</b>	<b>23.0</b>
Current - 2022	1.0	2.5	3.5
Non-current - 2022	17.2	4.7	21.9
	<b>18.2</b>	<b>7.2</b>	<b>25.4</b>

## 16. Provisions and contingent liabilities continued

The Group's provisions are expected to mature in the following time periods:

	2023 £m	2022 £m
Less than 1 year	2.2	3.5
1 - 2 years	5.4	5.7
2 - 5 years	0.8	2.7
More than 5 years	14.6	13.5
	<b>20.8</b>	<b>21.9</b>
	<b>23.0</b>	<b>25.4</b>

Dilapidation provisions associated with the Group's office leases have a weighted average maturity of 12 years (2022: 13 years).

Legal and regulatory obligations associated with the Group's business arise from past events that are estimated to crystallise mainly within two years (2022: two years). These matters are ongoing.

### Estimates and judgements

The timing and amount of settlement of each legal claim or potential claim, regulatory matter and constructive obligation are uncertain. The Group applies judgement to determine whether a provision is required. The Group performs an assessment of the timing and amount of each event and reviews this assessment periodically. For some provisions there is greater certainty as the cash flows have largely been determined. Potential legal claims, regulatory related costs and other obligations to third parties arise as a consequence of normal business activity. They can arise from actual or alleged breaches of obligations and may be covered by the Group's insurance arrangements, but subject to insurance excess. In certain circumstances, legal and regulatory claims can arise despite there being no error or breach. The Group's risk management and compliance procedures are designed to mitigate, but are not able to eliminate, the risk of losses occurring. Where such claims and costs arise there is often uncertainty over whether a payment will be required and estimation is required in determining the quantum and timing of that payment. As a result, there is also uncertainty over the timing and amount of any insurance recovery, although this does not change the likelihood of insurance cover being available, where applicable. The Group makes periodic assessments of all cash flows, including taking external advice where appropriate, to determine an appropriate provision. Some matters may be settled through commercial negotiation as well as being covered in whole or in part by the Group's insurance arrangements. The Group has made provisions based on the reasonable expectation of likely outflows. The inherent uncertainty in such matters and the results of negotiations and insurance cover may result in different outcomes.

There are no key judgements or estimates that would result in any additional material provisions being recognised or any material contingent liabilities being disclosed in the financial statements (2022: none). The provisions included in the financial statements at 31 December 2023 are based on estimates of reasonable ranges of likely outcomes, applying assumptions regarding the probability of payments being due and the settlement value. The aggregate reasonable ranges have been assessed as not materially different to the carrying values.

## 17. Derivative contracts

### (a) The Group's use of derivatives

The Group holds derivatives for risk management, client facilitation and within its consolidated structured entities to provide exposure to market returns. The Group most commonly uses forward foreign exchange contracts, where it agrees to buy or sell specified amounts of a named currency at a future date, allowing the Group to effectively fix exchange rates so that it can avoid unpredictable gains and losses on financial instruments in foreign currency assets and liabilities. The Group uses futures, total return swaps and credit default swaps to hedge market-related gains and losses on its seed capital investments where the purpose of investing is to help establish a new product rather than gain additional market exposure. Interest rate contracts are used to hedge exposures to fixed or floating rates of interest.

The Group designates certain derivatives as hedges of a net investment in a foreign operation. In these scenarios, and where relevant conditions are met, hedge accounting is applied and the Group formally documents the relationship between the derivative and any hedged item, its risk management objectives and its strategy for undertaking the various hedging transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of hedged items. In respect of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. The Group's net investment hedges are generally fully effective, but any ineffective portion that may arise is recognised in the income statement. On disposal of the foreign operation, together with the hedged gain or loss, the cumulative gain or loss on the hedging instrument is transferred to the income statement.

## Consolidated financial statements continued

Notes to the accounts continued

### 17. Derivative contracts continued

#### (a) The Group's use of derivatives continued

Risk management: The Group actively seeks to limit and manage its exposures to risk where those exposures are not desired by the Group. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By entering into derivative contracts, the Group is able to mitigate or eliminate such exposures. The principal risks that the Group faces through such use of derivative contracts are credit risk and liquidity risk.

Client facilitation: The Group's Wealth Management entities are involved in providing portfolio management, banking and investment advisory services, primarily to private clients. In carrying out this business, they transact as agent or as principal in financial assets and liabilities (including derivatives) in order to facilitate client portfolio requirements. Wealth Management's policy is to hedge, as appropriate, market risk on its client facilitation positions. This does not eliminate credit risk.

For details of how the Group manages its exposure to credit risk, see below and note 18.

#### (b) Derivatives used by the Group

Forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. The maximum exposure to credit risk is represented by the fair value of the contracts.

Currency, interest rate, total return and credit default swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, interest rates or total returns (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except in the case of certain currency swaps. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, the proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties in accordance with its internal policies and procedures.

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. Contracts are negotiated at a futures exchange, which acts as an intermediary between the two parties. For futures contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables relative to their terms. The aggregate contractual amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values and contractual maturities are set out below:

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Equity contracts	0.1	(3.8)	6.4	(4.7)
Forward foreign exchange contracts	14.9	(8.3)	16.5	(23.6)
	<b>15.0</b>	<b>(12.1)</b>	<b>22.9</b>	<b>(28.3)</b>
	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Net-settled derivative contracts<sup>1</sup> maturing/repricing<sup>2</sup> in:</b>				
Less than 1 year	0.1	(3.8)	6.4	(4.7)
	<b>0.1</b>	<b>(3.8)</b>	<b>6.4</b>	<b>(4.7)</b>
<b>Gross-settled derivatives<sup>3</sup> maturing/repricing<sup>2</sup> in less than 1 year:</b>				
Gross inflows	1,086.3	530.8	983.5	874.1
Gross outflows	(1,071.7)	(538.8)	(967.6)	(897.2)
Difference between future contractual cash flows and fair value	0.3	(0.3)	0.6	(0.5)
	<b>14.9</b>	<b>(8.3)</b>	<b>16.5</b>	<b>(23.6)</b>
	<b>15.0</b>	<b>(12.1)</b>	<b>22.9</b>	<b>(28.3)</b>

1. Equity contracts.

2. Whichever is earlier.

3. Forward foreign exchange contracts.

## 18. Financial instrument risk management

The Group Capital Committee is responsible for the management of the Group's capital and sets objectives for how it is deployed. This note explains how the Group manages its capital, setting out the nature of the risks the Group faces as a result of its operations, and how these risks are quantified and managed.

The Group is exposed to different forms of financial instrument risk including: (i) the risk that money owed to the Group will not be received (credit risk); (ii) the risk that the Group may not have sufficient cash available to pay its creditors as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the wellbeing of the Group.

The Group's primary exposure to financial instrument risk is derived from the financial instruments that it holds as principal. In addition, due to the nature of the business, the Group's exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by the financial instrument risk exposure of our clients – the secondary exposure. This note deals only with the direct or primary exposure of the risks from the Group's holding of financial instruments.

Disclosures relating to unit-linked liabilities and assets backing unit-linked liabilities are included in note 14.

### (a) Capital

The Group's approach to capital management is to maintain a strong capital position to enable it to invest in the future of the Group, in line with its strategy, and to support the risks inherent in conducting its business. Capital management is an important part of the Group's risk management framework and is underpinned by the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure that it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

The Group's lead regulator is the Prudential Regulation Authority as the Group includes an entity with a UK banking licence. The Group is required to maintain adequate capital resources to meet its Total Capital Requirement (TCR) of £1,059 million (2022: £1,022 million). The TCR incorporates the Group's Pillar 1 regulatory capital requirement of £893 million (2022: £862 million). In addition to the TCR of the banking group, the Group is required to hold additional capital of £384 million (2022: £323 million) in respect of its insurance companies and regulatory buffers. The Group's overall regulatory capital requirement was £1,443 million at 31 December 2023 (2022: £1,346 million).

In managing the Group's capital position, the Group considers the composition of the capital base, which consists of: working capital deployed to support the Group's general operating activities and regulatory requirements; investment capital held in excess of these operating requirements; and other items that are not investable or otherwise available to meet the Group's operating or regulatory requirements.

The table below shows the components of our capital position:

	2023 £m	2022 £m
Working capital – regulatory and other	1,587	1,538
Working capital – seed and co-investment	462	512
Investment capital – liquid	180	127
Investment capital – illiquid	77	57
Other items	2,158	2,246
<b>Total equity</b>	<b>4,464</b>	<b>4,480</b>

#### (i) Working capital

The Group's policy is for subsidiaries to hold sufficient working capital to meet their regulatory and other operating requirements. Operating capital principally comprises cash and cash equivalents and other low-risk financial instruments, as well as financial instruments held to hedge fair value movements on certain deferred fund awards. Local regulators oversee the activities of, and impose minimum capital and liquidity requirements on, certain Group operating entities. The Group complied with all externally imposed regulatory capital requirements during the year.

Working capital is also deployed through certain subsidiaries to support new investment strategies and growth opportunities and to co-invest alongside the Group's clients.

## Consolidated financial statements continued

Notes to the accounts continued

### 18. Financial instrument risk management continued

#### (a) Capital continued

##### (ii) Investment capital

Available capital held in excess of working capital requirements is transferred to investment capital. Investment capital is managed with the aim of achieving a low-volatility return. Liquid investments are available to support the organic development of existing and new business strategies and to respond to other investment and growth opportunities, such as acquisitions, as they arise. Investment capital also includes certain commercial private equity investments and illiquid legacy investments.

##### (iii) Other items

Other items comprise assets that are not investable or available to meet the Group's general operating or regulatory requirements. It includes assets that are actually or potentially inadmissible for regulatory capital purposes, principally goodwill, intangible assets, non-controlling interest in certain subsidiaries and pension scheme surplus.

The tables below provide a detailed breakdown of the Group's capital in accordance with IFRS 9:

	2023				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Liabilities to purchase subsidiary shares £m	Financial instruments at fair value through profit or loss <sup>1</sup> £m	Non-financial instruments £m
<b>Assets</b>					
Cash and cash equivalents	3,354.4	-	-	295.5	-
Trade and other receivables	817.5	-	-	-	102.9
Financial assets:					
Loans and advances to banks	397.9	-	-	-	397.9
Loans and advances to clients	446.0	-	-	-	446.0
Debt securities	356.7	711.4	-	78.3	-
Pooled investment vehicles	-	-	-	631.1	-
Equities	-	-	-	190.7	-
Derivatives	-	-	-	15.0	-
Associates and joint ventures	-	-	-	-	531.7
Property, plant and equipment	-	-	-	-	464.3
Goodwill and intangible assets	-	-	-	-	1,885.2
Deferred tax	-	-	-	-	203.9
Retirement benefit scheme surplus	-	-	-	-	138.3
Assets backing unit-linked liabilities	501.5	-	-	9,506.6	-
<b>Total assets</b>	<b>5,874.0</b>	<b>711.4</b>	-	<b>10,717.2</b>	<b>3,326.3</b>
					<b>20,628.9</b>
<b>Liabilities</b>					
Trade and other payables	770.1	-	-	209.6	107.8
Financial liabilities	4,199.4	-	177.7	201.1	-
Current tax	-	-	-	-	12.6
Lease liabilities	318.7	-	-	-	318.7
Provisions	23.0	-	-	-	23.0
Deferred tax	-	-	-	-	128.3
Retirement benefit scheme deficits	-	-	-	-	8.8
Unit-linked liabilities	14.9	-	-	9,993.2	-
<b>Total liabilities</b>	<b>5,326.1</b>	-	<b>177.7</b>	<b>10,403.9</b>	<b>257.5</b>
					<b>16,165.2</b>
<b>Capital</b>					
					<b>4,463.7</b>

1. Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss. Cash and cash equivalents at fair value through profit or loss are interests in money market funds and are all level 1. Financial liabilities at fair value through profit or loss include £10,343.6 million of liabilities that are designated at fair value through profit or loss and £60.3 million that are mandatorily measured at fair value through profit or loss.

## 18. Financial instrument risk management continued

### (a) Capital continued

#### (iii) Other items continued

	2022				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Liabilities to purchase subsidiary shares £m	Financial instruments at fair value through profit or loss <sup>1</sup> £m	Non-financial instruments £m
<b>Assets</b>					
Cash and cash equivalents	4,440.3	-	-	-	-
Trade and other receivables	804.4	-	-	-	92.1
Financial assets:					
Loans and advances to banks	122.8	-	-	-	-
Loans and advances to clients	615.6	-	-	-	-
Debt securities	263.9	591.9	-	148.1	-
Pooled investment vehicles	-	-	-	702.2	-
Equities	-	-	-	202.9	-
Derivatives	-	-	-	22.9	-
Associates and joint ventures	-	-	-	-	497.7
Property, plant and equipment	-	-	-	-	524.1
Goodwill and intangible assets	-	-	-	-	1,929.5
Deferred tax	-	-	-	-	185.8
Retirement benefit scheme surplus	-	-	-	-	136.3
Assets backing unit-linked liabilities	703.1	-	-	9,351.0	-
<b>Total assets</b>	<b>6,950.1</b>	<b>591.9</b>	<b>-</b>	<b>10,427.1</b>	<b>3,365.5</b>
					<b>21,334.6</b>
<b>Liabilities</b>					
Trade and other payables	726.5	-	-	212.3	110.7
Financial liabilities	4,595.9	-	218.7	325.5	-
Current tax	-	-	-	-	73.1
Lease liabilities	361.0	-	-	-	-
Provisions	25.4	-	-	-	-
Deferred tax	-	-	-	-	138.9
Retirement benefit scheme deficits	-	-	-	-	12.8
Unit-linked liabilities	9.3	-	-	10,044.8	-
<b>Total liabilities</b>	<b>5,718.1</b>	<b>-</b>	<b>218.7</b>	<b>10,582.6</b>	<b>335.5</b>
					<b>16,854.9</b>
<b>Capital</b>					
					<b>4,479.7</b>

1. Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss include £10,508.8 million of liabilities that are designated at fair value through profit or loss and £83.1 million that are mandatorily measured at fair value through profit or loss.

### (b) Credit risk, liquidity risk and market risk

The Group is exposed to credit, liquidity and market risk as a result of the financial instruments it holds. Settlement of financial instruments (on both a principal and agency basis) also gives rise to operational risk. The Group's risk management framework is critical to effective management of these risks and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Board, with responsibility for oversight delegated to the Audit and Risk Committee. The Group applies the three lines of defence model to risk management, which includes financial instrument risk. More details on the risk management framework and approach are set out in the Risk Management report and the Audit and Risk Committee report on pages 38 and 66 respectively.

#### (i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the Group financial loss by failing to discharge its obligations. For this purpose, the impact on fair value of a credit loss arising from credit spread price changes in a portfolio of investments is excluded. This risk is addressed within pricing risk.

## Consolidated financial statements continued

Notes to the accounts continued

### 18. Financial instrument risk management continued

#### (b) Credit risk, liquidity risk and market risk continued

##### (i) Credit risk continued

The Group has exposure to credit risk from its normal activities where it is exposed to the risk that a counterparty will be unable to pay amounts when due. The Group carefully manages its exposure to credit risk by monitoring exposures to individual counterparties and sectors, monitoring counterparties' creditworthiness, taking collateral and reducing settlement risk where possible and approving lending policies that specify the type of acceptable collateral and lending margins. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Group's relevant financial assets held with rated and unrated counterparties is set out below:

Credit rating:	Cash and cash equivalents		Loans and advances to banks		Debt securities	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
AAA	292.3	230.2	-	-	158.2	317.8
AA+	-	233.9	9.3	9.0	122.1	0.1
AA	178.6	135.9	18.6	-	10.6	11.7
AA-	2,136.8	2,576.7	49.7	41.6	443.9	331.5
A+	622.9	673.5	239.3	65.2	255.9	112.4
A	164.1	137.2	3.7	7.0	39.0	47.7
A-	250.1	430.5	77.3	-	38.5	47.4
BBB+ and lower	4.1	22.0	-	-	35.3	99.2
Not rated	1.0	0.4	-	-	42.9	36.1
	<b>3,649.9</b>	<b>4,440.3</b>	<b>397.9</b>	<b>122.8</b>	<b>1,146.4</b>	<b>1,003.9</b>

Expected credit losses are calculated on all of the Group's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

A three stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

- Performing (stage 1) – financial assets where there has been no significant increase in credit risk since original recognition;
- Under-performing (stage 2) – financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or,
- Non-performing (stage 3) – financial assets that are in default.

For financial assets in stage 1, expected credit losses are calculated based on the credit losses that are expected to be incurred over the following 12-month period. For financial assets in stages 2 and 3, expected credit losses are calculated based on credit losses expected to be incurred over the life of the instrument. The Group applies the simplified approach to calculate expected credit losses for trade and other receivables. Under this approach, instruments are not categorised into three stages and expected credit losses are calculated based on the life of the instrument.

#### Wealth Management activities

All client credit requests are presented to the relevant Wealth Management approval authorities and counterparty exposures are monitored daily against limits. Loans, overdrafts and advances to clients, as well as certain derivative positions, are secured on a range of assets including real estate (both residential and commercial), cash, client portfolios and investment bonds.

The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis. Where disposal of non-cash collateral is required, in the event of default, the terms and conditions relevant to the specific contract and country will apply. Portfolios held as collateral are marked to market daily and positions compared to clients' exposures. Credit limits are set following an assessment of the market value and lending value of each type of collateral, depending on the perceived risk associated with the collateral. Clients are contacted if these limits are expected to be or are breached, or if collateral is not sufficient to cover the outstanding exposure.

The collateral accepted by the Group includes certain investment-grade securities that can be sold or repledged without default of the provider. At 31 December 2023, the fair value of collateral that could be sold or repledged but had not been, relating solely to these arrangements, was £1,107.6 million (2022: £813.4 million).

Policies covering various counterparty and market risk limits are set and monitored by the relevant Wealth Management asset and liability management committees. All instruments held within the Wealth Management treasury book have an investment-grade credit rating.

## **18. Financial instrument risk management** continued

### **(b) Credit risk, liquidity risk and market risk** continued

#### **(i) Credit risk** continued

Wealth Management takes a conservative approach to its treasury investments, placing them with, or purchasing debt securities issued by, UK and overseas banks and corporates, central banks, supranational banks and sovereigns.

Expected credit losses on financial assets at amortised cost within the Wealth Management entities at 31 December 2023 were £1.0 million (2022: £0.3 million). There were no (2022: none) under-performing (stage 2) loans and advances to clients. There was one (2022: none) non-performing (stage 3) loan of £6.2 million giving rise to £0.5 million expected credit losses (2022: nil). All other financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2022: same).

Expected credit losses on financial assets at fair value through other comprehensive income within the Wealth Management entities at 31 December 2023 were £0.2 million (2022: £0.1 million). All financial assets at fair value through other comprehensive income were performing (stage 1) (2022: same).

#### **Other activities**

Fee debtors and other receivables arise as a result of the Group's asset management activities and amounts are monitored regularly. Historically, default levels have been insignificant and, unless a client has withdrawn its funds, there is an ongoing relationship between the Group and the client.

Fee debtors past due but not in default as at 31 December 2023 were £50.8 million (2022: £70.0 million), the majority of which were less than 90 days past due (2022: less than 90 days).

The Group seeks to manage its exposure to credit risk arising from debt securities and derivatives within the investment portfolio by adopting a conservative approach and through ongoing credit analysis, and it may hedge some of the credit risk with credit default swaps. Corporate bond portfolios, when in place, have an investment-grade mandate, and exposure to sub-investment-grade debt is low.

Most derivative positions, other than forward foreign exchange contracts and total return swaps, are taken in exchange-traded securities where there is minimal credit risk. Forward foreign exchange positions generally have a maturity between one and three months.

The Group's cash and cash equivalents in the non-Wealth Management entities are held primarily in current accounts, on deposit with well-rated banks, or invested in money market or similar funds.

Expected credit losses on financial assets at amortised cost within non-Wealth Management entities at 31 December 2023 were £0.6 million (2022: £0.8 million). All financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2022: same).

#### **(ii) Liquidity risk**

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. The Group has a clearly defined liquidity risk management framework in place in the form of a Consolidated Group Internal Liquidity Adequacy Assessment Process (ILAAP). The Group policy is that its subsidiaries should trade solvently, comply with regulatory liquidity requirements and have access to adequate liquidity for all activities undertaken in the normal course of business. As part of its ILAAP, the Group performs stress testing to confirm that sufficient liquidity is available to cover severe but plausible stress events.

#### **Wealth Management activities**

The principal liquidity risk in the Group's Wealth Management business arises as a result of its banking activities, where the timing of cash flows from liabilities relating to client accounts can be impacted by client action. The objective of the Group's liquidity policy is to maintain sufficient liquidity within the relevant entities to meet regulatory and prudential requirements, and to cover cash flow imbalances and fluctuations in funding and the timely repayment of funds to depositors.

Liquidity positions are actively monitored against both regulatory and internal limits and cash flows are managed so that sufficient liquidity is available to cover potential liquidity risks.

## Consolidated financial statements continued

Notes to the accounts continued

### 18. Financial instrument risk management continued

#### (b) Credit risk, liquidity risk and market risk continued

##### (ii) Liquidity risk continued

The contractual maturity of Wealth Management financial assets and liabilities is set out below:

	2023				
	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
<b>Assets</b>					
Cash and cash equivalents	2,811.3	-	-	-	2,811.3
Loans and advances to banks	391.0	-	-	-	391.0
Loans and advances to clients	168.4	70.9	205.1	0.3	444.7
Debt securities	719.0	312.1	-	-	1,031.1
Other financial assets	5.7	-	-	-	5.7
<b>Total financial assets</b>	<b>4,095.4</b>	<b>383.0</b>	<b>205.1</b>	<b>0.3</b>	<b>4,683.8</b>
<b>Liabilities</b>					
Client accounts	4,135.0	-	-	-	4,135.0
Deposits by banks	64.4	-	-	-	64.4
Other financial liabilities	5.6	-	-	-	5.6
<b>Total financial liabilities</b>	<b>4,205.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,205.0</b>
<b>Cumulative gap</b>	<b>(109.6)</b>	<b>273.4</b>	<b>478.5</b>	<b>478.8</b>	<b>478.8</b>
	2022				
	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
<b>Assets</b>					
Cash and cash equivalents	3,512.2	-	-	-	3,512.2
Loans and advances to banks	114.0	-	-	-	114.0
Loans and advances to clients	251.1	70.7	293.8	-	615.6
Debt securities	639.5	188.4	-	-	827.9
Other financial assets	8.2	-	-	-	8.2
<b>Total financial assets</b>	<b>4,525.0</b>	<b>259.1</b>	<b>293.8</b>	<b>-</b>	<b>5,077.9</b>
<b>Liabilities</b>					
Client accounts	4,533.2	-	-	-	4,533.2
Deposits by banks	59.4	-	-	-	59.4
Other financial liabilities	10.9	-	-	-	10.9
<b>Total financial liabilities</b>	<b>4,603.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,603.5</b>
<b>Cumulative gap</b>	<b>(78.5)</b>	<b>180.6</b>	<b>474.4</b>	<b>474.4</b>	<b>474.4</b>

##### Other activities

The Group's exposure to liquidity risk outside its Wealth Management activities is low. Excluding the Life Company and consolidated funds, the Asset Management segment along with the Group's investment capital and treasury management activities together hold cash and cash equivalents of £832.9 million (2022: £897.6 million). Financial liabilities relating to other operating entities are £373.2 million (2022: £536.6 million).

The Group has a committed revolving credit facility of £850.0 million (2022: £850.0 million), which expires on 7 November 2028. The maximum amount drawn down under the facility was £180.0 million (2022: £225.0 million). The facility was undrawn at 31 December 2023 (2022: undrawn).

##### (iii) Market risk

Market risk is the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates.

##### Pricing risk

Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

In respect of financial instrument risk, the Group's exposure to pricing risk is principally through investments held in investment capital, seed and co-investment capital and deferred employee compensation in the form of fund awards.

## 18. Financial instrument risk management continued

### (b) Credit risk, liquidity risk and market risk continued

#### (iii) Market risk continued

##### *Pricing risk continued*

The Group does not hedge exposures to pricing risk except in relation to seed capital, where it is practical to do so, and in respect of deferred employee compensation awards, where these can be matched by interests in funds managed by the Group. Where financial instruments are held to hedge deferred compensation awards, movements in the fair value of the asset are normally offset by changes in the amounts payable to employees (see note 3).

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

##### Wealth Management activities

In Wealth Management, interest rate risk is monitored on a daily basis against policies and limits set by the relevant risk committee. Interest rate risk is managed within set limits by matching asset and liability positions and through the use of interest rate swaps.

Sensitivity-based and stress-based models are used for monitoring interest rate risk. These models assess the impact of a prescribed shift in interest rates and the potential impact of severe but plausible stress scenarios.

##### Other activities

Cash held by the other operating companies is not normally expected to be placed on deposit for longer than three months and is not exposed to significant interest rate risk.

The Group's capital can include investments in corporate investment-grade bonds managed by the Group's fixed income fund managers. The market risk (including interest rate risk) exposure of these investments is actively monitored against limits set by the Board.

##### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

##### Wealth Management activities

In Wealth Management, foreign exchange risk is monitored each day against policies and limits set by the relevant risk committees. Foreign exchange risk is managed within set limits by the treasury departments using spot, forward and foreign exchange swap contracts.

##### Other activities

The Group's policy in relation to foreign exchange risks arising from revenue, expenditure and capital currency exposure from its Asset Management activities is generally not to hedge. The Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered to be a normal part of the Group's business activities.

The Group also has exposure to foreign currency on financial instruments not held in the functional currency of entities which resulted in a £19.0 million gain in the income statement (2022: £37.7 million loss) and exposure arising from net investments in foreign operations which resulted in a £58.3 million loss in other comprehensive income (2022: £148.6 million gain). The Group uses forward foreign exchange contracts with third parties to mitigate some of these exposures. The gain or loss on these contracts is included in the income statement or statement of other comprehensive income, as appropriate. The use of such instruments is subject to approval by the Group Capital Committee.

The sensitivities to market risk at 31 December are estimated as follows:

Variable <sup>1</sup>	2023			2022		
	A reasonable change in the variable within the next calendar year	Increase/(decrease) in post-tax profit %	£m	A reasonable change in the variable within the next calendar year	Increase/(decrease) in post-tax profit %	£m
Interest rates <sup>2</sup>	-increase	0.25	2	1.5	14	
	-decrease	(1.5)	(14)	(0.5)	(5)	
US dollar against sterling	-strengthen	10	3	20	5	
	-weaken	10	(2)	(15)	(3)	
Euro against sterling	-strengthen	8	1	15	2	
	-weaken	8	(1)	(10)	(1)	
US dollar against Euro	-strengthen	10	3	10	3	
	-weaken	10	(3)	(10)	(3)	
FTSE All-Share Index <sup>3</sup>	-increase	20	46	20	48	
	-decrease	(20)	(46)	(20)	(48)	

1. The underlying assumption is that there is one variable increase/decrease with all other variables held constant.

2. Assumes that the fair value of assets and liabilities will not be affected by a change in interest rates.

3. Assumes that changes in the FTSE All-Share Index correlate to changes in the fair value of the Group's equity investments.

The reasonable changes in variables will have no impact on any other components of equity. These sensitivities concern only the direct impact on financial instruments and exclude indirect impacts on fee income and certain costs that may be affected by changes in the variable. The changes used in the sensitivity analysis were provided by the Group's Global Economics team, which determines reasonable assumptions.

## Consolidated financial statements continued

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### 19. Share capital and share premium

Share capital primarily comprises the number of issued ordinary shares in Schroders plc multiplied by their nominal value of 20 pence each (2022: 20 pence each). Where the proceeds received on issue of the shares is greater than the nominal value the difference is recorded in share premium. The Company has authority to buyback ordinary shares, restricted by minimum and maximum price caps and a maximum number of shares. Any ordinary shares bought back may be cancelled or held in treasury. Unless renewed, authority will expire at the Company's next annual general meeting, or on 30 June 2024 if earlier.

	Number of shares Millions	Total ordinary shares £m	Share premium £m
At 1 January 2023	1,612.1	322.4	84.3
<b>At 31 December 2023</b>	<b>1,612.1</b>	<b>322.4</b>	<b>84.3</b>
	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m
At 1 January 2022	282.5	226.0	56.5
Enfranchisement of non-voting shares	-	56.5	(56.5)
Compensatory Bonus Issue	39.9	39.9	-
Sub-Division of shares	1,289.7	-	-
<b>At 31 December 2022</b>	<b>1,612.1</b>	<b>322.4</b>	<b>84.3</b>

On 20 September 2022, the Company completed the simplification of its dual share class structure. All non-voting ordinary shares were re-designated as ordinary shares with full voting rights (Enfranchisement); holders of existing ordinary shares received a bonus issue of three additional ordinary shares for every seventeen held (Compensatory Bonus Issue). Following the Enfranchisement and Compensatory Bonus Issue, each ordinary share of £1 was sub-divided into five ordinary shares of 20 pence (Sub-Division).

The Compensatory Bonus Issue resulted in the Company's share capital increasing by £39.9 million. All 39.9 million bonus shares were fully paid at their nominal value of £1 from the Company's share premium account.

	2023 Number of shares Millions	2022 Number of shares Millions
Issued and fully paid:		
Ordinary shares of 20p each (2022: 20p each)	1,612.1	1,612.1

## 20. Own shares

Own shares are recorded by the Group when ordinary shares are acquired by the Company or acquired through employee benefit trusts. This enables the Group to hold some of its shares to settle option exercises or for other permitted purposes. Own shares are held at cost and their purchase reduces the Group's net assets by the amount spent. When shares vest unconditionally or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost.

Movements in own shares during the year were as follows:

	2023 £m	2022 £m
At 1 January	(185.1)	(150.2)
Own shares purchased	(66.6)	(120.2)
Awards vested	79.6	85.3
<b>At 31 December</b>	<b>(172.1)</b>	<b>(185.1)</b>

During the year, 14.4 million own shares (2022: 4.9 million own shares) were purchased and held for hedging share-based awards. 15.9 million shares (2022: 3.7 million shares) awarded to employees vested in the period and were transferred out of own shares.

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

	2023			2022		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
<b>Total ordinary shares</b>	<b>23.0</b>	<b>35.8</b>	<b>58.8</b>	<b>23.5</b>	<b>37.2</b>	<b>60.7</b>
<hr/>						
	2023	Unvested shares £m	Total £m	2022	Unvested shares £m	Total £m
<b>Total ordinary shares</b>						
Cost	<b>106.8</b>	<b>172.1</b>	<b>278.9</b>	<b>107.4</b>	<b>185.1</b>	<b>292.5</b>
Fair value	<b>98.9</b>	<b>153.7</b>	<b>252.6</b>	<b>102.6</b>	<b>162.1</b>	<b>264.7</b>

## Consolidated financial statements continued

Notes to the accounts continued

### 21. Reconciliation of net cash from operating activities

This note should be read in conjunction with the cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

	2023 £m	2022 £m
Profit before tax	487.6	586.9
<b>Adjustments for income statement non-cash movements:</b>		
Depreciation of property, plant and equipment and amortisation of intangible assets	212.2	188.9
Net (gain)/loss on financial instruments	(19.1)	11.0
Share-based payments	62.8	68.2
Net release for provisions	(2.0)	(2.6)
Other non-cash movements <sup>1</sup>	(26.8)	43.5
	<b>227.1</b>	<b>309.0</b>
<b>Adjustments for which the cash effects are investing activities:</b>		
Interest income	(23.6)	(5.8)
Interest expense on lease liabilities	9.3	10.6
Share of profit of associates and joint ventures after amortisation	(40.5)	(71.5)
	<b>(54.8)</b>	<b>(66.7)</b>
<b>Adjustments for statement of financial position movements:</b>		
(Increase)/decrease in loans and advances within Wealth Management	(100.8)	64.5
(Increase)/decrease in trade and other receivables	(40.7)	68.9
(Decrease)/increase in deposits and client accounts within Wealth Management	(413.0)	682.7
Increase/(decrease) in trade and other payables, other financial liabilities and provisions	27.9	(159.6)
	<b>(526.6)</b>	<b>656.5</b>
<b>Adjustments for Life Company and consolidated pooled investment vehicles movements:</b>		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(105.9)	3,102.3
Net decrease in unit-linked liabilities	(46.0)	(3,409.0)
Net decrease in cash within consolidated pooled investment vehicles	(24.8)	(101.3)
	<b>(176.7)</b>	<b>(408.0)</b>
Tax paid	(194.7)	(104.9)
<b>Net cash (used in)/from operating activities</b>	<b>(238.1)</b>	<b>972.8</b>

1. Other non-cash movements primarily consist of discount unwind within the net interest margin and exchange translation adjustments, before hedging activities.

## 22. Commitments

Commitments represent amounts the Group has contractually committed to pay to third parties but do not yet represent a liability or impact the Group's financial results for the year.

The Group's commitments primarily relate to investment call commitments, commitments for property, plant and equipment and future leases not yet commenced.

The Group sublets a small number of its owned and leased properties where such properties, or parts of such properties, are not required for use by the Group. The table below discloses the commitments sub-lessees have made in respect of such arrangements. These commitments are not recorded on the statement of financial position in advance of the period to which they relate.

	2023			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	9.0	22.5	-	31.5
Investment call commitments	42.4	19.8	1.7	63.9
Commitments for property, plant and equipment and leases	3.4	20.1	41.6	65.1
<b>Total commitments</b>	<b>54.8</b>	<b>62.4</b>	<b>43.3</b>	<b>160.5</b>
Operating leases receivable as lessor	(1.4)	(2.1)	-	(3.5)
<b>Net commitments payable</b>	<b>53.4</b>	<b>60.3</b>	<b>43.3</b>	<b>157.0</b>
	2022			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	15.8	20.8	3.3	39.9
Investment call commitments	59.2	19.9	2.5	81.6
Commitments for property, plant and equipment and leases	4.5	16.8	46.1	67.4
<b>Total commitments</b>	<b>79.5</b>	<b>57.5</b>	<b>51.9</b>	<b>188.9</b>
Operating leases receivable as lessor	(1.0)	(2.4)	-	(3.4)
<b>Net commitments payable</b>	<b>78.5</b>	<b>55.1</b>	<b>51.9</b>	<b>185.5</b>

## Consolidated financial statements continued

### Notes to the accounts continued

#### 23. Retirement benefit obligations

The Group has two principal types of pension benefit for employees: defined benefit (DB), where the Group has an obligation to provide participating employees with pension payments that represent a specified percentage of their final salary for each year of service, and defined contribution (DC), where the Group's contribution to an employee's pension is measured as, and limited to, a specified percentage of salary.

Accounting for DB schemes requires an assessment of the likely quantum of future pension payments to be made. If ring-fenced assets are held specifically to meet this cost, the scheme is funded, and if not, it is unfunded. The Group periodically reviews its funded DB schemes using actuarial specialists to assess whether it is on course to meet the expected pension payments that current and former employees are, or will be, entitled to. In the case of a projected shortfall, a plan must be formulated to reverse the deficit.

The income statement charge or credit represents the sum of pension entitlements earned by employees in the period, plus a notional net interest charge (if the scheme is in deficit) or income (if it is in surplus) based on the market yields on high quality corporate bonds. Experience differences, principally the difference between actual investment returns and the notional interest amount, as well as actuarial changes in estimating the present value of future liabilities, are recorded in other comprehensive income.

Assets or liabilities recognised in the statement of financial position represent the differences between the fair value of plan assets (if any) and the actuarially determined estimates of the present value of future liabilities. The Group closed its largest DB scheme to future accrual on 30 April 2011, although it still operates some small unfunded schemes overseas. This means that no future service will contribute to the closed scheme member benefits but those members continue to have the benefits determined by the Scheme rules as at 30 April 2011.

The Group's exposure to funding DC pension schemes is limited to the contributions it has agreed to make. These contributions generally stop when employment ceases. The income statement charge represents the contributions the Group has agreed to make into employees' pension schemes in that year.

The disclosures within this note are provided mainly in respect of the principal DB scheme, which is the DB section of the funded Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2023 £m	2022 £m
Pension costs – defined contribution plans	77.2	68.4
Pension credit – defined benefit plans	(5.2)	(2.4)
Other post-employment benefits	0.1	0.1
	<b>72.1</b>	<b>66.1</b>

##### (a) Profile of the Scheme

The Scheme is administered by a trustee company, Schroder Pension Trustee Limited (the Trustee). The board of the Trustee comprises an independent chairman, three directors appointed by the employer and two directors elected by the Scheme members. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for setting the investment strategy and for the day-to-day administration of the benefits. The Trustee's investment committee comprises five of the Trustee directors and two representatives of the Group. This committee, which reports to the Trustee board, is responsible for making investment strategy recommendations to the board of the Trustee and for monitoring the performance of the investment manager.

Under the Scheme, employees are entitled to annual pensions on retirement based on a specified percentage of their final pensionable salary or, in the case of active members at 30 April 2011 (the date the DB section of the Scheme closed for future accrual), actual pensionable salaries at that date, for each year of service. These benefits are adjusted for the effects of inflation, subject to a cap of 2.5% for pensions accrued after 12 August 2007 and 5.0% for pensions accrued before that date.

As at 31 December 2023, there were no active members in the DB section (2022: nil) and 2,605 active members in the DC section (2022: 2,572). The weighted average duration of the Scheme's DB obligation is 13 years (2022: 13 years). The Group expects that the plan liabilities will settle gradually over time until all members have left the plan. On termination of the Scheme, any assets that remain after the Trustee has settled the Scheme's liabilities will be returned to the Group.

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2023	2022
Number of deferred members	977	1,032
Total deferred pensions (at date of leaving Scheme)	£6.8m per annum	£7.1m per annum
Average age (deferred)	56	56
Number of pensioners	1,064	1,029
Average age (pensioners)	71	70
Total pensions in payment	£24.2m per annum	£22.8m per annum

##### (b) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2020. The funding level at that date was 107% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2023 and will be performed in 2024.

## 23. Retirement benefit obligations continued

### (c) Risks of the Scheme

The Company and the Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities of the Scheme.

The most significant risks to which the Scheme exposes the Group are:

#### Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will reduce the surplus or may create a deficit. The Group manages this risk by holding 67% (2022: 51%) of Scheme assets in a liability matching portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but that can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

#### Credit risk

The assets of the Scheme include liability driven investments (LDI) and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

#### Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's liability matching portfolio, which comprises gilts, corporate bonds and other LDI instruments. The liability matching investments have been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the liability matching portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the liability matching portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2023, the liability matching portfolio was designed to mitigate 95% (2022: 90%) of the Scheme's exposure to changes in gilt yields.

#### Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, in most cases, caps on the level of inflationary increases are in place. The majority of the growth assets are either unaffected by or not closely correlated with inflation, which means that an increase in inflation will also decrease any Scheme surplus. The liability matching portfolio includes instruments such as index-linked gilts to provide protection against inflation risk. At 31 December 2023, the liability matching portfolio was designed to mitigate 95% (2022: 90%) of the Scheme's exposure to inflation risk.

#### Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

### (d) Reporting at 31 December

The principal financial assumptions used for the Scheme are:

	2023 %	2022 %
Discount rate	4.5	4.8
RPI inflation rate	3.0	3.2
CPI inflation rate	2.3	2.5
Future pension increases (for benefits earned before 13 August 2007)	2.9	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.0	2.0

<b>Average number of years a current pensioner is expected to live beyond age 60:</b>	<b>Years</b>	<b>Years</b>
Men	27	28
Women	29	30

<b>Average number of years future pensioners currently aged 45 are expected to live beyond age 60:</b>	<b>Years</b>	<b>Years</b>
Men	28	29
Women	30	30

Net interest income is determined by applying the discount rate to the opening net surplus in the Scheme. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality, long dated corporate bonds that are denominated in the currency in which the benefits will be paid.

## Consolidated financial statements continued

### Notes to the accounts continued

#### 23. Retirement benefit obligations continued

##### (d) Reporting at 31 December continued

###### **Estimates and judgements**

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out on page 145, used to calculate the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates, which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2022: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2022: 0.25%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared with general population statistics. The latest base mortality tables have been adopted with no scaling (2022: nil) following a Scheme specific review of the membership data.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Solutions UK Limited, and is based on an assessment of the Scheme as at 31 December 2023.

The amounts recognised in the income statement are:

	2023 £m	2022 £m
Interest income on Scheme assets	(33.2)	(21.0)
Interest cost on Scheme liabilities	26.7	17.1
<b>Net interest income recognised in the income statement in respect of the Scheme</b>	<b>(6.5)</b>	<b>(3.9)</b>
Income statement charge in respect of other defined benefit schemes	1.3	1.5
<b>Total defined benefit schemes income statement credit</b>	<b>(5.2)</b>	<b>(2.4)</b>

The amounts recognised in the statement of comprehensive income are:

	2023 £m	2022 £m
(Gains)/losses on Scheme assets in excess of that recognised in interest income	(2.9)	345.2
Actuarial gains due to change in demographic assumptions	(11.1)	(0.2)
Actuarial losses/(gains) due to change in financial assumptions	12.7	(299.4)
Actuarial losses due to experience	4.1	18.5
<b>Total other comprehensive loss in respect of the Scheme</b>	<b>2.8</b>	<b>64.1</b>
Other comprehensive loss in respect of other defined benefit schemes	1.4	1.9
<b>Total other comprehensive loss in respect of defined benefit schemes</b>	<b>4.2</b>	<b>66.0</b>

The sensitivity of the Scheme pension liabilities to changes in assumptions are:

Assumption	Assumption change	2023		2022	
		Estimated (increase)/ decrease in pension liabilities £m	Estimated (increase)/ decrease in pension liabilities %	Estimated (increase)/ decrease in pension liabilities £m	Estimated (increase)/ decrease in pension liabilities %
Discount rate	Increase by 0.5% per annum	33.7	5.9	34.4	6.0
Discount rate	Decrease by 0.5% per annum	(38.5)	(6.7)	(39.7)	(7.0)
Expected rate of pension increases	Increase by 0.5% per annum	(25.8)	(4.5)	(26.2)	(4.6)
Expected rate of pension increases	Decrease by 0.5% per annum	25.4	4.4	25.6	4.5
Life expectancy	Increase by one year	(21.5)	(3.7)	(20.9)	(3.7)
Life expectancy	Decrease by one year	21.2	3.7	20.6	3.6

### 23. Retirement benefit obligations continued

#### (d) Reporting at 31 December continued

Movements in respect of the assets and liabilities of the Scheme are:

	2023 £m	2022 £m
At 1 January	706.5	1,070.6
Interest income	33.2	21.0
Remeasurement of assets	2.9	(345.2)
Benefits paid	(27.5)	(38.5)
Administrative expenses <sup>1</sup>	(1.7)	(1.4)
<b>Fair value of plan assets</b>	<b>713.4</b>	<b>706.5</b>
At 1 January	(570.2)	(872.7)
Interest cost	(26.7)	(17.1)
Actuarial gains due to change in demographic assumptions	11.1	0.2
Actuarial (losses)/gains due to change in financial assumptions	(12.7)	299.4
Actuarial losses due to experience	(4.1)	(18.5)
Benefits paid	27.5	38.5
<b>Present value of funded obligations</b>	<b>(575.1)</b>	<b>(570.2)</b>
<b>Net assets</b>	<b>138.3</b>	<b>136.3</b>

- Following the last completed triennial valuation it was agreed that certain administrative expenses of the scheme would be paid out of the scheme surplus. The approach will be reviewed as part of the next triennial valuation.

On 16 June 2023, the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), which has the potential to affect the Scheme's liabilities. As the assessment of any potential impact is ongoing, no adjustment has been made to the Scheme's liability as at 31 December 2023.

The Group has not materially changed the basis of any of the principal financial assumptions underlying the calculation of the Scheme's net financial position during 2023, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

The fair values of the Scheme's plan assets at the year end are:

	2023		2022	
	Value £m	Of which not quoted in an active market £m	Value £m	Of which not quoted in an active market £m
Liability matching investments	436.6	-	358.0	-
Portfolio funds	242.2	93.2	313.1	92.2
Exchange-traded futures and over-the-counter derivatives	9.3	-	10.1	-
Cash	25.3	-	25.3	-
<b>Total</b>	<b>713.4</b>	<b>93.2</b>	<b>706.5</b>	<b>92.2</b>

## **Consolidated financial statements** continued

### Notes to the accounts continued

#### **24. Share-based payments**

Share-based payments are remuneration payments to selected employees that take the form of an award of shares in Schroders plc. Employees are generally not able to exercise such awards in full until three years after the award has been made, although conditions vary between different types of award. The accounting for share-based awards settled by transferring shares to the employees (equity-settled) differs from the accounting for similar awards settled in cash (cash-settled). The charge for equity-settled share-based payments is determined based on the fair value of the award on the grant date. Such awards can include share awards that may or may not have performance criteria. The initial fair value of the award takes into account the current value of shares expected to be issued (i.e. estimates of the likely levels of forfeiture and achievement of performance criteria), and the contribution, if required, by the employee. This initial fair value is charged to the income statement reflecting benefits received from employment, where relevant, in the performance period and over the vesting period. The income statement charge is offset by a credit to the statement of changes in equity, where the award is expected to be settled through the issue of shares. Such awards constituted 5.9% (2022: 6.8%) of salaries, wages and other remuneration (see note 3).

The Group may make share-based payments to employees through awards over or linked to the value of ordinary shares and by the grant of market value share options over ordinary shares. These arrangements involve a maximum term of ten years.

It is the Group's practice to hedge all awards to eliminate the impact of changes in the market value of shares between the grant date and the exercise date.

Awards that lapse or are forfeited during the vesting period result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Group recognised total expenses of £64.0 million (2022: £68.1 million) arising from share-based payment transactions during the year, of which £62.8 million (2022: £68.2 million) were equity-settled share-based payment transactions. In 2023, there was £0.7 million of equity-settled share-based payments included within acquisition costs and related items (2022: £1.1 million) and £5.0 million included within restructuring costs (2022: nil).

The Group has the following share-based payment arrangements (further details of the current schemes may be found in the Remuneration report):

##### **(a) Deferred Award Plan**

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2023 Number of ordinary shares Millions	2022 Number of ordinary shares Millions
Rights outstanding at 1 January	41.7	5.2
Corporate transaction	-	35.0
Granted	13.7	4.5
Forfeited	(0.6)	(0.3)
Exercised	(9.4)	(2.7)
<b>Rights outstanding at 31 December</b>	<b>45.4</b>	<b>41.7</b>
Vested	12.6	11.7
Unvested	32.8	30.0

The weighted average exercise price per share is nil. A charge of £58.5 million (2022: £62.3 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Deferred Award Plan to be expensed in future years:

	£m
2024	18.7
2025	6.8
2026+	3.5
	<b>29.0</b>

## 24. Share-based payments continued

### (b) Equity Compensation Plan

Awards over ordinary shares made under the Group's Equity Compensation Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2023 Number of ordinary shares Millions	2022 Number of ordinary shares Millions
Rights outstanding at 1 January	12.3	2.7
Corporate transaction	–	10.8
Granted	0.5	0.1
Exercised	(4.9)	(1.3)
<b>Rights outstanding at 31 December</b>	<b>7.9</b>	<b>12.3</b>
Vested	7.8	8.8
Unvested	0.1	3.5

The weighted average exercise price per share is nil. There were no charges (2022: £1.0 million) recognised during the year.

### (c) Equity Incentive Plan

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value as operating expenses to the income statement, over a five-year vesting period. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. Awards are structured as nil-cost options.

	2023 Number of ordinary shares Millions	2022 Number of ordinary shares Millions
Rights outstanding at 1 January	5.6	1.0
Corporate transaction	–	4.9
Exercised	(1.4)	(0.3)
<b>Rights outstanding at 31 December</b>	<b>4.2</b>	<b>5.6</b>
Vested	2.5	3.0
Unvested	1.7	2.6

The weighted average exercise price per share is nil. A charge of £1.6 million (2022: £2.3 million) was recognised during the year.

## **Consolidated financial statements** continued

Notes to the accounts continued

### **24. Share-based payments** continued

#### **(c) Equity Incentive Plan** continued

The table below shows the expected charges for awards issued under the Equity Incentive Plan to be expensed in future years:

	£m
2024	1.4
2025	0.6
	<b>2.0</b>

#### **(d) Long Term Incentive Plan**

Awards over ordinary shares made under the Group's Long Term Incentive Plan are charged at fair value to the income statement over a four-year vesting period. Fair value is calculated using the market value of the shares at the grant date, discounted for dividends forgone over the vesting period of the award and adjusted based on an estimate at the year-end date of the extent to which the performance conditions are expected to be met. Awards are structured as nil-cost options.

	2023 Number of ordinary shares Millions	2022 Number of ordinary shares Millions
Rights outstanding at 1 January	0.5	0.1
Corporate transaction	-	0.4
Granted	0.2	-
Forfeited	(0.1)	-
Exercised	(0.1)	-
<b>Rights outstanding at 31 December</b>	<b>0.5</b>	<b>0.5</b>
Vested	0.1	0.1
Unvested	0.4	0.4

The weighted average exercise price per share is nil. A charge of £0.2 million (2022: £0.2 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Long Term Incentive Plan to be expensed in future years:

	£m
2024	0.2
2025	0.2
2026	0.1
	<b>0.5</b>

#### **(e) Share Incentive Plan**

The employee monthly share purchase plan is open to UK permanent employees and provides free shares from the Group to match the employee purchase of shares up to a maximum of £100 per month. The shares vest after one year.

Pursuant to this plan, the Group purchased 624,714 ordinary shares in 2023 (2022: 235,042). A charge of £2.5 million (2022: £2.4 million) was recognised during the year.

#### **(f) Cash-settled share-based awards**

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

At 31 December 2023, the carrying value of liabilities arising from cash-settled share-based awards was £5.8 million (2022: £4.8 million). The total intrinsic value at 31 December 2023 of liabilities for which the employee's right to cash or other assets had vested by that date was £3.1 million (2022: £2.7 million).

A charge of £1.2 million (2022: credit of £0.1 million) was recognised during the year. The liability was remeasured at the balance sheet date at a share price of £4.30 (2022: £4.36).

## 25. Related party transactions

Transactions between the Group and parties related to the Group are required to be disclosed to the extent that they are necessary for an understanding of the potential effect of the relationship on the financial statements. Other disclosures, such as key management personnel compensation, are also required.

The Group is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Group are members of the Group, including associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

Cash transactions with associates or joint ventures are reported in the cash flow statement and in note 9.

£18.7 million (2022: £24.5 million) was held in customer accounts in respect of amounts payable to key management personnel or their related parties.

Included within loans and advances to clients are amounts due from related parties of £0.1 million (2022: £5.9 million). All related party loans and advances were at commercial rates.

Some of the plan assets of the Schroders Retirement Benefit Scheme are invested in products managed by the Life Company (see note 14). At 31 December 2023, the fair value of these assets was £50.2 million (2022: £94.4 million).

Transactions between the Group and its related parties were made at market rates. Any amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

### Key management personnel compensation

Key management personnel are defined as members of the Board or the Group Management Committee. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2023 £m	2022 £m
Short-term employee benefits	Salary and upfront bonus	23.2	23.0
Share-based payments	Deferred share awards	13.8	12.5
Other long-term benefits	Deferred cash awards	13.8	9.5
Termination benefits	Termination benefits	0.5	-
Post-employment benefits	Pension plans	0.2	0.2
		<b>51.5</b>	<b>45.2</b>

The remuneration of key management personnel is based on individual performance and market rates. The remuneration policy (which applies to Directors and management) is described in more detail at [www.schroders.com/directors-remuneration-policy](http://www.schroders.com/directors-remuneration-policy).

## Consolidated financial statements continued

### Notes to the accounts continued

## 26. Interests in structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The Group has interests in structured entities as a result of contractual arrangements arising from its principal activity, the management of assets on behalf of its clients. AUM, excluding deposits by Wealth Management clients and some segregated client portfolios held within the Group's Asset Management business, is managed within structured entities. These structured entities typically consist of investment vehicles such as Open Ended Investment Companies, Authorised Unit Trusts, Limited Partnerships and Sociétés d'Investissement à Capital Variable, which entitle investors to a percentage of the vehicle's net asset value. The vehicles are financed by the purchase of units or shares by investors. The Group also has interests in structured entities through proprietary investments. These are mainly into vehicles that help facilitate the Group's stated aim of generating a return on investment capital and when it deploys seed and co-investment capital in developing new investment strategies or as it invests alongside its clients. Additionally, the Group holds interests in structured entities for liquidity management purposes, for example via investments in money market funds.

The Group does not guarantee returns on the investments it manages or commit to financially support its structured entities. A small proportion of the Group's AUM, principally real estate funds, is permitted to raise finance through loans from banks and other financial institutions. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings.

The business activity of all structured entities in which the Group has an interest, is the management of assets in order to generate investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, normally based on a percentage of the entity's net asset value, committed capital value or gross asset value and, where contractually agreed, a performance fee or carried interest, based on outperformance against predetermined benchmarks. In addition, where the Group owns a proportion of the structured entity it is entitled to receive investment returns.

### (a) Interests arising from managing assets

The Group's interests in structured entities arising as a result of contractual relationships from its principal activity, the management of assets on behalf of its clients, are reflected in the Group's AUM excluding associates and joint ventures.

	2023			
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	Total £bn
Asset Management	295.7	5.8	230.7	532.2
Wealth Management	98.1	-	12.1	110.2
	<b>393.8</b>	<b>5.8</b>	<b>242.8</b>	<b>642.4</b>

	2022			
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	Total £bn
Asset Management	281.8	8.0	228.6	518.4
Wealth Management	88.2	-	9.9	98.1
	<b>370.0</b>	<b>8.0</b>	<b>238.5</b>	<b>616.5</b>

Certain AUM are managed outside of structured entities. Within Asset Management, this occurs either because it is formed of segregated investment portfolios for institutional clients comprising directly held investments in individual financial instruments, or because the voting structures of the vehicles themselves allow the investment manager to be removed without cause. Within Wealth Management, AUM is not generally considered to be within structured entities as the contractual relationships exist directly with the client rather than with structured entities, for example discretionary and advisory asset management and banking services. In addition, Wealth Management AUM in the form of loans and advances to customers is conducted outside of structured entities.

Certain structured entities are deemed to be controlled by the Group and are accounted for as subsidiaries and consolidated in accordance with the accounting standards. AUM within consolidated structured entities represents the net assets of the beneficial interest in the consolidated structured entity owned by third parties.

AUM within unconsolidated structured entities constitutes the remaining balance, represented principally by the net asset value of pooled vehicles managed for Intermediary clients, as well as some assets invested in pooled vehicles on behalf of Institutional and Wealth Management clients. The Group's beneficial interest in structured entities is not included within AUM and is described separately overleaf.

The Group has no direct exposure to losses in relation to the AUM reported above, as the investment risk is borne by clients. The main risk the Group faces from its interest in AUM managed on behalf of clients is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations.

## 26. Interests in structured entities continued

### (a) Interests arising from managing assets continued

Fee income includes £1,366.5 million (2022: £1,444.4 million) of fees from structured entities managed by the Group. The table below shows the carrying value of the Group's interests in structured entities as a result of its management of assets, where income is accrued over the period for which assets are managed before being invoiced. The carrying value represents the Group's maximum exposure to loss from these interests.

	2023 £m	2022 £m
Fee debtors from structured entities	33.5	35.4
Accrued income from structured entities	306.0	272.4
<b>Total exposure due to investment management activities</b>	<b>339.5</b>	<b>307.8</b>

### (b) Interest arising from the Group's investment in unconsolidated structured entities

The table below shows the carrying values of the Group's proprietary investments in unconsolidated structured entities, which resulted in a net gain on financial instruments and other income of £43.9 million (2022: loss of £7.7 million). The carrying values represent the Group's maximum exposure to loss from these interests.

	2023 £m	2022 £m
Cash and cash equivalents	295.5	245.2
Financial assets	577.7	588.0
<b>Total exposure due to the Group's investments</b>	<b>873.2</b>	<b>833.2</b>

The Group's proprietary investments include interests in unconsolidated structured entities in the form of cash and cash equivalents and financial assets. Cash and cash equivalents comprise investments in money market funds, none of which are managed by the Group (2022: nil). Financial assets include seed and co-investment capital, legacy private equity investments and hedges of deferred cash awards. Of the financial assets, £561.7 million (2022: £582.0 million) is invested in funds managed by the Group. The Group has no interest apart from its role as investor in those funds for which it does not act as manager. The main risk the Group faces from its interests in unconsolidated structured entities arising from proprietary investments is that the investments will decrease in value. Note 18 includes further information on the Group's exposure to market risk arising from proprietary investments.

The Group has contractual commitments to co-invest alongside its clients and provide a minimum level of capital for certain private assets and alternative vehicles. The Group's investment call commitments are set out in note 22.

The statement of financial position also includes the Life Company assets of £10,008.1 million (2022: £10,054.1 million), which are included in AUM. The exposure to the risks and rewards associated with these assets is borne by unit-linked policyholders, or, where Life Company funds are consolidated, third-party investors in those funds.

### Financial support for consolidated structured entities where there is no contractual obligation to do so

The Group supports some of its funds through the injection of seed capital in order to enable the funds to establish a track record before they are more widely marketed. During the year, the Group purchased units at a cost of £72.3 million (2022: £95.1 million) to provide seed capital to investment funds managed by the Group, of which £28.4 million (2022: £41.8 million) resulted in the consolidation of those funds and £43.9 million (2022: £53.3 million) did not.

## **Consolidated financial statements** continued

### Notes to the accounts continued

#### **Presentation of the financial statements**

##### **(a) Basis of preparation**

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are held at fair value through profit or loss or at fair value through other comprehensive income, liabilities to purchase subsidiary shares, liabilities in respect of deferred cash awards and deposits relating to bullion.

In making an assessment on going concern, the Directors have considered a wide range of information relating to present and future conditions, including future capital requirements, prediction of profitability and cash flows. These assessments showed the Group has sufficient capital and liquidity to support future business requirements and adequate resources to continue as a going concern for at least 12 months following approval of the financial statements.

The consolidated statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes. The Group's Life Company business is reported separately. If the assets and liabilities of the Group's Life Company business were to be included within existing captions on the consolidated statement of financial position, the effect would be to gross up a number of individual line items to a material extent. By not doing this, the Group can provide a more transparent presentation that shows the assets of the Life Company and the related unit-linked liabilities as separate and distinct from the remainder of the consolidated statement of financial position.

The Group's principal accounting policies have been consistently applied. Further information is provided below and highlighted in the notes to the accounts.

##### **(b) Future accounting developments**

The Group did not implement the requirements of any standards or interpretations that were in issue but were not required to be adopted by the Group at the year end date. No standards or interpretations have been issued that are expected to have a material impact on the consolidated financial statements.

##### **(c) Basis of consolidation**

The consolidated financial information includes the total comprehensive gains or losses, the financial position and the cash flows of the Company and its subsidiaries, associates and joint ventures. This includes share ownership trusts established for certain share-based awards.

In the case of associates and joint ventures, those entities are presented as single line items in the consolidated income statement and consolidated statement of financial position (see note 9).

Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements. Details of the Company's related undertakings are presented in note 35.

The entities included in the consolidation may vary year on year due both to the restructuring of the Group (including acquisitions and disposals) and changes to the number of pooled investment vehicles controlled by the Group.

Where the Group controls a pooled investment vehicle, it is consolidated and the third party interest is recorded as a financial liability until the Group loses control. This consolidation has no net effect on the Group's consolidated income statement.

The consolidated cash flow statement separately presents acquisitions and disposals of interests in consolidated pooled vehicles. Cash movements within the pooled vehicles are shown net within cash flows from operating activities as the cash held within the underlying pooled investment vehicles is restricted and is not available to the Group for corporate purposes. This presentation provides more relevant information about the impact of the Group's investment in pooled vehicles on corporate cash resources than an analysis of the underlying cash flows of the vehicles.

The Group records any non-controlling interest at the proportionate share of the acquiree's identifiable assets. Where an option exists to acquire a further interest in the shares of a subsidiary a financial liability is recognised. These liabilities are measured at the present value of the expected amount payable on exercise. As the option relates to a change in the ownership interest of a subsidiary, the non-controlling interest is adjusted and changes in value are recognised directly in equity. If these options expire unexercised, the financial liability is derecognised with the corresponding credit recognised directly in equity.

The most significant non-controlling interest relates to third party interests of 19.1% in Schroders Wealth Holdings Limited (SWHL). The consolidated profit after tax of SWHL was £57.9 million for the year (2022: £61.4 million). The net assets of SWHL were £312.1 million at 31 December 2023 (2022: £324.2 million). Dividends of £12.4 million were paid to SWHL's non-controlling interest during the year (2022: £6.7 million).

No other non-controlling interest is considered to be individually material on the basis of the carrying value at 31 December 2023 (2022: same).

##### **(d) Net gains and losses on foreign exchange**

Many subsidiaries are denominated in currencies other than sterling. The results of these subsidiaries are translated at the average rate of exchange. At the year end, the assets and liabilities are translated at the closing rate of exchange. Gains or losses on translation are recorded in the consolidated statement of comprehensive income and as a separate component of equity together with gains or losses on any hedges of overseas operations. Such gains or losses are transferred to the consolidated income statement on disposal or liquidation of the relevant subsidiary. Transactions undertaken in foreign currencies are translated into the functional currency of the subsidiary at the exchange rate prevailing on the date of the transaction.

Foreign currency assets and liabilities, other than those measured at historical cost, are translated into the functional currency at the rates of exchange ruling at the year end date. Any exchange differences arising are included within the consolidated income statement.

##### **(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, short-term deposits with contractual maturities of less than three months and money market funds that are readily convertible to cash.

## Presentation of the financial statements

continued

### (f) Estimates and judgements

The preparation of the consolidated financial statements in conformity with UK-adopted international accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies and in determining whether certain assets and liabilities should be recorded or an impairment recognised. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed within the notes and identified under the title estimates and judgements. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates may not equal the related actual results.

In applying IFRS 10 Consolidated Financial Statements, the Group uses judgement to determine whether its interests in funds (and other similar entities), including those held by the Life Company, constitute controlling interests. The Group can have interests in funds in the form of proprietary investments or through its role as fund manager. The Group usually deems control to exist where the Group is the fund manager and its share of total variable returns exceeds 40% (including from ownership interests and management and performance-based revenues). The Group usually deems that control does not exist where the Group's share of total variable returns is below 30%. The Group reviews all facts and circumstances to establish whether the Group has control. This includes consideration of the purpose and design of the investee as well as the rights held by other parties to remove the Group as the fund manager.

The other estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in the following notes, including sensitivities where relevant or material:

<u>Note 2 Net operating revenue</u>
<u>Note 4 Tax expense</u>
<u>Note 7 Trade and other receivables</u>
<u>Note 8 Financial assets and liabilities</u>
<u>Note 12 Goodwill and intangible assets</u>
<u>Note 14 Unit-linked liabilities and assets backing unit-linked liabilities</u>
<u>Note 16 Provisions and contingent liabilities</u>
<u>Note 23 Retirement benefit obligations</u>

Climate risks have been considered in the preparation of these consolidated financial statements, principally through the valuation of financial assets and impairment assessments.

Financial assets measured at fair value are principally valued using traded prices or market observable inputs that incorporate potential climate risks where appropriate. The valuation of some financial instruments involves a greater level of judgement or estimation. In these scenarios climate risks are incorporated where relevant in the relevant assumptions, such as cash flow forecasts. For financial assets carried at amortised cost, credit risk assessments also include climate risk considerations.

Impairment assessments relating to goodwill and other intangible assets depend on value in use and discounted cash flow models. These valuations include climate risks in the relevant assumptions where appropriate.

The Group's net operating revenues are typically earned as an agreed percentage of the value of AUM or based on the performance of the underlying AUM. The potential impact of climate change on the Group's AUM and future net operating revenue generation is considered in the principal risks and uncertainties section of this Annual Report and Accounts.

These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate change is not expected to have a significant impact on the Group's short-term cash flows including those considered in the going concern and viability assessments.

## Schroders plc financial statements

### Schroders plc – Statement of financial position at 31 December 2023

	Notes	2023 £m	2022 £m
<b>Assets</b>			
Trade and other receivables	29	1,426.9	1,462.4
Retirement benefit scheme surplus	23	138.3	136.3
Deferred tax	31	38.2	37.5
Investments in subsidiaries	35	3,092.6	3,092.6
<b>Total assets</b>		<b>4,696.0</b>	<b>4,728.8</b>
<b>Liabilities</b>			
Trade and other payables	30	18.4	175.9
Deferred tax	31	34.6	34.1
<b>Total liabilities</b>		<b>53.0</b>	<b>210.0</b>
<b>Net assets</b>		<b>4,643.0</b>	<b>4,518.8</b>
Equity at 1 January		4,518.8	4,676.4
Profit for the year		464.9	275.3
Dividends		(333.0)	(332.1)
Other changes in equity		(7.7)	(100.8)
<b>Equity at 31 December</b>		<b>4,643.0</b>	<b>4,518.8</b>

The financial statements were approved by the Board of Directors on 28 February 2024 and signed on its behalf by:

**Richard Oldfield**  
Director



Schroders plc  
Company number: 03909886

**Schroders plc – Statement of changes in equity**  
for the year ended 31 December 2023

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
<b>At 1 January 2023</b>		<b>322.4</b>	<b>84.3</b>	<b>(167.8)</b>	<b>4,279.9</b>	<b>4,518.8</b>
<b>Profit for the year</b>		–	–	–	<b>464.9</b>	<b>464.9</b>
<b>Items that will not be reclassified to the income statement:</b>						
Net actuarial loss on defined benefit pension scheme	23	–	–	–	(4.6)	(4.6)
Tax on items taken directly to other comprehensive income	–	–	–	–	1.1	1.1
<b>Other comprehensive income</b>		–	–	–	<b>(3.5)</b>	<b>(3.5)</b>
<b>Total comprehensive income for the year</b>		–	–	–	<b>461.4</b>	<b>461.4</b>
Own shares purchased	33	–	–	(60.8)	–	(60.8)
Share-based payments	–	–	–	–	56.5	56.5
Tax in respect of share schemes	–	–	–	–	0.1	0.1
Dividends	6	–	–	–	(333.0)	(333.0)
<b>Transactions with shareholders</b>		–	–	(60.8)	<b>(276.4)</b>	<b>(337.2)</b>
<b>Transfers</b>		–	–	70.4	<b>(70.4)</b>	–
<b>At 31 December 2023</b>		<b>322.4</b>	<b>84.3</b>	<b>(158.2)</b>	<b>4,394.5</b>	<b>4,643.0</b>
	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
<b>At 1 January 2022</b>		<b>282.5</b>	<b>124.2</b>	<b>(134.2)</b>	<b>4,403.9</b>	<b>4,676.4</b>
<b>Profit for the year</b>		–	–	–	<b>275.3</b>	<b>275.3</b>
<b>Items that will not be reclassified to the income statement:</b>						
Net actuarial loss on defined benefit pension scheme	23	–	–	–	(65.5)	(65.5)
Tax on items taken directly to other comprehensive income	–	–	–	–	16.4	16.4
<b>Other comprehensive income</b>		–	–	–	<b>(49.1)</b>	<b>(49.1)</b>
<b>Total comprehensive income for the year</b>		–	–	–	<b>226.2</b>	<b>226.2</b>
Own shares purchased	33	–	–	(108.9)	–	(108.9)
Share-based payments	–	–	–	–	61.7	61.7
Tax in respect of share schemes	–	–	–	–	(0.2)	(0.2)
Bonus issue	39.9	(39.9)	–	–	(4.3)	(4.3)
Dividends	6	–	–	–	(332.1)	(332.1)
<b>Transactions with shareholders</b>		<b>39.9</b>	<b>(39.9)</b>	<b>(108.9)</b>	<b>(274.9)</b>	<b>(383.8)</b>
<b>Transfers</b>		–	–	75.3	<b>(75.3)</b>	–
<b>At 31 December 2022</b>		<b>322.4</b>	<b>84.3</b>	<b>(167.8)</b>	<b>4,279.9</b>	<b>4,518.8</b>

The distributable profits of Schroders plc are £2.8 billion (2022: £2.7 billion) and comprise retained profits of £3.0 billion (2022: £2.8 billion), included within the 'Profit and loss reserve', less amounts held within the own shares' reserve.

The Group's ability to pay dividends is however restricted by the need to hold regulatory capital and to maintain sufficient other operating capital to support its ongoing business activities. In addition, the Group invests in its own funds as seed capital for the purposes of supporting new investment strategies. An analysis of the Group's capital position is provided in note 18.

## Schroders plc financial statements continued

### Schroders plc – Cash flow statement

for the year ended 31 December 2023

	2023 £m	2022 £m
<b>Profit before tax</b>	<b>467.9</b>	<b>272.3</b>
<b>Adjustments for:</b>		
Decrease/(increase) in trade and other receivables	34.2	(31.7)
(Decrease)/increase in trade and other payables	(152.1)	145.6
Net credit taken in respect of the scheme	(6.6)	(3.9)
Share-based payments	56.5	61.7
Net finance income adjustment	(1.1)	(3.0)
<b>Net cash from operating activities</b>	<b>398.8</b>	<b>441.0</b>
<b>Cash flows from financing activities:</b>		
Loan (repaid)/received from a Group company	(5.0)	4.3
Acquisition of own shares	(60.8)	(108.9)
Dividends paid	(333.0)	(332.1)
Other flows	-	(4.3)
<b>Net cash used in financing activities</b>	<b>(398.8)</b>	<b>(441.0)</b>
<b>Net decrease in cash and cash equivalents</b>		
Opening cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	-	-
<b>Closing cash and cash equivalents</b>	<b>-</b>	<b>-</b>

## Schroders plc – Notes to the accounts

### 27. Significant accounting policies

The separate financial statements of Schroders plc (Company) have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement and statement of comprehensive income.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statement note disclosures, where applicable. In addition, note 35 sets out the accounting policy in respect of investments in subsidiary undertakings.

### 28. Expenses and other disclosures

The auditor's remuneration for audit services to the Company was £0.7 million (2022: £0.7 million). There was £0.2 million of other assurance services in the year (2022: £0.1 million).

#### Key management personnel compensation

The remuneration policy is described in more detail at [www.schroders.com/directors-remuneration-policy](http://www.schroders.com/directors-remuneration-policy). The Company has no employees. The key management personnel of the Company are defined as the Board of Directors. The remuneration of key management personnel, borne by the Company, during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2023 £m	2022 £m
Short-term employee benefits	Salary and upfront bonus	6.8	5.8
Share-based payments	Deferred share awards	4.6	3.6
Other long-term benefits	Deferred cash awards	1.9	1.6
		<b>13.3</b>	<b>11.0</b>

### 29. Trade and other receivables

	2023 £m	2022 £m
Amounts due from subsidiaries	1,426.2	1,461.3
Prepayments and accrued income	0.2	0.1
Other receivables	0.5	1.0
	<b>1,426.9</b>	<b>1,462.4</b>

Trade and other receivables are initially recorded at fair value and subsequently at amortised cost. All trade and other receivables are due within one year or repayable on demand.

Expected credit losses on trade and other receivables at 31 December 2023 were £1.4 million (2022: £1.1 million). Note 18 sets out the details of the expected credit loss calculation.

### 30. Trade and other payables

	2023 Non-current £m	2023 Current £m	2023 Total £m	2022 Non-current £m	2022 Current £m	2022 Total £m
<b>Trade and other payables held at amortised cost:</b>						
Social security	1.3	1.0	2.3	1.3	0.6	1.9
Accruals	1.6	8.0	9.6	1.0	4.8	5.8
Amounts owed to subsidiaries	-	6.4	6.4	-	168.2	168.2
Other payables	-	0.1	0.1	-	-	-
	<b>2.9</b>	<b>15.5</b>	<b>18.4</b>	<b>2.3</b>	<b>173.6</b>	<b>175.9</b>

The Company's trade and other payables mature in the following time periods:

	2023 £m	2022 £m
Less than one year	15.5	173.6
1–2 years	1.1	0.9
2–5 years	1.8	1.4
	<b>2.9</b>	<b>2.3</b>
	<b>18.4</b>	<b>175.9</b>

Amounts owed to subsidiaries include an interest-bearing loan of £2.1 million (2022: £7.1 million) that is repayable on demand.

### 31. Deferred tax

	2023				2022			
	Deferred employee awards £m	Losses £m	Pension surplus £m	Total £m	Deferred employee awards £m	Losses £m	Pension surplus £m	Total £m
At 1 January	(2.7)	(34.8)	34.1	(3.4)	(3.1)	(30.4)	49.3	15.8
Income statement (credit)/charge	(0.4)	(0.1)	1.5	1.0	0.5	(3.4)	1.0	(1.9)
Income statement (credit)/charge due to changes in tax rates	(0.2)	-	-	(0.2)	(0.3)	(1.0)	0.2	(1.1)
Credit to statement of other comprehensive income	-	-	(1.1)	(1.1)	-	-	(12.5)	(12.5)
Charge/(credit) to statement of other comprehensive income due to changes in tax rates	-	-	0.1	0.1	0.2	-	(3.9)	(3.7)
<b>At 31 December</b>	<b>(3.3)</b>	<b>(34.9)</b>	<b>34.6</b>	<b>(3.6)</b>	<b>(2.7)</b>	<b>(34.8)</b>	<b>34.1</b>	<b>(3.4)</b>

A deferred asset of £3.6 million (2022: £3.4 million) relating to £14.3 million of realised capital losses has not been recognised as there is insufficient evidence that there will be sufficient capital gains in the future against which the deferred tax asset could be utilised.

Net deferred tax at 31 December comprises a deferred tax asset of £38.2 million (2022: £37.5 million) and a deferred tax liability of £34.6 million (2022: £34.1 million).

### 32. Financial instrument risk management

The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have adequate capital to maintain sufficient liquid funds to meet peak working capital requirements. Generally, surplus capital is loaned back to the Group's investment capital management entities.

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Risk management' section within the Strategic report and the 'Risk and internal controls' section within the Audit and Risk Committee report as well as in note 18. The Company's specific risk exposures are explained below.

#### Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its subsidiaries and therefore there is minimal external credit risk exposure.

#### Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover its needs in the normal course of business. The Company can recall intercompany loans to subsidiaries or utilise the Group loan facility to maintain sufficient liquidity.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

At 31 December 2023, if interest rates had been 50 bps lower (2022: 150 bps higher) or 150 bps lower (2022: 50 bps lower) with all other variables held constant, the Company estimates that profit after tax for the year would have decreased by £5.2 million (2022: increased by £14.9 million) or decreased by £15.6 million (2022: decreased by £5.0 million) respectively. These changes are mainly as a result of net interest income on the Company's interest-bearing intercompany receivables and payables and cash. Other components of equity are not directly affected by interest rate movements.

The model used to calculate the effect on post-tax profits does not take into account the indirect effect of interest rates on the fair value of other assets and liabilities.

#### Foreign exchange and pricing risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is not directly exposed to foreign exchange or pricing risk. The Company's investments in its directly held subsidiaries are in sterling and are held at historic cost. It has indirect exposure to foreign exchange and pricing risk in the Group, which could result in the impairment of these subsidiaries. There are currently sufficient resources in subsidiaries to absorb any normal market events.

### 33. Own shares

Movements in own shares during the year were as follows:

	2023 £m	2022 £m
At 1 January	(167.8)	(134.2)
Own shares purchased	(60.8)	(108.9)
Awards vested	70.4	75.3
<b>At 31 December</b>	<b>(158.2)</b>	<b>(167.8)</b>

During the year, 13.1 million own shares (2022: 4.4 million) were purchased and held for hedging share-based awards. 14.2 million shares (2022: 3.3 million) awarded to employees vested in the year and were transferred out of own shares.

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

	2023			2022		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
<b>Total ordinary shares</b>	<b>23.0</b>	<b>32.0</b>	<b>55.0</b>	<b>23.5</b>	<b>33.0</b>	<b>56.5</b>
<b>Total ordinary shares:</b>						
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
<b>Total ordinary shares:</b>						
Cost	106.9	158.2	265.1	107.4	167.8	275.2
Fair value	98.9	137.5	236.4	102.7	143.9	246.6

### 34. Related party transactions

The Company is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Company comprise principally subsidiaries, associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

The Company has determined that key management personnel comprises only the Board of Directors.

#### Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation (which is set out in note 28), are disclosed below:

	2023					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	454.0	(24.3)	50.4	(1.4)	1,426.2	(6.4)
Key management personnel	0.6	-	-	(0.3)	0.1	(17.0)
<b>2022</b>						
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	284.8	(18.9)	21.2	(5.4)	1,461.3	(168.2)
Key management personnel	0.8	-	-	(0.1)	5.9	(15.0)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash.

### 35. Subsidiaries and other related undertakings

The Group operates globally, which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures, associates and other qualifying undertakings. A full list of these undertakings, the country of incorporation, registered office, classes of shares held and the effective percentage of equity owned at 31 December 2023 is disclosed below.

Additionally, related undertakings include entities where the Company has a significant holding of a share class or unit class of a pooled vehicle. These holdings can arise through the Group's investment management activities on behalf of clients or as part of the stated aim of generating a return on investment capital. The seeding of structured entities in order to develop new investment strategies can give rise to these holdings. A listing of related undertakings arising from the Company's interest in structured entities along with registered offices is included on pages 171 to 174.

#### (a) Related undertakings arising from the Company's corporate structure

##### Principal subsidiaries

The principal subsidiaries listed below are those that, in the opinion of the Directors, principally affect the consolidated profits or net assets of the Company. The principal subsidiary entities are wholly owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provision for impairment.

Name	Share class	Footnote	%	Address
<b>UK</b>				
Leadenhall Securities Corporation Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited	OS	a	80.9%	
Schroder Administration Limited	OS	b	100%	
Schroder Corporate Services Limited	OS		100%	
Schroder Financial Holdings Limited	OS		100%	
Schroder Financial Services Limited	OS		100%	
Schroder International Holdings Limited	OS		100%	
Schroder Investment Company Limited	OS		100%	
Schroder Investment Management Limited	OS		100%	
Schroder Private Assets Holdings Limited	OS		100%	
Schroder Real Estate Investment Management Limited	OS		100%	
Schroder Unit Trusts Limited	OS		100%	
Schroder Wealth Holdings Limited	OS		80.9%	
Schroder Wealth International Holdings Limited	OS		100%	
<b>Australia</b>				
Schroder Investment Management Australia Limited	OS, CPS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
<b>Guernsey</b>				
Schroder Investment Company (Guernsey) Limited	OS, Redeemable		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroders (C.I.) Limited	OS		100%	
<b>Hong Kong</b>				
Schroder Investment Management (Hong Kong) Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
<b>Luxembourg</b>				
Schroder Investment Management (Europe) S.A.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
<b>Singapore</b>				
Schroder Investment Management (Singapore) Ltd.	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
<b>Switzerland</b>				
Schroder & Co Bank AG	OS		100%	Central 2, 8021, Zurich, Switzerland
Schroder Investment Management (Switzerland) AG	OS		100%	Central 2, 8001, Zurich, Switzerland
Schroders Capital Management (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
<b>United States</b>				
Schroder Investment Management North America Inc.	COS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder US Holdings Inc.	COS		100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

### 35. Subsidiaries and other related undertakings continued

#### (a) Related undertakings arising from the Company's corporate structure continued

##### Fully owned subsidiaries

Name	Share class	Footnote	%	Address
<b>UK</b>				
Croydon Gateway Nominee 1 Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 2 Limited	OS		100%	
Gatwick Hotel Feeder GP LLP	PI		100%	
J. Henry Schroder Wagg & Co. Limited	OS		100%	
Schroders Capital Junior Infrastructure Debt United Kingdom GP LLP	PI		100%	
Schroder Investment Management North America Limited	OS		100%	
Schroder Nominees Limited	OS	c	100%	
Schroder Pension Management Limited	OS		100%	
Schroder Pension Trustee Limited	OS		100%	
Schroders IS Limited	OS		100%	
UK PEM Partners Limited	OS		100%	
Schroders Capital Private Equity Founder Partner (GP) Limited	OS		100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Schroders Capital Private Equity Founder Partner Limited	OS		100%	
Schroders Capital Private Equity GP LLP	PI		100%	
TransPennine GP (Scot) LLP	PI		100%	
Advison Limited	OS	h	100%	Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP, England
Benchmark Capital Limited	OS		100%	
Benchmark Financial Planning Limited	OS		100%	
Best Practice IFA Group Limited	OS		100%	
Bright Square Pensions Limited	OS		100%	
Champain Financial Services Limited	OS	n	100%	
Creative Technologies Ltd	OS		100%	
Evolution Wealth Network Limited	OS		100%	
Fusion Wealth Limited	OS		100%	
Kingston Bishop Limited	OS	i	100%	
PP Nominees Limited	OS		100%	
PP Trustees Limited	OS		100%	
RIA Pension Trustees Limited	OS		100%	
Schroders Sustainable Invest Limited	OS		100%	
The Workplace Benefits Company Limited	OS	f	100%	
Unique Financial Planning Limited	OS	m	100%	
Chilcomb Wealth Ltd (In Liquidation)	OS		100%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
CT Connect Limited (In Liquidation)	OS	c	100%	
McPhersons Walpole Harding (Financial Services) Limited (In Liquidation)	OS		100%	
Mitchell & Company (IFA) Limited (In Liquidation)	OS		100%	
Mitchell & Company Holdings (Reigate) Limited (In Liquidation)	OS		100%	
Redbourne Wealth Management Limited (In Liquidation)	OS		100%	
Regents Park Financial Solutions Limited (In Liquidation)	OS	f	100%	
RJC Consultancy Limited (In Liquidation)	OS		100%	
Waterhouse Financial Planning Limited (In Liquidation)	OS		100%	Begbies Traynor Scottish Provident Building, 7 Donegall Square West, Belfast, BT1 6JH, Northern Ireland
Cazenove Capital Management Limited (In Liquidation)	OS		100%	CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Unique Corporate Solutions Limited	OS		100%	1 Cricklade Court, Old Town Swindon, Wiltshire, SN1 3EY, England
Wealth Planning Limited	OS		100%	Strawberry Fields Digital Hub, Euxton Lane, Chorley, Lancashire, PR7 1PS, England

**Schroders plc financial statements** continued  
 Schroders plc – Notes to the accounts continued

**35. Subsidiaries and other related undertakings** continued

**(a) Related undertakings arising from the Company's corporate structure** continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
<b>Australia</b>				
Schroder Australia Holdings Pty Limited	OS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
<b>Austria</b>				
Schroder Real Estate Asset Management Österreich GmbH	OS		100%	Zwerchäckerweg 2-10, 1220 Vienna, Austria
<b>Belgium</b>				
Algonquin Management Partners S.A.	OS		100%	Avenue Louise, 523 – 1050, Bruxelles, Belgium
<b>Bermuda</b>				
Schroder Venture Managers Limited	COS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Schroders (Bermuda) Limited	OS		100%	
SITCO Nominees Limited	OS		100%	
<b>Brazil</b>				
Schroder Investment Management Brasil Ltda	OS		100%	Av Presidente Juscelino Kubitschek, 1327, 12º andar, sala 121, São Paulo, SP, 04543-011, Brazil
<b>Canada</b>				
Schroder Canada Investments Inc.	COS		100%	Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto, Ontario, M4W 3B8, Canada
<b>Cayman Islands</b>				
AEROW SMA Management I L.P.	PI		100%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
AEROW SMA Management II L.P.	PI		100%	
PEM Partners Ltd	OS		100%	
Schroders Capital cPI Global Management III L.P.	PI		100%	
<b>Chile</b>				
Schroders Chile SpA	OS		100%	Avenida Cerro El Plomo 5420 Oficina 1104, Les Condes, Santiago, Chile
<b>China</b>				
Schroder Fund Management (China) Company Limited	OS		100%	Unit 33T52A, 33F, 100 Century Avenue, FTZ, Shanghai, China
Schroder Investment Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T72, 33F, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Private Fund Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Investment Management (Beijing) Co., Ltd.	OS		100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng District, Beijing, China
Schroders Capital GP Management (Shanghai) Co., Ltd.	OS		100%	Room E-F, No. 828-838 Zhangyang Road, Shanghai Free Trade Zone, Shanghai, China
<b>Curaçao</b>				
cPI Schroders Capital Investments Management B.V.	OS		100%	Johan van Walbeeckplein 11, Willemstad, Curaçao
Schroder Adveq Investors B.V.	OS		100%	
Schroders Capital Management (Curaçao) N.V.	OS		100%	
<b>France</b>				
Holdco LC Paris Blomet SAS	OS		100%	1 rue Euler, 75008, Paris, France
Schroder Real Estate (France)	OS		100%	
Schroders Capital Management (France)	OS		100%	
Schroders Capital Mid Infra II UP	OS		100%	
Schroder Mid Infra UP	OS		100%	
Schroders IDF IV UP	OS		100%	
<b>Germany</b>				
Blitz 06-953 GmbH	OS		100%	Taunustor 1, 60310, Frankfurt, Germany
Real Neunzehnte Verwaltungsgesellschaft mbH	OS		100%	
Schroder Eurolistik Fonds Verwaltungs GmbH	OS		100%	
Schroder Holdings (Deutschland) GmbH	CS		100%	
Schroder Italien Fonds Verwaltungs GmbH (In Liquidation)	OS		100%	
Schroder Real Estate Investment Management GmbH	OS		100%	
Schroder Real Estate Kapitalverwaltungsgesellschaft mbH	OS		100%	
Schroders Capital Management (Deutschland) GmbH	OS		100%	
SIMA 5 Verwaltungsgesellschaft mbH	OS		100%	
Schroder Real Estate Asset Management Austria GmbH	OS		100%	Geitnau 53, 83735, Bayerischzell, Bavaria, Germany
Schroder Real Estate Asset Management GmbH	OS		100%	

### 35. Subsidiaries and other related undertakings continued

#### (a) Related undertakings arising from the Company's corporate structure continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
<b>Guernsey</b>				
Burnaby Insurance (Guernsey) Limited	OS		100%	Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH, Channel Islands
CC Private Assets Equity PCC Limited	OS		100%	Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
CC Private Assets Yield Limited	OS		100%	
CC Private Debt Feeder Company Limited	OS		100%	
CC Private Equity Feeder Company PCC Limited	OS		100%	
Schroder Venture Managers (Guernsey) Limited	OS, NCRPS		100%	
Schroders Wealth Private Assets PCC Limited	OS		100%	
Schroder Investment Management (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Investments (Guernsey) Limited	OS, R		100%	
Schroder Nominees (Guernsey) Limited	OS		100%	
Secquaero Re (Guernsey) ICC Ltd	OS		100%	PO Box 33, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT, Channel Islands
<b>Hong Kong</b>				
Schroder & Co. (Hong Kong) Limited	OS		100%	S/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, Hong Kong
<b>Ireland</b>				
Schroder Investment Management (Ireland) Limited	OS		100%	George's Court, 54-62 Townsend Street, Dublin 2, Ireland
<b>Japan</b>				
Schroder Investment Management (Japan) Limited	OS		100%	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
<b>Jersey</b>				
AAF Management II L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
AAF Management III L.P.	PI		100%	
BKMS Management L.P.	PI		100%	
BKMS Management II L.P.	PI		100%	
Confluentes Partners I L.P.	PI		100%	
Confluentes Partners II L.P.	PI		100%	
CPPEF Partners L.P.	PI		100%	
Cresta Management L.P.	PI		100%	
Cresta Management II L.P.	PI		100%	
Cresta Partners III L.P.	PI		100%	
EEM Management L.P.	PI		100%	
EEM Management II L.P.	PI		100%	
EEM Opportunities Management L.P.	PI		100%	
Gemini Management L.P.	PI		100%	
GPEP Management I L.P.	PI		100%	
GPEP Management IV L.P.	PI		100%	
GPEP Partners V L.P.	PI		100%	
IST3 Manesse PE Management L.P.	PI		100%	
IST3 Manesse PE2 Management L.P.	PI		100%	
Malatrex Partners L.P.	PI		100%	
Marmolata Partners L.P.	PI		100%	
Marmolata PE Impact Partners L.P.	PI		100%	
Milete Partners L.P.	PI		100%	
PSY Private Equity Partners L.P.	PI		100%	
PSY Private Equity Partners II L.P.	PI		100%	
SA Co-Investment Management 1 L.P.	PI		100%	
SA RP CO Management 1 L.P.	PI		100%	
SA TG Management L.P.	PI		100%	
SA VS Management L.P.	PI		100%	
SA-EL Asia Partners I L.P.	PI		100%	
SA-EL Partners II L.P.	PI		100%	
SC-SA Co-Invest Opportunities 2018 Management L.P.	PI		100%	
Salève 2017 Management L.P.	PI		100%	
Salève 2020 Management L.P.	PI		100%	
Salève 2022 Partners L.P.	PI		100%	

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**35. Subsidiaries and other related undertakings** continued

**(a) Related undertakings arising from the Company's corporate structure** continued

Fully owned subsidiaries continued

Name		Share class	Footnote	%	Address
<b>Jersey (continued)</b>					
SC Global Opportunities Management L.P.		PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Schroder Adveq Shanghai Private Equity Investment Management L.P.		PI		100%	
Schroders Capital cPI Global Management S.à r.l.		OS		100%	
Schroders Capital cPI Global Partners IV L.P.		PI		100%	
Schroders Capital cPI Global Partners V L.P.		PI		100%	
Schroders Capital Multi Private Credit Management L.P.		PI		100%	
Schroders Capital Private Equity Asia Partners V L.P.		PI		100%	
Schroders Capital Private Equity Asia Partners VI L.P.		PI		100%	
Schroders Capital Private Equity China Partners IV L.P.		PI		100%	
Schroders Capital Private Equity China Partners VI L.P.		PI		100%	
Schroders Capital Private Equity Europe Direct Partners II L.P.		PI		100%	
Schroders Capital Private Equity Europe Direct Partners III L.P.		PI		100%	
Schroders Capital Private Equity Europe Partners VII L.P.		PI		100%	
Schroders Capital Private Equity Europe Partners VIII L.P.		PI		100%	
Schroders Capital Private Equity Europe Partners IX L.P.		PI		100%	
Schroders Capital Private Equity Global Direct Partners III L.P.		PI		100%	
Schroders Capital Private Equity Global Direct Partners IV L.P.		PI		100%	
Schroders Capital Private Equity Global Innovation Partners IX L.P.		PI		100%	
Schroders Capital Private Equity Global Innovation Partners X L.P.		PI		100%	
Schroders Capital Private Equity Global Innovation Partner XI L.P.		PI		100%	
Schroders Capital Private Equity Global Partners II L.P.		PI		100%	
Schroders Capital Private Equity Global Partners III L.P.		PI		100%	
Schroders Capital Private Equity Healthcare Partners L.P.		PI		100%	
Schroders Capital Private Equity India Partners L.P.		PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management L.P.		PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management II L.P.		PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management III L.P.		PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management IV L.P.		PI		100%	
Schroders Capital Private Equity Secondaries Management III L.P.		PI		100%	
Schroders Capital Private Equity Secondaries Partners IV L.P.		PI		100%	
Schroders Capital Private Equity US Partners V L.P.		PI		100%	
Schroders Capital Private Equity US Partners VI L.P.		PI		100%	
Schroders Capital Taft-Hartley Ventures Partners L.P.		PI		100%	
Schroders Capital WPP Global Private Equity Management I L.P.		PI		100%	
TMC Management III L.P.		PI		100%	
TMC Management IV L.P.		PI		100%	
TMC Management V L.P.		PI		100%	
TMCO Management I L.P.		PI		100%	
Wilmersdorf Secondary Management II L.P.		PI		100%	
Cazenove Capital Holdings Limited (In Liquidation)		OS		100%	44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
Schroders Capital Management (Jersey) Ltd		OS		100%	40 Esplanade, St. Helier, Jersey, JE2 9WB, Channel Islands
Schroders Capital Private Equity Wollstonecraft Management Ltd.		OS		100%	
Schroders Capital WPP Global Private Equity Management Ltd.		OS		100%	
Croydon Gateway GP Limited		OS		100%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
Croydon Gateway Investments Limited		OS		100%	
Income Plus Real Estate Debt GP Limited		OS		100%	
Schroder Real Estate Managers (Jersey) Limited		OS		100%	
Schroder RECaP SSF Nominee 1 Limited		OS	h	100%	
Schroder RECaP Nominee 2 Limited		OS	h	100%	
SRECaP SSF GP Limited		OS		100%	
UK Retirement Living Fund (ReLF) GP Limited		OS		100%	

### 35. Subsidiaries and other related undertakings continued

#### (a) Related undertakings arising from the Company's corporate structure continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
<b>Luxembourg</b>				
Confluentes Management S.à r.l.	OS		100%	17, boulevard F.W. Raiffeisen, L-2411, Luxembourg
CPPEF Management S.à r.l.	OS		100%	
Cresta Management S.à r.l.	OS		100%	
GPEP Management S.à r.l.	OS		100%	
KVT PE Management S.à r.l.	OS		100%	
Manesse PE Management S.à r.l.	OS		100%	
Marmolata Management S.à r.l.	OS		100%	
PE III Management S.à r.l.	OS		100%	
PSY Private Equity Management S.à r.l.	OS		100%	
Salève Management S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities GP S.à r.l.	OS		100%	
Schroders Capital Management (Luxembourg) S.à r.l.	OS		100%	
Schroders Capital Private Equity Asia Management V S.à r.l.	OS		100%	
Schroders Capital Private Equity Asia Management VI S.à r.l.	OS		100%	
Schroders Capital Private Equity China Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Europe Direct Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Europe Management VIII S.à r.l.	OS		100%	
Schroders Capital Private Equity Europe Management IX S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Direct Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Direct Management IV S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management X S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management XI S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Healthcare Management S.à r.l.	OS		100%	
Schroders Capital Private Equity India Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Secondaries Management IV S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management V S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management VI S.à r.l.	OS		100%	
Schroders Capital Semi-Liquid Global Private Equity Holding Management S.à r.l.	OS		100%	
Schroders Capital Solutions Management S.à r.l.	OS		100%	
Schroders Capital Junior Infrastructure Debt Europe II GP S.à r.l.	OS		100%	46A Avenue J.F.Kennedy, L-1855, G.D.
Schroders Capital Junior Infrastructure Debt Europe III GP S.à r.l.	OS		100%	Luxembourg
Schroders Capital Senior Infrastructure Debt Europe V GP S.à r.l.	OS		100%	
IED UK GP S.à r.l.	OS		100%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
Schroders Capital European Operating Hotels GP S.à r.l.	OS		100%	
Schroders Capital Real Estate Debt GP S.à r.l.	OS		100%	
SNI Management S.à r.l.	OS		100%	
Schroder iFL S.à r.l. (In Liquidation)	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder Real Estate (CIP) GP S.à r.l.	OS		100%	
Schroder Real Estate Investment Management (Luxembourg) S.à r.l.	OS		100%	
Schroders Greencoat European Renewables GP S.à r.l.	OS		100%	8, rue Lou Hemmer, L-1748 Senningerberg, Grand Duchy of Luxembourg
Schroders Greencoat European Renewables SCSp	PI		100%	
Schroders Greencoat U.S. Renewable Energy Infrastructure GP S.à r.l.	OS		100%	
Schroders Capital Real Estate Asia IV SCSp	PI		100%	4 Rue du Fort Wallis, L-2714, Luxembourg
Schroders Capital Insurance-linked Opportunities SCSp	PI		100%	7, rue Robert Stümper, L-2557 Luxembourg
Schroders Capital Hybrid Enhanced Return Infrastructure GP S.à r.l.	OS		100%	60, avenue J.F. Kennedy, L-1855 Luxembourg

**Schroders plc financial statements** continued  
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**35. Subsidiaries and other related undertakings** continued

**(a) Related undertakings arising from the Company's corporate structure** continued

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
<b>Netherlands</b>				
Schroders Capital Real Estate Netherlands B.V.	OS		100%	Strawinskyalaan 1547, WTC, Level 14, 1077 XX Amsterdam, Netherlands
Cairn KS Management Services B.V.	OS		100%	Strawinskyalaan 1547, WTC, Level 15, 1077 XX Amsterdam, Netherlands
Dutch REAM B.V.	OS		100%	
HCRE Beheerder B.V.	OS		100%	
Real Estate Fund Management B.V.	OS		100%	
Real Estate Management B.V.	OS		100%	
RES Participations B.V.	OS		100%	
Schroder International Finance B.V.	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
<b>Singapore</b>				
Schroder & Co. (Asia) Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
SWM Capital VCC	OS		100%	
Schroder Singapore Holdings Private Limited	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
<b>South Korea</b>				
Schroders Korea Limited	OS		100%	15th fl., Centropolis A, 26, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea
<b>Switzerland</b>				
Schroder Real Estate Asset Management Switzerland GmbH	OS		100%	Lavaterstrasse 40, 8002, Zurich, Switzerland
Schroders Capital Holding (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
<b>Taiwan</b>				
Schroder Investment Management (Taiwan) Limited	OS		100%	9/F, 108 Sec.5, Hsin-Yi Road, Hsin-Yi District, Taipei 11047, Taiwan
<b>United States</b>				
Schroder Canada Inc.	OS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Fund Advisors LLC	COS		100%	
Schroder Venture Managers Inc.	COS		100%	
Schroders Incorporated	COS		100%	
Schroder FOCUS II GP, LLC	PI		100%	Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder Flexible Secured Income GP, LLC	PI		100%	
Schroder Helix Investment Partner LLC	OS		100%	
Schroder Taft-Hartley Income GP, LLC	PI		100%	
Schroders Capital ERISA Flexible Secured Income GP, LLC	PI		100%	
Schroders Capital FOCUS III GP, LLC	PI		100%	
Schroders Capital Management (US) Inc.	OS		100%	
Schroders Capital PERLS GP, LLC	PI		100%	
Schroders Capital PILLARS GP, LLC	PI		100%	
Schroders Capital Securitized Hi-Grade Flexible Total Return GP, LLC	PI		100%	

### 35. Subsidiaries and other related undertakings continued

#### (a) Related undertakings arising from the Company's corporate structure continued

Subsidiaries where the ownership is less than 100%

Name	Share class	Footnote	%	Address
<b>UK</b>				
Cazenove New Europe (CFM1) Limited	OS	a, c	80.9%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited	OS	a, c	80.9%	
Cazenove New Europe Staff Interest Limited	OS	a, c	80.9%	
Residential Land Development (GP) LLP	PI	f	67%	
Sand Aire Limited	OS	a	80.9%	
Schroder & Co Nominees Limited	OS	a, c	80.9%	
Schroder Wealth Management (US) Limited	OS	a	80.9%	
The Lexicon Management Company Limited	OS	f	50%	
Greencoat Buckingham GP Unlimited	OS	f, k	75%	4th Floor, The Peak, 5 Wilton Road, London, SW1V 1AN, England
Greencoat Buckingham Investments LLP	PI	f, k	75%	
Greencoat Capital Management Investment Limited	OS	f, k	75%	
Greencoat Carlisle Place GP LLP	PI	k	75%	
Greencoat Carlisle Place Investments Limited	OS	k	75%	
Greencoat Cornwall Gardens GP LLP	PI	k	75%	
Greencoat Cornwall Gardens Investments Limited	OS	k	75%	
Greencoat Embankment GP LLP	PI	k	75%	
Greencoat Embankment Investments Limited	OS	k	75%	
Greencoat GRI Investments Limited	OS	k	75%	
Greencoat Hudson GP LLP	PI	k	75%	
Greencoat Hudson Investments Limited	OS	k	75%	
Greencoat Sejong GP LLP	PI	k	75%	
Greencoat Sejong Investments Limited	OS	k	75%	
Greencoat Solar GP Unlimited	OS	k	75%	
Greencoat Solar II GP Unlimited	OS	k	75%	
Greencoat Solar II Investments LLP	PI	k	75%	
Greencoat Solar Investments LLP	PI	k	75%	
Greencoat Tachbrook GP LLP	PI	k	75%	
Greencoat Tachbrook Investments Limited	OS	k	75%	
Greencoat Tothill GP LLP	PI	k	75%	
Greencoat Tothill Investments Limited	OS	k	75%	
Greencoat Villiers GP LLP	PI	k	75%	
Greencoat Villiers Investments Limited	OS	k	75%	
Greencoat Wilton GP LLP	PI	k	75%	
Greencoat Wilton Investments Limited	OS	k	75%	
Greencoat York GP LLP	PI	k	75%	
Greencoat York Investments Limited	OS	k	75%	
Schroders Greencoat Holdings Limited	OS	f	75%	
Schroders Greencoat Investment Limited	OS	k	75%	
Schroders Greencoat LLP	PI	f, k	75%	
Schroders Greencoat Glasgow Terrace GP LLP	PI	k	75%	The Peak, 5 Wilton Road, London, SW1V 1AN, England
Schroders Greencoat Wessex Gardens GP LLP	PI	k	75%	
Schroders Greencoat Willow GP LLP	PI	k	75%	
Schroders Greencoat Woodmont Renewables GP LLP	PI	k	75%	
Greencoat GRI GP LLP	PI	k	75%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Greencoat Sejong FP LP	PI	k	75%	
Oculus Wealth Management Limited	OS		51%	Bridge House Main Street, Weeton, Leeds, LS17 0AY, England
Oculus (Holdings) Limited	OS		51%	
Tenacity Wealth Management Limited	OS	o	49%	Haslemere House, Lower Street, Haslemere, Surrey, GU27 2PE, England
<b>Argentina</b>				
Schroder Investment Management S.A.	OS		95%	Ing. Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
Schroder S.A. Sociedad Gerente de Fondos Comunes de Inversion	OS		95%	
<b>British Virgin Islands</b>				
Alpha Park Limited	OS	g	56.7%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Flete Holdings Limited	OS	g	56.7%	
Pamfleet China Limited	OS	g	56.7%	

**Schroders plc financial statements** continued  
 Schroders plc – Notes to the accounts continued

**35. Subsidiaries and other related undertakings** continued

**(a) Related undertakings arising from the Company's corporate structure** continued

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
<b>Cayman Islands</b>				
Pamfleet China Investment Management Limited	OS	g	56.7%	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Pamfleet China Investment Management II Limited	OS	g	39.7%	
Pamfleet International Limited	OS	g	56.7%	
Schroders HKHS G.P.	OS	g	56.7%	
Schroder Adveq Europe Management II L.P.	PI		20%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Technology Management V L.P.	PI		89%	
Schroder Adveq Technology Management VI L.P.	PI		65%	
Schroder Adveq US Management I L.P.	PI		76%	
Schroders Capital cPI Global Management L.P.	PI		63%	
Schroders Capital cPI Global Management II L.P.	PI		88%	
Schroders Capital Private Equity Asia Management L.P.	PI		75%	
Schroders Capital Private Equity Asia Management II L.P.	PI		65%	
Schroders Capital Private Equity Europe Management IV A L.P.	PI		59%	
Schroders Capital Private Equity Europe Management IV B L.P.	PI		70%	
Schroders Capital Private Equity US Management II L.P.	PI		87%	
<b>China</b>				
Pamfleet (Shanghai) Enterprise Management Limited	OS	g	56.7%	302 Block 9 No 697 Weihai Road, JingAn, Shanghai, China
<b>France</b>				
Terre et Mer Holding SAS	OS		80%	1 rue Euler, 75008, Paris, France
<b>Germany</b>				
CM Komplementr 06-379 GmbH & Co KG	OS		95%	Taunustor 1, 60310, Frankfurt, Germany
Schroders Greencoat (Deutschland) GmbH	CS	f, k	75%	
<b>Guernsey</b>				
SV (Nominees) Limited	OS	h	50%	PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
<b>Hong Kong</b>				
Pamfleet Asset Management (China) Limited	OS	g	56.7%	Level 33, 88 Queensway, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	OS	g	56.7%	
Pamfleet (HK) Limited	OS	g	56.7%	
Pamfleet Holdings (Hong Kong) Limited	OS		56.7%	
<b>Indonesia</b>				
PT Schroder Investment Management Indonesia	OS		99%	30th Floor, Indonesia Stock Exchange Building, Tower 1, Jl Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
<b>Ireland</b>				
Schroders Greencoat (Ireland) Limited	OS	f, k	75%	Riverside One, 37-42 Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland
<b>Jersey</b>				
AAF Management I L.P.	PI		48%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
GPEP Management II L.P.	PI		70%	
GPEP Management III L.P.	PI		70%	
Schroder Adveq Europe Management III L.P.	PI		87.9%	
Schroders Capital Private Equity Asia Management III L.P.	PI		53%	
Schroders Capital Private Equity Asia Management IV L.P.	PI		70%	
Schroders Capital Private Equity Europe Direct Management L.P.	PI		73%	
Schroders Capital Private Equity Europe Management V L.P.	PI		73%	
Schroders Capital Private Equity Europe Management VI L.P.	PI		74%	

### 35. Subsidiaries and other related undertakings continued

#### (a) Related undertakings arising from the Company's corporate structure continued

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
<b>Jersey (continued)</b>				
Schroders Capital Private Equity Global Innovation Management VII L.P.	PI		46%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Schroders Capital Private Equity Global Innovation Management VIII L.P.	PI		78%	
Schroders Capital Private Equity Global Management L.P.	PI		71%	
Schroders Capital Private Equity Secondaries Management II L.P.	PI		53%	
Schroders Capital Private Equity US Management III L.P.	PI		51%	
Schroders Capital Private Equity US Management IV L.P.	PI		73%	
TMC Management I L.P.	PI		54%	
TMC Management II L.P.	PI		49%	
Wilmersdorf Secondary Management L.P.	PI		71%	
<b>Luxembourg</b>				
BlueOrchard Asset Management (Luxembourg) S.A.	OS	h, i	90%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
BlueOrchard Invest S.à r.l.	OS	h, i	90%	
Schroder Property Services B.V.	OS		70%	
Schroders Capital Hotels (CIP) SCSp	PI		73.8%	
SEOHF (CIP) SCSp	PI		99.9%	
SEOHF AGGREGATOR (CIP) SCSp	PI		78.6%	
SRE ReLF (CIP) SCSp	PI		67.5%	
SRE SoHo (CIP) SCSp	PI		65.5%	
Schroders Capital Real Estate Asia IV GP S.à r.l.	OS	g	56.7%	4 rue du Fort Wallis, 2714 Luxembourg, Grand Duchy of Luxembourg
SRE Invest SCSp	PI		99.7%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
<b>Mexico</b>				
Consultora Schroders, S.A. de C.V.	OS	d, e	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
<b>Netherlands</b>				
Data Invest B.V.	OS		21.9%	Strawinskyalaan 1547, WTC Level 15, 1077 XX Amsterdam, Netherlands
Frame Offices B.V.	OS		40%	
ITC Invest B.V.	OS		30.4%	
RES Retail B.V.	OS		51.5%	
RES Transit II B.V.	OS, PS	d	58.7%	
Schroders Greencoat (Nederland) B.V.	OS	f, k	75%	World Trade Center, Tower C, Level 15, Strawinskyalaan 1547, 1077 XX, Amsterdam, Netherlands
<b>Peru</b>				
BlueOrchard America Latina S.A.C.	OS	i	90%	Calle Dean, Valdivia 227, Office 501, San Isidro, Lima, Peru
<b>Singapore</b>				
BlueOrchard Investments Singapore Pte. Ltd	OS	i	90%	138 Market Street, #23-01, CapitaGreen, Singapore 048946, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	OS	g	56.7%	61 Club Street, Singapore 069436, Singapore
<b>Switzerland</b>				
BlueOrchard Finance AG	OS		90%	Seefeldstrasse 233, 8008, Zurich, Switzerland
<b>United States</b>				
Schroders Greencoat US LLC	PI	f, k	75%	251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, USA
Greencoat Columbus GP LLC	PI	k	75%	Maples Fiduciary Services (Delaware) Inc., 4001 Kennett Pike, Suite 302, Wilmington, Delaware 19807, USA
Greencoat Columbus II GP LLC	PI	k	75%	

**Schroders plc financial statements** continued  
 Schroders plc – Notes to the accounts continued

**35. Subsidiaries and other related undertakings** continued

**(a) Related undertakings arising from the Company's corporate structure** continued

Associates and joint ventures

Name	Share class	Footnote	%	Address
<b>UK</b>				
Chartered Independent Limited	OS	j	49%	6 Church Street, Wellington, Telford, TF1 1DG, England
Clarke-Walker Financial Management Limited	OS	j	49%	125-135 Preston Road, Fifth Floor Telecom House, Brighton, BN1 6AF, England
Finura Partners Limited	OS		49%	15 Bowling Green Lane, London, EC1R 0BD, England
James Harvey Associates Limited	OS	d, e	49%	
Kellands (Bristol) Limited	OS		30.8%	Quays Office Park, Conference Avenue, Portishead, Bristol, BS20 7LZ, England
Rayner Spencer Mills Research Limited	OS		49%	20 Ryefield Business Park, Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE, England
Retirement Planning Partnership Ltd	OS	e	52.4%	Kestrel House, Alma Road, Rornsey, Hampshire, SO51 8ED, England
Nippon Life Schroders Asset Management Europe Limited	OS	d	33%	1 London Wall Place, London, EC2Y 5AU, England
Ruskin Square Phase One LLP	PI		50%	
Social Supported Housing CIP LLP	PI		50%	
Social Supported Housing GP LLP	PI		50%	
Robertson Baxter Limited	OS		24%	Beck House, Abbey Road, Shepley, Huddersfield, HD8 8EP, England
Scottish Widows Schroder Wealth Holdings Limited	OS		49.9%	25 Gresham Street, London, EC2V 7HN, England
<b>Australia</b>				
Schroders RF Limited	OS	h	50.1%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
<b>Belgium</b>				
Algonquin Astrid	PS		33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
<b>British Virgin Islands</b>				
Graceful Lane Limited	OS		30%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
<b>China</b>				
Bank of Communications Schroder Fund Management Company Limited	OS		30%	2nd Floor Bank of Communications Tower, 188 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, China
Schroder BOCOM Wealth Management Company Limited	OS		51%	Floor 59, Wheelock Square, No. 1717, West Nanjing Road, Jingan District, Shanghai, China
<b>France</b>				
JV Hotel Paris La Villette SAS	OS		50%	1 rue Euler, 75008, Paris, France
<b>Guernsey</b>				
Schroder Ventures Investments Limited	OS, R, D, B Preference		50%	PO Box 255, Trafalgar Court Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
<b>India</b>				
Axis Asset Management Company Limited	OS	f	25%	1st Floor, Axis House C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli-Mumbai, 400025, India
Axis Mutual Fund Trustee Limited	OS	f	25%	
<b>Jersey</b>				
Bracknell General Partner Limited	OS	e	50%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
UK Retirement Living (CIP) GP Limited	OS		50%	
<b>Singapore</b>				
Nippon Life Global Investors Singapore Limited	OS		33%	138 Market Street, #34-02, CapitaGreen, Singapore, 048946, Singapore
<b>United States</b>				
A10 Capital Parent Company LLC	COS		19.3%	1209 Orange Street, Wilmington, Delaware, 19801, USA

**Share class abbreviations**

CS	Capital shares.
COS	Common stock.
NCRPS	Non-cumulative redeemable preference shares.
CPS	Convertible preference shares.
D	Deferred shares.
OS	Ordinary shares.
PI	Partnership interest.
PS	Promote shares.
R	Redeemable preference shares.

**Footnotes**

- a Owned through Schroder Wealth Holdings Limited.
- b Held directly by the Company.
- c Dormant company.
- d The Company holds ordinary B shares.
- e The Company holds ordinary A shares.
- f Financial year end 31 March.\*
- g Owned through Pamfleet Holdings (Hong Kong) Limited.
- h Financial year end 30 June.\*
- i Owned through BlueOrchard Finance AG.

j Financial year end 31 May.\*  
 k Owned through Schroders Greencoat Holdings Limited.

l Financial year end 31 August.\*

m Financial year end 30 April.\*

n Financial year end 30 November.\*

o Financial year end 28 February.\*

\* Entities where the year end is not coterminous with the Group primarily relate to those which were acquired in recent years.

### 35. Subsidiaries and other related undertakings continued

#### (b) Related undertakings arising from the Company's interests in structured entities

The Company's related undertakings also include funds in which it holds investments. These include fully and partially owned funds that are classified as subsidiaries. Due to the number of share classes or unit classes that can exist in these vehicles, a significant holding in a single share class or unit class is possible without that undertaking being classified as a subsidiary or associate.

##### Fully owned subsidiaries

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
<b>Brazil</b>			
Schroder Premium Diversified Credit FIC FIM CP	Unspecified	100%	100%
Schroder Premium Diversified Credit Vintage A FIC FIM CP	Unspecified	100%	100%
<b>Luxembourg</b>			
Schroder ISF Carbon Neutral Credit 2040	I Accumulation	100%	100%
Schroder ISF Circular Economy	I Accumulation	100%	100%
Schroder ISF Sustainable Emerging Markets ex China Synergy	I Accumulation	100%	100%
Schroder ISF Sustainable Infrastructure	I Accumulation	100%	100%

##### Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
<b>UK</b>			
Schroder Diversified Growth Fund	I Accumulation	83%	83%
Schroder Flexible Retirement Fund	X Accumulation	100%	89%
Schroder Global Sustainable Food and Water Fund	X Accumulation	45%	40%
Schroder India Equity Fund	X Accumulation	100%	79%
Schroder Life Global Emerging Markets Fund	A Accumulation	57%	33%
Schroder Sustainable Future Multi-Asset Fund	Z Accumulation	50%	45%
Schroder Sustainable Multi-Factor Equity Fund	X Accumulation	90%	69%
Schroder UK Multi-Cap Income Fund	Z Accumulation	100%	66%
<b>Brazil</b>			
Schroder Best Ideas ESG	A Accumulation	99%	99%
Schroder LATAM Bonds FIM CP	Unspecified	99%	99%
Schroder Premium Master FIRF CP LP	Unspecified	94%	94%
Schroder Premium Vintage A FIC FIRF CP LP	Unspecified	95%	95%
<b>Hong Kong</b>			
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 HKD	37%	3%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV HKD	9%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 CNY Hedged	74%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV AUD Hedged	41%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2 AUD Hedged	90%	2%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV CNY Hedged	26%	2%
Schroder Global Multi-Asset Thematic Fund	A Accumulation	97%	3%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV2	94%	3%
Schroder Global Multi-Asset Thematic Fund	A Distribution MV	15%	2%
Schroder Global Multi-Asset Thematic Fund	I Accumulation	99%	21%
Schroder Global Multi-Asset Thematic Fund	C Accumulation	96%	3%
<b>Japan</b>			
Schroder YEN Target (Annual)	Unspecified	36%	36%
Schroder YEN Target (Semi-Annual)	Unspecified	82%	82%
<b>Luxembourg</b>			
Schroder ISF Asian Equity Impact	I Z Accumulation	50%	49%
Schroder ISF BlueOrchard Emerging Markets Climate Bond	I Accumulation	71%	56%
Schroder ISF Carbon Neutral Credit	I Accumulation	32%	12%
Schroder ISF Carbon Neutral Credit	I Accumulation GBP Hedged	42%	42%
Schroder ISF Changing Lifestyles	I Accumulation	100%	65%
Schroder ISF China A All Cap	I Accumulation	59%	40%
Schroder ISF Emerging Markets Local Currency Bond	I Accumulation	45%	43%
Schroder ISF European Innovators	C Accumulation	18%	2%
Schroder ISF European Innovators	I Accumulation	100%	37%
Schroder ISF European Sustainable Equity	I Accumulation	58%	39%
Schroder ISF Global Climate Leaders	I Accumulation	42%	42%

**Schroders plc financial statements** continued  
 Schroders plc – Notes to the accounts continued

**35. Subsidiaries and other related undertakings** continued

**(b) Related undertakings arising from the Company's interests in structured entities** continued

Subsidiaries where the ownership is less than 100% continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
<b>Luxembourg (continued)</b>			
Schroder ISF Global Managed Growth	I Accumulation	100%	87%
Schroder ISF Global Sustainable Convertible Bond	I Accumulation	46%	37%
Schroder ISF Social Impact Credit	I Accumulation	100%	96%
Schroder ISF Sustainable US Dollar Corporate Bond	I Accumulation	100%	99%
Schroder ISF Sustainable US Dollar High Yield	I Accumulation	50%	57%
Schroder ISF Sustainable US Dollar Short Duration Bond	I Accumulation	47%	42%
Schroders Capital Semi-Liquid Circular Economy Private Plus	I Accumulation	100%	97%
Schroders Capital Semi-Liquid Circular Economy Private Plus	C Accumulation	95%	1%
Schroders Capital Semi-Liquid Global Innovation Private Plus	C Accumulation	89%	3%
Schroders Capital Semi-Liquid Global Innovation Private Plus	I Accumulation	100%	52%
SSSF Structured Income	I Accumulation	100%	72%
SSSF Wealth Management USD Growth	S Accumulation	70%	55%

Significant holdings in structured entities not classified as subsidiaries

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
<b>UK</b>			
Schroder All Maturities Corporate Bond Fund	I Accumulation	100%	6%
Schroder European Fund	I Income	22%	2%
Schroder Global Corporate Bond Managed Credit Component Fund	X Accumulation	31%	4%
Schroder Global Corporate Bond Managed Credit Component Fund	I Accumulation	31%	7%
Schroder Global Energy Transition Fund	S Accumulation	30%	3%
Schroder Global Equity Component Fund*	X Accumulation	38%	22%
Schroder Global Equity Fund	I Accumulation	28%	0%
Schroder Global Sovereign Bond Tracker Component Fund*	I Accumulation	47%	20%
Schroder Global Sovereign Bond Tracker Component Fund*	X Accumulation	24%	13%
Schroder Institutional UK Smaller Companies	I Accumulation	25%	1%
Schroder Institutional UK Smaller Companies	X Accumulation	100%	8%
Schroder Life Matching Index Linked Gilt Fund (2038-47)	I Accumulation	100%	3%
Schroder Life Matching Index Linked Gilt Fund (2048-57)	I Accumulation	100%	4%
Schroder Life Matching Index Linked Gilt Fund (2058-77)	I Accumulation	100%	5%
Schroder Life Matching Nominal Gilt Fund (2058-77)	I Accumulation	100%	7%
Schroder Life UK Equity Portfolio	I Accumulation	100%	38%
Schroder Long Dated Corporate Bond Fund*	I Accumulation	100%	25%
Schroder QEP Global Core Fund	I Accumulation	25%	5%
Schroder QEP Global Active Value Fund*	I Accumulation	99%	25%
Schroder Sterling Broad Market Bond Fund	I Accumulation	29%	3%
Schroder Sustainable Bond Fund	X Income	32%	8%
Schroder UK-Listed Equity Income Maximiser Fund	L Accumulation	22%	0%
Schroder US Equity Income Maximiser Fund	L Accumulation GBP Hedged	87%	0%
<b>Brazil</b>			
Schroder Best Ideas FIA*	Unspecified	31%	31%
<b>Australia</b>			
Schroder Equity Opportunities Fund	I Accumulation	100%	1%
<b>Cayman Islands</b>			
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	B	100%	0%
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	C	100%	1%
<b>Guernsey</b>			
Schroder Institutional Developing Markets	B Income	99%	4%
<b>Hong Kong</b>			
Schroder Asian Asset Income Fund	I Accumulation USD	100%	0%
<b>Luxembourg</b>			
BlueOrchard Impact Credit Fund*	BO Accumulation	100%	26%
BlueOrchard LAC GDI	Unspecified	100%	3%

### 35. Subsidiaries and other related undertakings continued

#### (b) Related undertakings arising from the Company's interests in structured entities continued

Significant holdings in structured entities not classified as subsidiaries or associates continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
<b>Luxembourg (continued)</b>			
BlueOrchard Sustainable Asset Fund	Unspecified	25%	25%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	98%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation EUR Hedged	96%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	98%	1%
Schroder GAIA BlueTrend	C Accumulation CHF Hedged	62%	0%
Schroder GAIA Helix	C Accumulation GBP Hedged	25%	1%
Schroder GAIA Helix	I Accumulation	39%	2%
Schroder GAIA Oaktree Credit	I Accumulation	50%	15%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	0%
Schroder ISF BlueOrchard Emerging Markets Impact Bond	I Accumulation	26%	4%
Schroder ISF Emerging Europe	X9 Accumulation	51%	0%
Schroder ISF Emerging Markets Equity Impact*	I Accumulation	24%	24%
Schroder ISF Emerging Markets Debt Total Return	I Accumulation	100%	0%
Schroder ISF EURO Credit Conviction	I Accumulation	100%	0%
Schroder ISF Global Bond	I Accumulation	32%	0%
Schroder ISF Global Corporate Bond	I Accumulation GBP Hedged	96%	0%
Schroder ISF Global Credit High Income	I Accumulation	100%	1%
Schroder ISF Global Credit Income	I Accumulation	100%	0%
Schroder ISF Global Equity Yield	I Accumulation EUR	99%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	98%	0%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	100%	0%
Schroder ISF Global Inflation Linked Bond	I Accumulation	100%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	93%	0%
Schroder ISF Global Multi-Asset Income	I Accumulation	21%	0%
Schroder ISF Global Recovery	I Accumulation	90%	1%
Schroder ISF Global Sustainable Growth	I Accumulation GBP Hedged	45%	2%
Schroder ISF Inflation Plus	I Accumulation	36%	5%
Schroder ISF Japanese Equity	I Accumulation EUR Hedged	87%	0%
Schroder ISF Japanese Opportunities	I Accumulation	21%	1%
Schroder ISF Nordic Micro Cap	I Accumulation	100%	0%
Schroder ISF Nordic Smaller Companies	I Accumulation	99%	0%
Schroder ISF Smart Manufacturing	I Accumulation	57%	7%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable Future Trends*	I Accumulation	100%	28%
Schroder ISF Sustainable Global Credit Income Short Duration	I Accumulation	99%	1%
Schroder ISF Sustainable Global Multi Credit	I Accumulation EUR Hedged	99%	8%
Schroder ISF Sustainable Multi-Asset Income	C Accumulation	100%	15%
Schroder ISF Sustainable Swiss Equity	I Accumulation	100%	2%
Schroder ISF US Dollar Bond	I Accumulation EUR Hedged	92%	0%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (B)	B	100%	3%
Schroders Capital Semi-Liquid European Loans	I Accumulation	33%	12%
Schroders Capital Semi-Liquid Global Real Estate Total Return*	I Accumulation	100%	22%
SIF Core Insurance Linked Securities	I Accumulation	21%	13%
SSSF Diversified Alternative Assets	S Accumulation	25%	0%
<b>United States</b>			
Hartford Schroders China A Fund	SD Accumulation	100%	10%
Hartford Schroders Commodity Strategy ETF	Distribution	30%	30%
Hartford Schroders Diversified Emerging Markets Fund	SD Accumulation	36%	26%
Hartford Schroders International Contrarian Value Fund	Unspecified	100%	48%
Hartford Schroders Private Opportunities Fund	SD Accumulation	29%	29%
Hartford Schroders Sustainable International Core Fund	Unspecified	100%	47%

\*Investments in funds recognised as associates.

**35. Subsidiaries and other related undertakings** continued

**(b) Related undertakings arising from the Company's interests in structured entities** continued

The registered offices for each of the related undertakings listed on pages 171 to 173 are reflected by country below:

**UK**

1 London Wall Place, London, EC2Y 5AU, England

**Australia**

Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia

**Brazil**

The registered office for the Brazil related undertakings is Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil, except for the following:

The registered office for the following related undertakings is Núcleo Cidade de Deus, Prédio Amarelo, 1º andar, Vila Yara, Osasco, SP, Brazil

Schroder Best Ideas FIA

**Cayman Islands**

Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

**Guernsey**

PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey

**Hong Kong**

HSBC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

**Japan**

1-1 Chuo-ku, Saitama City, Saitama Shintoshin Godo Choushya 1st Building, Saitama Prefecture, 330-9716, Japan

**Luxembourg**

The registered office for the Luxembourg related undertakings is 5 rue Höhenhof, L-1736 Senningerberg, Luxembourg, except for the following:

The registered office for the following related undertakings is 80, route d'Esch, L-1470 Luxembourg

Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)

Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)

The registered office for the Luxembourg related undertakings is 2 rue d' Alsace, L-1122 Luxembourg

BlueOrchard LAC GDI

**United States**

The registered office for the United States related undertakings is 7 Bryant Park, New York, New York, 10018, USA, except for the following:

The registered office for the following related undertakings is 690 Lee Road, Wayne, Pennsylvania, 19087, USA

Hartford Schroders China A Fund

Hartford Schroders Commodity Strategy ETF

Hartford Schroders Diversified Emerging Markets Fund

Hartford Schroders International Contrarian Value Fund

Hartford Schroders Sustainable International Core Fund

The registered office for the following related undertakings is 251 Little Falls Drive, Wilmington, DE 19808, USA.

Hartford Schroders Private Opportunity Fund

## Independent auditor's report to the members of Schroders plc

### Opinion

In our opinion:

- Schroders plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroders plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

<b>Group</b>	<b>Parent company</b>
Consolidated income statement for the year ended 31 December 2023	Schroders plc - Statement of financial position at 31 December 2023
Consolidated statement of comprehensive income for the year ended 31 December 2023	Schroders plc - Statement of changes in equity for the year ended 31 December 2023
Consolidated statement of financial position at 31 December 2023	Schroders plc - Cash flow statement for the year ended 31 December 2023
Consolidated statement of changes in equity for the year ended 31 December 2023	Schroders plc - Notes to the accounts - 27 to 35, including material accounting policy information
Consolidated cash flow statement for the year ended 31 December 2023	
Notes to the accounts 1 to 26 including material accounting policy information and Presentation of the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting, we have:

- assessed the assumptions used in management's five-year forecast by comparing to internal management information and external market sources. We also determined that the model is appropriate to enable management to make an assessment of the going concern status of the Group for a period of twelve months from the date the financial statements are approved. We also performed back-testing on prior year forecasts by comparing them to the Group's results over the same periods;
- evaluated the capital and liquidity position of the Group by reviewing the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment Process and the Recovery Plan;
- assessed the appropriateness of the stress and reverse stress test scenarios used by the Board in reaching their conclusions by considering the key risks identified by management, our understanding of the business and the external market environment. We evaluated the assumptions used in the scenarios by comparing them to internal management information and external market sources, tested the clerical accuracy and assessed the conclusions reached in the stress and reverse stress test scenarios;
- assessed the plausibility of the available options identified by management to mitigate the impact of the key risks by comparing them to our understanding of the Group;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed the management paper approved by the Board and minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing them to management's assessment for consistency and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts are approved.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent company's ability to continue as a going concern.

## Independent auditor's report to the members of Schroders plc continued

### Overview of our audit approach

<b>Audit scope</b>	<ul style="list-style-type: none"> <li>The Group is comprised of over 300 legal entities domiciled in 27 countries.</li> <li>We performed an audit of the complete financial information of six legal entities and audit procedures on specific balances for a further 27 legal entities.</li> <li>The legal entities where we performed full or specific audit procedures accounted for 92% of profit before tax, 93% of revenue and 97% of total assets.</li> <li>Certain of the Group's processes over financial reporting are centralised in the finance operations hubs of London, Luxembourg, Singapore, Zurich and Horsham. Where appropriate, our testing was performed in these locations.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Improper recognition of revenue.</li> <li>Improper recognition of cost of sales.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall Group materiality of £33 million, which represents 5% of operating profit.</li> </ul>

### An overview of the scope of the Parent company and Group audits

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent internal audit results, when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 33 legal entities within the following countries: United Kingdom, Luxembourg, Switzerland, Singapore, Australia, China, Guernsey, Indonesia, Japan and United States of America.

Of the 33 legal entities selected, we performed an audit of the complete financial information of six legal entities (full scope entities) which were selected based on their size or risk characteristics. For the remaining 27 legal entities (specific scope entities), we performed audit procedures on specific accounts within that legal entity that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

For the remaining entities that together represent 8% of the Group's profit before tax, we performed other procedures, including: analytical review; obtaining cash confirmations; and testing of consolidation journals and intercompany eliminations, centralised processes and controls, and foreign currency translation recalculations, to respond to potential risks of material misstatement of the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

#### Profit before tax

● Full scope entities	54% (2022: 73%)
● Specific scope entities	39% (2022: 22%)
● Other procedures	8% (2022: 5%)

#### Revenue

● Full scope entities	62% (2022: 62%)
● Specific scope entities	31% (2022: 31%)
● Other procedures	7% (2022: 7%)

#### Assets

● Full scope entities	25% (2022: 26%)
● Specific scope entities	72% (2022: 71%)
● Other procedures	3% (2022: 3%)

#### Changes from the prior year

Schroders International Holdings Limited, Benchmark Financial Planning Limited, and Schroder Fund Management (China) Company Limited are considered to be specific scope entities for the current year audit. These entities were previously considered to be neither specific nor full scope.

Schroder BOCOM Wealth Management Company Limited is no longer considered a subsidiary and is now an equity accounted associate. As a result this has fallen out of scope.

#### Involvement with overseas teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the legal entities by us, as the Group audit team, or by local auditors from other EY global network firms operating under our instruction.

Schroders has centralised processes and controls over financial reporting within the finance operations hubs of London, Luxembourg, Singapore, Zurich, and Horsham. Our teams in these locations performed centralised testing for certain accounts including revenue, cost of sales, administrative expenses, variable compensation, provisions and intercompany transactions.

For processes that are not centralised, the audit work was performed by legal entity auditors. The Group audit team was responsible for the scope and direction of the audit process in each entity, interacting regularly with the local EY teams during each stage of the audit and reviewing relevant working papers. This, together with the additional procedures performed at Group level, and the centralised testing, gave us appropriate evidence for our opinion on the Group financial statements.

The Group team has maintained oversight of component teams through use of remote collaboration platforms, in-person visits and virtual meetings, in particular with the Luxembourg, Zurich and Singapore audit teams. This allowed the Group team to gain a greater understanding of the business issues faced in each location, discuss the audit approach with the local team and any issues arising from their work, review relevant audit working papers, and attend meetings with local management.

#### Climate change

The Group has determined that the majority of its climate-related risk lies in the assets it manages on behalf of its clients. This is primarily explained on pages 30 to 37 in the Task Force for Climate related Financial Disclosures and on pages 40 to 43 in the Risk Management section of the Annual Report and Accounts. The Group has also explained their climate-related commitments on pages 28 to 30. All of these disclosures form part of the 'Other information'. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated, in line with our responsibilities in relation to 'Other information'.

In planning and performing our audit, we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in the Estimates and Judgements section of the Presentation of the financial statements on page 153, climate risks have been considered in the preparation of the consolidated financial statements where management consider it appropriate. The principal

areas of consideration by management include the measurement of financial assets and impairment assessments.

Our audit effort in considering the impact of climate change on the financial statements was focused on assessing whether the effects of potential climate risks have been appropriately reflected by management in reaching their judgments in relation to the measurement of financial assets and their impairment assessments. As part of this evaluation, we performed our own risk assessment, to determine the risks of material misstatement in the financial statements from climate change, which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work, we have not identified the impact of climate change on the financial statements to be a key audit matter or as a factor that impacts a key audit matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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#### Risk

##### **Group only risk:**

Improper recognition of revenue (£2,936.7 million, 2022: £2,891.7 million)

*Refer to the Audit and Risk Committee report (page 66) and Note 2 of the Consolidated financial statements (pages 108 to 111)*

Schroders manages funds in numerous domiciles, which consist of many share classes. Schroders also manages segregated portfolios for a range of institutions. In addition, Schroders provides wealth management services. The inputs and calculation methodologies that drive the fees vary significantly across this population. For example, performance fees, fees related to segregated accounts and fees generated from private assets, have a range of bespoke calculation methodologies. For certain revenue streams, management must apply judgment in accordance with IFRS 15 – Revenue from contracts with customers ('IFRS 15') to determine whether it is highly probable that a significant reversal will not occur in the future.

The following are identified as the key risks or subjective areas of revenue recognition:

- Not all agreements in place have been identified and accounted for;
- Fee terms have not been correctly interpreted or entered into the fee calculation and billing systems;
- Assets under management ('AUM') has not been properly attributed to fee agreements;
- Errors occur in manually calculated revenues, such as performance fees, certain private assets fees and carried interest; and
- Inappropriate judgments are made by management in the calculation and recognition of carried interest.

There is also the risk that management may influence the timing or recognition of revenue in order to meet market expectations or net operating income-based targets.

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#### Our response to the risk

We have:

- Confirmed and updated our understanding of the procedures and controls in place throughout the revenue process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports;
- IT systems: tested the controls over access to, and changes to, the systems underpinning the revenue process, including testing controls over the flow of data between systems for completeness and accuracy;
- Fee agreements: tested the controls over new and amended fee agreements. For a sample of fees, agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses;
- Calculation: tested automated controls over the arithmetical accuracy of a sample of fee calculations within the relevant systems;
- AUM: tested the controls in place for the calculation and existence of AUM used in the fee calculations. For a sample of fees, tested the completeness and accuracy of AUM included in the fee calculation systems to administrator reports or Schroders' investment management systems;
- Segregated and unitised account billing and cash collection: tested controls over the billing and cash management process. For a sample of fees, compared the amounts recorded to the invoice sent to the client and the cash received, checked whether the revenue had been recorded in the correct period, and assessed the recoverability of debtors through the testing of subsequent cash receipts and inspection of the aged debtors report;
- Mutual fund billing: for a sample of gross fund fees billed directly by third party administrators (TPA), we have compared the revenue recorded by Schroders to reports provided by the TPA;

## Independent auditor's report to the members of Schroders plc continued

Risk	Our response to the risk
	<ul style="list-style-type: none"><li>Mutual fund cash collection: for a sample of gross fund fees billed directly by the TPA we have assessed the recoverability of year end debtors through testing to cash receipts and inspection of the aged debtors report;</li><li>Carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest receivable, including the constraints applied under IFRS 15;</li><li>For a sample of manually calculated revenues, such as performance fees, certain private assets fees and carried interest, agreed the inputs used in the relevant calculations to third party sources, where applicable, and legal agreements; recalculated the value of the relevant fee and compared the amount invoiced or carried interest receivable forecast to the revenue recorded;</li><li>Interest income: performed analytical procedures to assess whether interest income recorded reflects the interest rates seen in the year. For a sample of interest income transactions, traced the revenue recorded to customer statements and third party statements;</li><li>Review of other information: inspected the global operational incident log and complaints registers to identify any errors in revenue or control deficiencies; and</li><li>Management override: in order to address the residual risk of management override we performed enquiries of management, read minutes of board and committee meetings held throughout the year and performed journal entry testing.</li></ul> <p>We performed full and specific scope audit procedures over this risk area in six locations, which covered 93% of the total revenue. Due to the centralised nature of the revenue process, the majority of our testing was performed in London for Asset Management revenue, and London and Zurich for Wealth Management revenue.</p>

### Key observations communicated to the Schroders Audit and Risk Committee

All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Revenue has been recorded materially in accordance with IFRS 15.

Based on the procedures performed, we have no matters to report in respect of revenue recognition.

Risk	Our response to the risk
<p><b>Group only risk:</b></p> <p>Improper recognition of cost of sales (£602.3 million, 2022; £530.3 million)</p> <p><i>Refer to the Audit and Risk Committee report (page 66) and Note 2 of the Consolidated financial statements (pages 108 to 111)</i></p> <p>Schroders has fee expense agreements in place with many parties. These expenses include commissions, carried interest payable, external fund manager fees, expenses paid on behalf of UK-managed funds, and distribution fees payable to financial institutions, investment platform providers and financial advisers. The expenses are generally based on AUM.</p> <p>The following are identified as the key risks or subjective areas in correctly recognising fee expenses:</p> <ul style="list-style-type: none"> <li>• Not all agreements in place have been identified and accounted for;</li> <li>• Fee expense terms have not been correctly interpreted;</li> <li>• AUM has not been properly identified or attributed to clients or third parties with fee expense arrangements; and</li> <li>• Inappropriate judgments are made by management in the calculation of carried interest payable.</li> </ul> <p>There is also the risk that management may influence the recognition of cost of sales in order to meet market expectations or net operating income-based targets.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Confirmed and updated our understanding of the procedures and controls in place throughout the cost of sales process, both at Schroders through walkthrough procedures, and at third party administrators through review of independent controls assurance reports;</li> <li>• IT systems: tested the controls over access to, and changes to, the systems underpinning the fee expense process, including testing controls over the flow of data between systems to test completeness and accuracy;</li> <li>• Fee expense agreements: tested the controls over new agreements and amended fee expense agreements. For a sample of fee expenses calculated by Schroders and an additional sample calculated by third parties, agreed the fee expense terms used in the calculation to IMAs, fee letters or rebate agreements;</li> <li>• Calculation: tested automated controls over the arithmetical accuracy of a sample of fee expense calculations within the relevant systems;</li> <li>• AUM: tested the controls in place over the calculation and existence of AUM used in the fee expense calculations. For a sample of fee expenses, tested the completeness and accuracy of the AUM included in the calculation to Schroders' transfer agency or investment management systems;</li> <li>• Billing: tested controls over the cash management process. For a sample of fee expenses, compared the amount recorded to the rebate statement sent to the client and to the cash paid;</li> <li>• Carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest liability. For a sample of funds with carried interest arrangements: agreed the inputs used in the carried interest calculations to accounting records, third party sources and legal agreements; recalculated the value of the carried interest liability; and compared the discounted carried interest expense to the cost of sales recorded;</li> <li>• Review of other information: inspected the global operational incident log and complaints registers to identify any errors in fee expenses or control deficiencies, and determined whether any fee expense errors, have been appropriately addressed; and</li> <li>• Management override: in order to address the residual risk of management override we performed enquiries of management, read minutes of board and committee meetings held throughout the year and performed journal entry testing.</li> </ul> <p>We performed full and specific scope audit procedures over this risk area in London, which covered 99% of total cost of sales.</p>

#### Key observations communicated to the Schroders Audit and Risk Committee

All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Cost of sales has been recorded materially in accordance with IAS 1 – Presentation of Financial Statements (IAS 1). Based on the procedures performed, we have no matters to report in respect of cost of sales.

#### Prior year comparison

In the prior year, our auditor's report included a key audit matter in relation to 'Accounting for corporate activity'. In the current year, due to there being no material acquisitions, we do not consider this to be a key audit matter. There have been no other significant changes to our overall risk assessment from the 2022 audit.

## Independent auditor's report to the members of Schroders plc continued

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £33 million (2022: £36 million), which is 5% of operating profit (2022: 5% of operating profit). We believe that operating profit is the most relevant performance measure to the stakeholders of the Group.

We determined materiality for the Parent company to be £47 million (2022: £45 million), which is 1% (2022: 1%) of net assets. The Parent company primarily holds investments in Group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.

During the course of our audit, we reassessed initial materiality based on 31 December 2023 financial statement amounts and adjusted our audit procedures accordingly.

#### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £25 million (2022: £27 million). We have used a threshold consistent with 2022 due to our prior experience as to the low occurrence of material misstatements and our conclusions as to the effectiveness of the control environment and accounting processes.

Audit work at entity level, for the purpose of obtaining audit coverage over significant financial statement accounts, is undertaken based on a percentage of total performance materiality. The performance materiality set for each entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement at that entity. In the current year, the range of performance materiality allocated to individual entities was £5.0 million to £13.6 million (2022: £5.4 million to £14.9 million).

#### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.7 million (2022: £1.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 99 and 183 to 189, including the Strategic report, Governance, and Shareholder information sections, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information in the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities, as set out on page 47;
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 47;
- Directors' explanation as to its assessment of the Parent company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 47;
- Directors' statement on fair, balanced and understandable, as set out on page 99;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on pages 40-43;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 40-43; and
- the section describing the work of the Audit and Risk Committee, as set out on pages 66-73.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 99, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Parent company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules and relevant rules and regulations of the Prudential Regulation Authority ('PRA'), Financial Conduct Authority ('FCA') and those of other applicable regulators around the world.

- We understood how Schroders plc is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, General Counsel, Company Secretary, Chief Risk Officer, Head of Internal Audit and the Chairman of the Audit and Risk Committee. We corroborated our understanding through our review of board and committee meeting minutes, papers provided to the Audit and Risk Committee, and correspondence received from the PRA and FCA.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors these controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management, including those at full and specific scope entities; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Other matters we are required to address**

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Parent company on 9 March 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. Our appointment as auditor was approved by shareholders at the Annual General Meeting on 26 April 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ended 2018 to 2023.
- The audit opinion is consistent with the Audit Results Report to the Audit and Risk Committee.

### **Use of our report**

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**James Beszant (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

28 February 2024

1. The maintenance and integrity of the Schroders plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.  
 2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# **SHAREHOLDER INFORMATION**

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## Shareholder information

### Schroders plc

Registered in England and Wales Company No. 3909886

#### Registered office

1 London Wall Place, London, EC2Y 5AU

Tel: +44 (0) 207 658 6000

Email: [companysecretary@s Schroders.com](mailto:companysecretary@s Schroders.com)

Website: [www.schroders.com](http://www.schroders.com)

#### Share Registrar

Computershare Investor Services plc

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

#### UK Shareholder helpline:

Freephone (UK callers only): 0800 923 1530

International: +44 117 378 8170

Email: [WebCorres@computershare.co.uk](mailto:WebCorres@computershare.co.uk)

Website: [investorcentre.co.uk](http://investorcentre.co.uk)

#### Financial calendar

Ex-dividend date	21 March 2024
Record date	22 March 2024
DRIP election date deadline	11 April 2024
Annual General Meeting	25 April 2024
Final dividend payment date	2 May 2024
Half-year results announcement	August 2024
Interim dividend paid*	September 2024

\* Date to be confirmed.

#### Annual General Meeting

Our AGM will be held at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on Thursday 25 April 2024 at 11.30am.

#### Investor Centre

Computershare is the Company's share registrar. Investor Centre is Computershare's free, self-service website where shareholders can manage their interests online.

The website enables shareholders to:

- view share balances
- change address details
- view payment and tax information
- update payment instructions
- update communication instructions.

Shareholders can register their email address at [investorcentre.co.uk](http://investorcentre.co.uk) to be notified electronically of events such as AGMs and can receive shareholder communications such as the Annual Report and Accounts and the Notice of Meeting online.

Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar.

#### Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque. Applications for an electronic mandate can be made by contacting the Registrar.

If your dividend is paid directly into your bank or building society account, you will receive an annual consolidated dividend confirmation, which will be sent to you in September each year at the time the interim dividend is paid.

Dividend confirmations are available electronically at [investorcentre.co.uk](http://investorcentre.co.uk) to those shareholders who have their payments mandated to their bank or building society accounts, and who have expressed a preference for electronic communications.

The Company operates a Dividend Reinvestment Plan (DRIP), which provides shareholders with a way of increasing their shareholding in the Company by reinvesting their dividends. A copy of the DRIP terms and conditions and application form can be obtained from the Registrar.

Details of dividend payments can be found in the Directors' report on page 95.

Schroders offers a service to shareholders in participating countries that enables dividends to be received in local currencies. You can check your eligibility and/or request a mandate form by contacting the Registrar.

#### Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares or investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting [register.fca.org.uk](http://register.fca.org.uk)
- Report the matter to the FCA by calling 0800 111 6768 or visiting [fca.org.uk/consumers/report-scam-unauthorised-firm](http://fca.org.uk/consumers/report-scam-unauthorised-firm)
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FCA provides a list of the unauthorised firms it is aware of, which can be accessed at [fca.org.uk/consumers/warning-list-unauthorised-firms](http://fca.org.uk/consumers/warning-list-unauthorised-firms).

More detailed information on this or similar activity can be found on the FCA website at [fca.org.uk/consumers/protect-yourself-scams](http://fca.org.uk/consumers/protect-yourself-scams).

#### Capital gains tax implications of simplification of the Schroders plc dual share class structure

Information on capital gains tax relating to the Enfranchisement, Compensatory Bonus issue and Sub-Division of Schroders plc shares that took place in September 2022 can be found on the Company's website.

**Five-year consolidated financial summary**

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Operating profit before tax	661.0	723.0	841.0	698.5	709.7
Tax	(128.0)	(123.6)	(147.4)	(134.9)	(144.2)
<b>Operating profit after tax</b>	<b>533.0</b>	599.4	693.6	563.6	565.5
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Profit before tax	487.6	586.9	764.1	610.5	624.6
Tax	(85.0)	(100.7)	(140.3)	(124.5)	(128.9)
<b>Profit after tax</b>	<b>402.6</b>	486.2	623.8	486.0	495.7
	2023 Pence	2022 Pence	2021 Pence	2020 Pence	2019 Pence
<b>Operating earnings per share:</b>					
Basic earnings per share <sup>1</sup>	<b>32.5</b>	37.4	43.0	34.9	35.6
Diluted earnings per share <sup>1</sup>	<b>31.9</b>	36.7	42.2	34.3	35.0
	2023 Pence	2022 Pence	2021 Pence	2020 Pence	2019 Pence
<b>Earnings per share:</b>					
Basic earnings per share <sup>1</sup>	<b>24.6</b>	30.4	38.7	30.2	31.4
Diluted earnings per share <sup>1</sup>	<b>24.2</b>	29.9	38.1	29.7	30.8
<b>Dividends:</b>					
Cost (£m)	<b>333.0</b>	332.1	318.6	311.7	312.3
Pence per share <sup>2</sup>	<b>21.5</b>	21.4	20.4	20.0	20.0
<b>Total equity (£m)</b>	<b>4,463.7</b>	4,479.7	4,425.7	4,085.9	3,847.5
<b>Net assets per share (pence)<sup>3</sup></b>	<b>277</b>	278	275	253	239
	2023 Number	2022 Number	2021 Number	2020 Number	2019 Number
<b>Group employees at year end 31 December</b>					
United Kingdom	3,897	3,788	3,329	3,188	3,284
Europe, Middle East and Africa	1,016	1,031	940	938	964
Americas	1,089	427	388	379	376
Asia Pacific	436	1,188	1,093	1,066	1,049
	<b>6,438</b>	6,434	5,750	5,571	5,673

1. See note 5 for the basis of this calculation. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

2. Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

3. Net assets per share are calculated by using the actual number of shares in issue at the year end date. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 19).

Exchange rates - closing 31 December	2023	2022	2021	2020	2019
<b>Sterling:</b>					
Euro	<b>1.15</b>	1.13	1.19	1.12	1.18
US dollar	<b>1.27</b>	1.20	1.35	1.37	1.32
Swiss franc	<b>1.07</b>	1.11	1.23	1.21	1.28
Australian dollar	<b>1.87</b>	1.77	1.86	1.77	1.88
Hong Kong dollar	<b>9.95</b>	9.39	10.56	10.60	10.32
Japanese yen	<b>179.72</b>	158.72	155.97	141.13	143.97
Singaporean dollar	<b>1.68</b>	1.61	1.83	1.81	1.78
Chinese renminbi	<b>9.04</b>	8.36	8.63	8.89	9.23
<b>Exchange rates - average</b>	<b>2023</b>	2022	2021	2020	2019
<b>Sterling:</b>					
Euro	<b>1.15</b>	1.17	1.16	1.13	1.14
US dollar	<b>1.24</b>	1.24	1.37	1.29	1.28
Swiss franc	<b>1.12</b>	1.18	1.25	1.21	1.27
Australian dollar	<b>1.87</b>	1.78	1.83	1.87	1.84
Hong Kong dollar	<b>9.74</b>	9.71	10.68	10.05	10.03
Japanese yen	<b>175.10</b>	161.25	151.02	137.89	139.63
Singaporean dollar	<b>1.67</b>	1.71	1.84	1.78	1.74
Chinese renminbi	<b>8.81</b>	8.32	8.86	8.86	8.83

# Glossary

## About our business areas

### Private markets

Gives investors access to opportunities in private markets, such as real estate, private equity and infrastructure, as well as alternatives.

### Solutions

Provides complete solutions and partnerships, including liability offsets and risk mitigation.

### Mutual Funds

Offers retail and institutional clients access to our investment capabilities through intermediary networks.

### Institutional

Makes investment components available directly to institutions and includes sub-advisory mandates.

### Wealth Management

Provides wealth management and financial planning for ultra-high-net-worth, high-net-worth and affluent individuals and charity clients as well as family offices and advisers.

## Alternative Performance Measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cashflows, other than a financial measure defined or specified in the applicable financial reporting framework. The Group's APMs are defined below.

### Operating compensation ratio

Operating compensation costs divided by net operating income. By targeting an operating compensation ratio, we align the interests of shareholders and employees.

### Operating earnings per share

Operating profit after tax excluding non-controlling operating earnings divided by the relevant weighted average number of shares (see note 5). The presentation of operating earnings per share provides transparency as to our operational activities to aid understanding of the financial performance.

### Payout ratio

The total dividend per share in respect of the year (see note 6) divided by the operating basic earnings per share.

## Active management

The management of investments based on active decision-making rather than with the objective of replicating the return of an index.

## Assets under management (AUM)

AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the Group, including joint ventures and associates, earns operating revenue.

Asset Management AUM includes investment management, OCIO, fiduciary management and liability management services. For Schroders Capital Private Equity, the aggregate value of assets managed includes client commitments on which we earn fees. This is changed to the lower of committed funds and net asset value, typically after seven years from the initial investment, in line with the fee basis.

Wealth Management AUM comprises the aggregate value of assets where Schroders provides advice or discretionary management (Advised AUM), platform services (Platform AUM) and investment management services (Managed AUM). ADVISED AUM comprises assets where Schroders provides discretionary or advisory management services including assets where the client independently makes investment decisions. Platform AUM represents the value of assets on the Benchmark Fusion platform. The Fusion platform enables financial advisors to administer and manage their clients' accounts by providing dealing and settlement services, valuation statements and custody services through a third party. Managed AUM includes assets where the client invests in Schroders' funds.

## Basis point (bps)

One one-hundredth of a percentage point (0.01%).

## Carried interest

Carried interest is similar to the performance fees we may earn in our public markets business, but is part of our private markets business fee structures.

## CDP

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

## Client investment performance

Client investment performance is a measure of how investments are performing relative to a benchmark or other comparator. As an active asset manager, we prioritise consistently delivering positive investment outcomes for our clients which is why our three-year investment performance is a key performance indicator for the Group. It is calculated internally by Schroders to give shareholders and financial analysts general guidance on how our invested assets are performing. The data is aggregated and is intended to provide information for comparison to prior reporting periods only. It is not intended for clients or potential clients investing in our products. All calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is a net of fees competitor ranking. When a product's investment performance is disclosed in product or client documentation it is specific to the strategy or product. Performance will either be shown net of fees at the relevant fund share-class level or it will be shown gross of fees with a fee schedule for the strategy supplied.

The calculation includes applicable assets under management that have a complete track record over the one year, three year and five-year reporting periods, respectively.

Applicable assets under management does not include our joint ventures and associates and excludes £85.5 billion of assets, principally comprising those managed by third parties or held on an execution-only basis, the majority of assets managed by Schroders Capital Real Estate Hotels, non-discretionary assets and assets held on a custody-only basis as well as Wealth Management platform assets on the Benchmark Fusion platform.

Performance is calculated relative to the relevant comparator for each investment strategy as summarised below. These fall into one of four categories, the percentages for each of which refer to the three-year calculation:

- For 73% of assets included in the calculation, the comparator is the relevant benchmark.
- If the relevant comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 9% of assets in the calculation.
- Assets for which the relevant comparator is an absolute return target are measured against that absolute target. This applies to 13% of assets in the calculation.
- Assets with no specific outperformance objective, including those with a buy and maintain objective, are measured against a cash alternative, if applicable. This applies to 5% of assets in the calculation.

## Clients

Within Asset Management we work with institutional clients, including pensions funds, insurance companies and sovereign wealth funds, as well as intermediaries, including financial advisers, private wealth managers, distributors and online platforms. We also provide a range of wealth management services to private clients, family offices and charities.

At times, 'client' is used to refer to investors in our funds or strategies, i.e. the end client.

We are increasingly focused on building closer relationships with the end client, whose money is invested with us, often via an intermediary or institution.

**Defined benefit (DB) pension scheme**

A pension benefit where the employer has an obligation to provide participating employees with pension payments that represent a specified percentage of their salary for each year of service.

**Defined contribution (DC) pension scheme**

A pension benefit where the employer's contribution to an employee's pension is measured as, and limited to, a specified amount, usually a percentage of salary. The value of the 'pension pot' can go up or down depending on how the investments perform.

**Dry powder and non-fee earning dry powder**

Within Schroders Capital, fundraising comprises new funds invested into our products and contractual commitments from clients to invest their capital in the future. These commitments are called upon once relevant investments have been identified and the capital is to be deployed. Uncalled commitments are referred to as dry powder. Depending on the applicable fee arrangements, dry powder may or may not attract management fees. Uncalled commitments that do not attract fees are referred to as non-fee earning dry powder.

**Employee benefit trust**

A type of discretionary trust established to hold cash or other assets for the benefit of employees, such as to satisfy share awards.

**EPS**

Earnings per share.

**ESG**

Environmental, social and governance.

**Fiduciary Management**

A form of investing where pension scheme trustees delegate some or all of the investment decisions to a third party 'fiduciary manager'. This reduces the day-to-day governance burden on trustees. Fiduciary management offerings will often include investment advice and a portfolio which consists of a growth solution and a liability-driven investment (LDI) solution.

**Financed emissions**

Absolute carbon emissions that banks and investors finance through their loans and investments. Schroders' in scope financed emissions include all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, real estate investment trust and exchange-traded fund exposure.

**Fundraising**

This is a term used in our private markets business comprising new funds invested into our products and contractual commitments from clients to invest their capital in the future.

**GMC**

Group Management Committee.

**Greenhouse Gas (GHG)**

A gas that absorbs and emits radiation in the atmosphere, contributing to the greenhouse effect. The seven gases covered by the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). These gases trap heat close to the surface of the earth and are a key cause of climate change.

**GR**

Group Risk Committee.

**Highly-rated employees**

Employees who have received an exceptional rating in their annual performance review.

**ICAAP**

Internal Capital Adequacy Assessment Process.

**IFRS**

International Financial Reporting Standards.

**ILAAP**

Internal Liquidity Adequacy Assessment Process.

**Investee companies**

The companies we invest in on behalf of our clients.

**Investment capital**

Capital held in excess of operating requirements. It is managed with the aim of achieving a low-volatility return. It is mainly held in cash, government and government-guaranteed bonds, investment-grade corporate bonds and Schroders funds. Investment capital is also used to help support the organic development of existing and new business strategies and to respond to other investment and growth opportunities as they arise, such as acquisitions that will accelerate the development of the business.

**Investment returns**

The increase in AUM attributable to investment performance, market movements and foreign exchange.

**In-scope assets**

Current in-scope asset classes for SBTi include listed equities, corporate bonds, real estate investment trusts and exchange-traded funds.

**Liability-driven investment (LDI)**

A form of investing where the main goal is to gain and maintain sufficient assets to meet known liabilities, both current and future. This form of investment is most prominent for defined benefit pension schemes.

**Life Company**

Schroder Pension Management Limited, a wholly owned subsidiary, which provides investment products through a life assurance wrapper.

**Longevity**

The indicative period, expressed in years, that a client invests their assets with us. This is calculated annually as the average AUM divided by gross outflows for the year. We typically present a three-year rolling average in order to allow for short term fluctuations.

**MSCI ESG rating**

The Morgan Stanley Capital International ESG rating is designed to measure a company's resilience to long-term, industry material ESG risks.

**Net new business (NNB)**

New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative).

**Net operating income**

A sub-total comprising net operating revenue, share of profit of associates and joint ventures, and other operating income.

**Net operating revenue**

A sub-total consisting of revenue less cost of sales as defined in note 2 of the financial statements.

**Net operating revenue margins**

Net operating revenue excluding performance fees, net carried interest and real estate transaction fees divided by the relevant average AUM.

**Net zero**

A state of balance between greenhouse gas emissions produced and greenhouse gas emission removals. According to the SBTi, achieving net zero refers to reducing emissions by a minimum of 90% by 2050 and neutralising any remaining emissions through carbon removals.

**Operating profit**

Operating profit represents the profit before tax generated by the Group's Asset Management and Wealth Management operating segments. It excludes central costs, gains and losses from capital management activities, as well as acquisition and restructuring related costs.

## Glossary continued

### Other operating income

Other operating income primarily relates to gains and losses on co-investments and foreign exchange.

### Performance-based revenues

Includes fee types such as performance fees and net carried interest income. Performance fees are earned when contractually agreed performance levels are exceeded.

### Physical risks

Reflect the risks associated with long-term changes in the climate and with more extreme weather events which may impact on future business activities. In particular: the impacts on the value of investments, held on behalf of clients, caused by direct or indirect physical climate changes and events; risk to our businesses and property assets; and risk to our suppliers and other partners caused by climate events.

### Pillar 1, 2 and 3

Pillar 1 sets rule-based minimum capital standards. Pillar 2 establishes the approach to supervisory review and the setting of individual capital requirements, taking into consideration the firm's own assessment of how much capital is required to support the business. Pillar 3 sets disclosure requirements, which aim to promote market discipline by enabling market participants to access information relating to regulatory capital and risk exposures. See [www.schroders.com/pillar3](http://www.schroders.com/pillar3).

### Platforms

Platforms in the UK savings market offer a range of investment products such as unit trusts, Individual Saving Accounts (ISAs), unit-linked life and pension bonds and Self-Invested Personal Pensions (SIPPs) to facilitate investment in many funds from different managers through one portal.

### Portfolio temperature score

The temperature score is calculated in accordance with the CDP-WWF temperature rating methodology based on the carbon emissions reduction targets set by the companies in our portfolios and is intended to serve as an indication of our portfolio's alignment to different levels of global warming.

### Principal Shareholder Group

A number of private trustee companies, a number of individuals and a charity which, directly or indirectly, are shareholders in Schroders plc and are parties to the Relationship Agreement. In aggregate these parties own 44.11% of the ordinary shares of Schroders plc.

### Renewable energy

Energy collected from resources that are naturally replenished, such as sunlight, wind, water and geothermal heat.

### Science Based Targets initiative (SBTi)

The Science Based Targets initiative defines and promotes best practice in science-based target setting. Offering a range of target-setting resources and guidance, the SBTi independently assesses and approves companies' targets in line with its criteria.

### Science-based target

A science-based target provides a clearly-defined pathway for companies to reduce their greenhouse gas emissions. The target is considered 'science-based' if it is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

### Scope 1 / Scope 2 / Scope 3

See GHG. Scope 1 is direct greenhouse gas emissions from sources owned or controlled by the company, such as emissions from gas, oil and company vehicles. Scope 2 is indirect greenhouse gas emissions from sources owned or controlled by the company, such as emissions from consumption of purchased electricity, heat or steam. Scope 3 is indirect greenhouse gas emissions from sources not owned or controlled by the company, such as emissions from business travel or investments.

### Seed and co-investment capital

Seed capital comprises an initial investment put into a fund or strategy to allow it to develop a performance track record before it is marketed to potential clients. Co-investment comprises an investment made alongside our clients.

### Senior management

Senior management includes members of the GMC, the direct reports of the GMC and the direct reports one level below that, in each case excluding administrative and other ancillary roles. The data excludes executive Directors and includes some persons who are also subsidiary Directors.

### Sustainability engagement

Sustainability engagement is the process by which we gain insights into our investee companies sustainability risks and opportunities and how they are managed. We seek to influence our investee companies by engaging with management teams to encourage and support them on areas where improvement may be required to deliver long-term value.

### SustainEx™

Schroders' proprietary tool which estimates the notional net social and environmental 'costs' or 'benefits' that an issuer may create'. It uses certain metrics with respect to that issuer, and quantifies them positively (for example, by paying 'fair wages') and negatively (for example, the carbon an issuer emits) to produce an aggregate notional measure of the issuer's social and environmental 'externalities'. The aim of the model is to enable our investors to assess the investments they may make, having regard to such measures, and the risks those issuers potentially face if the social and environmental 'costs' they create were to be reflected in their own financial costs.

### tCO<sub>2</sub>e

Tonnes of carbon dioxide (CO<sub>2</sub>) equivalent. A unit of measurement that is used to standardise the climate effects of various greenhouse gases on the basis of their global warming potential.

### Total capital requirement

The requirement to hold the sum of Pillar 1 and Pillar 2A capital requirements. Pillar 2A capital requirements are supplementary requirements for those risk categories not captured by Pillar 1, depending on specific circumstances of a company, as set out by the Prudential Regulation Authority.

### Total dividend per share

Unless otherwise stated, this is the total dividend in respect of the year, comprised of the interim dividend and the proposed final dividend. This differs from the IFRS dividend, which is comprised of the prior year final and current year interim dividends declared and paid during the year.

### Transition risks

Reflect the risks stemming from changes in the economy that will be required to limit human-induced climate change, including changes in demand for goods and services, costs to companies, sectors or asset classes. These may result from new or enhanced corporate climate change laws and regulations, changes in demand for climate-focused products, and more volatility in financial markets as asset prices adjust to reflect the increasing regulation of carbon emissions.

The paper used in this report is produced using virgin wood fibre from well-managed, FSC®-certified forests and other controlled sources. All pulps used are elemental chlorine free and manufactured at a mill that has been awarded the ISO 14001 certificate for environmental management. The use of the FSC® logo identifies products which contain wood from well-managed forests and other controlled sources certified in accordance with the rules of the Forest Stewardship Council®.

Printed by an FSC® and ISO 14001 certified company.

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[fensemblestudio.com](http://ensemblestudio.com)