Annual Report and Accounts 2022

Schroders

Strategic report

Governance

Financial statements

Shareholder information

Key performance indicators (KPIs)*

KPI This year, we have embedded KPI disclosures throughout the strategic report, providing explanations in context with the relevant content. We have also added a new KPI, portfolio temperature score, given the strategic importance of our climate strategy to our business.

KPIs are identified throughout the strategic report using the symbol above.

Client investment performance

73%

2021: 79%

For more information, see page 7

Basic operating earnings per share*

37.4p

2021: 43.0p

For more information, see page 35

Net new business*

-£7.6bn

2021: £37.3bn

For more information, see page 8

Net operating income*

£2,476m

2021: £2,520m

For more information, see page 34

Assets under management*

£737.5bn

2021: £766.7bn

For more information, see page 10

Retention of highly-rated employees

94%

2021: 94%

For more information, see page 30

Dividend per share*

21.5p

2021: 21.4p

For more information, see page 5

Portfolio temperature score

2.6°C

2021: 2.8°C

For more information, see page 27

See our glossary on page 202 for definitions of our KPIs.

* Our KPIs have been updated following the change to the presentation of our income statement, see page 35, and following the simplification of the dual share class, see page 63. Prior year numbers have been restated here and throughout the report.

Our Annual General Meeting (AGM) will be held as a hybrid meeting at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 27 April 2023 at 11:30am.

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.

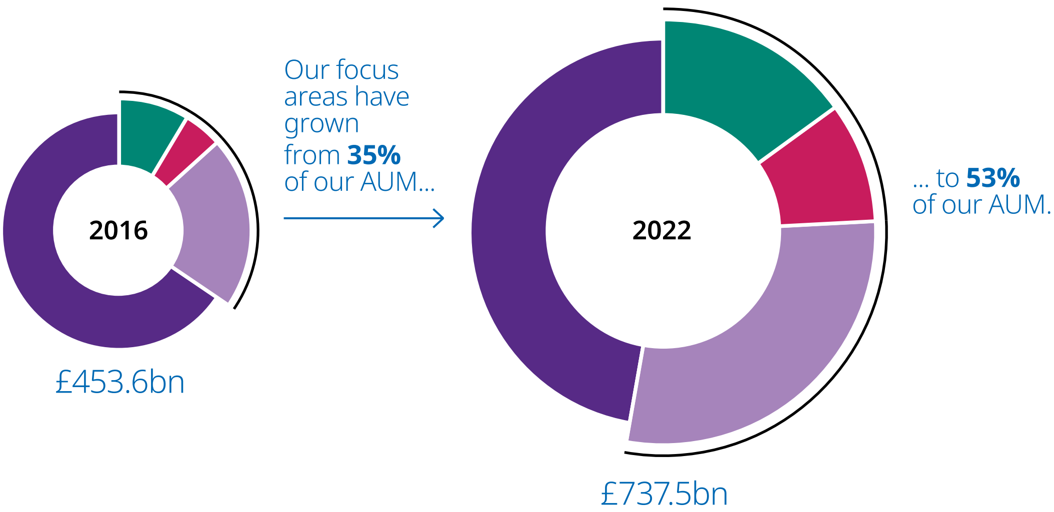
Funding the future is a privilege; we use it wisely and responsibly.

A number of years ago, we recognised the external forces that were causing significant disruption to traditional asset management. In response, we sought to expand our business into areas with greater client longevity, higher margins and where we believe we can deliver the best returns for clients.

Today, we have succeeded in reshaping our business. We are one of only a few investment managers with a truly global reach, distinctive set of advice and investment capabilities, and recognised leadership in sustainability.

We have built a complete private asset business, continued to grow our public asset offering, placed greater focus on delivering solutions for our clients, expanded our wealth management offering across the wealth spectrum and developed our network of global partnerships.

Assets under management



Schroders Wealth Management

For more information, see page 18

Schroders Capital

For more information, see page 20

Schroders Solutions

For more information, see page 22

Schroders Investment Management

For more information, see page 24

We are a global investment manager offering a distinctive set of advice and investment capabilities.

Our clients seek advice to help them with a range of complex challenges. By building trusted partnerships with them, we are able to nurture deeper, long-lasting relationships. Our business is organised across two segments – asset and wealth management – with four distinct business offerings.

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

Schroders Wealth Management offers advice across the wealth spectrum through our various brands.

Schroders Wealth Management

£111.4bn AUM

We offer investment, advisory and platform services to individuals, family offices and charities where relationships are deeper and longer lasting.

We generate revenue from: financial planning and advice, platform fees, and management fees where clients invest into our funds.

Joint Venture*, £13.3bn

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

* Included within the business AUM presented above.

Our clients cover:

- Ultra-high-net-worth
- High-net-worth
- Affluent
- Mass Affluent

For more information, see page 18

Schroders Capital

£68.3bn AUM

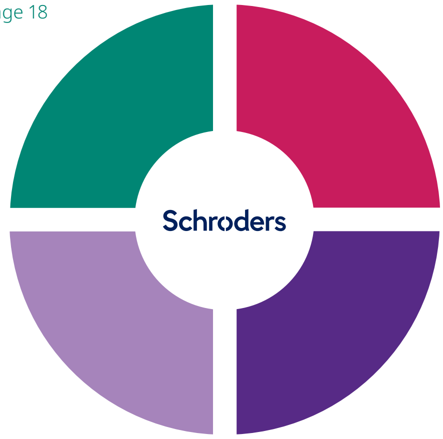
We offer clients access to alternative sources of return. Compared with publicly listed assets, revenues are typically more stable and client relationships longer.

Our clients primarily include institutions, although increasingly we are extending this capability to individuals and pension funds with some key new mandates.

Our strategies cover:

- Private debt
- Private equity
- Infrastructure
- Real estate
- Alternatives

For more information, see page 20



Schroders Solutions

£210.2bn AUM

We offer advice and solutions, working in partnership with pension funds, financial services and other large institutions.

Through deepened relationships we build bespoke investment solutions and strategies, designed to meet complex needs through Fiduciary and Liability Management, and other investment management services.

Our strategies cover:

- Fixed income
- Equities
- Multi-asset
- Risk mitigation

For more information, see page 22

Schroders Investment Management

£347.6bn AUM

We offer deep investment expertise across all asset classes to a range of clients. We make our products available to retail investors through our mutual funds business.

Our global presence allows us to connect with clients around the world.

Joint ventures and associates*, £107.7bn

We partner with local champions, including Bank of Communications in China and Axis in India, to access high growth markets.

* Included within the business AUM presented above.

Our clients include:

- Insurance companies
- Pension schemes
- Charities
- Sovereign wealth funds
- Fund platforms

For more information, see page 24

Enabled by our deep investment expertise across all asset classes

We have highly specialised teams across public and private markets, and we increasingly bring this expertise together to provide complete solutions for our clients.

By asset class (£ billion)

Private Assets and Alternatives	68.3
Fixed Income	143.0
Equities	225.3
Multi-Asset	189.5
Wealth Management	111.4

Strengthened by sustainable leadership

We see sustainability as a key differentiator for our business and a key source of client demand. We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

See page 203 for more information on the integration of ESG factors.

Portfolios with SustainEx™ score above their benchmark

86%

(for portfolios to which these scores can be applied)

MSCI ESG Rating

AAA

putting us in the top 13% of our sector

(2021: AAA, 3%)

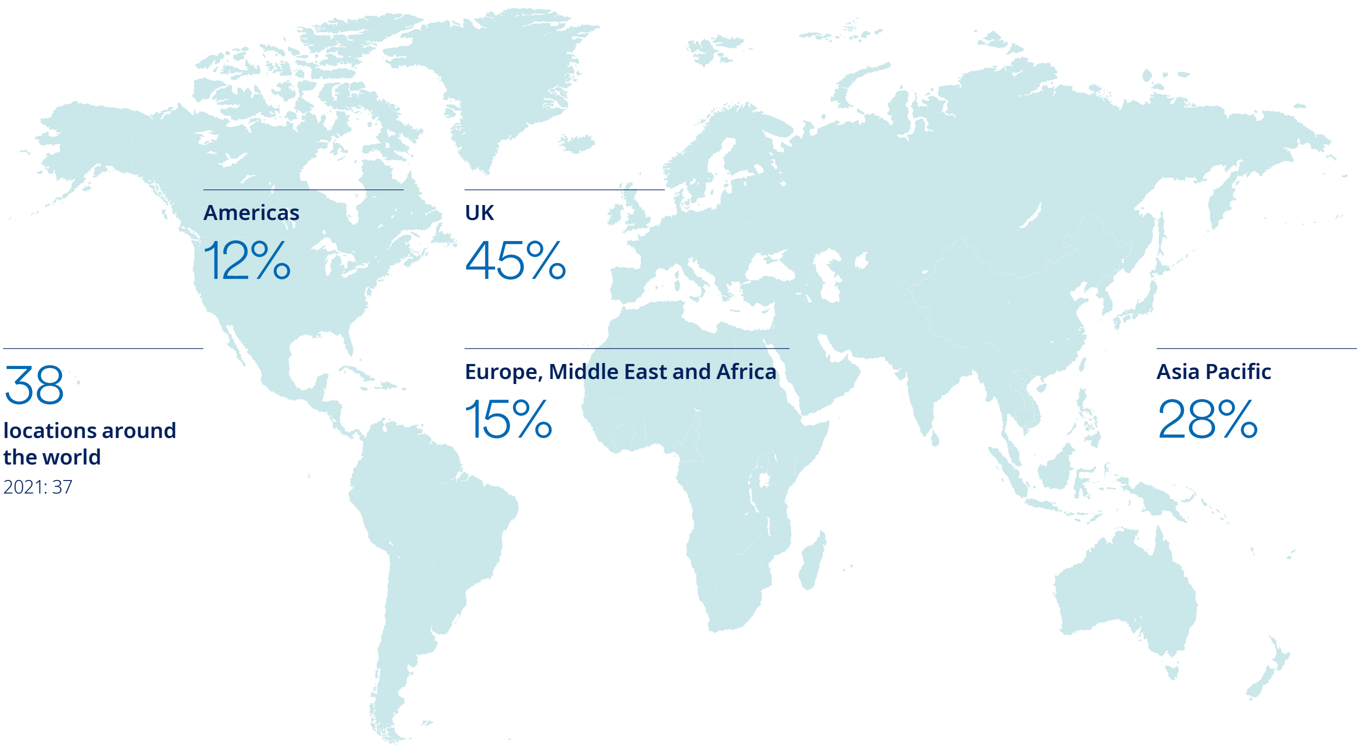
For more information, see page 26

Serving clients across the world and supported by our strategic partnerships

Our global presence enables us to reach clients and meet their distinctive needs regardless of their geographic location. We also access high-growth markets through our strategic partnerships with champion brands.

Long-standing presence in all key global markets

Assets under management, by client domicile



38

locations around the world

2021: 37

Our strategic partnerships

交银施罗德 BOCOM Schroders · Schroders personalwealth · 施罗德交银理财 Schroders BOCOM Wealth · AXIS MUTUAL FUND · HARTFORDFUNDS Our benchmark is the investor.® · NISSAY

A company that always thinks long term

We have the right strategy and the talent to deliver it

It is my pleasure to present this first annual report since I became Chair in April last year. Schroders, as one of the world's leading active managers, performs a crucial trusted role for our clients, the intensity of which only gets magnified during periods of economic turmoil and geopolitical uncertainty. 2022 was a challenging year for everybody with markets and returns dramatically impacted.

I was pleased and heartened by Schroders response, as our strategy and resilience were tested and proven.

I have been impressed with the dedication and determination of the remarkable people here at Schroders and the way in which the company has responded, on our clients' behalf, in a volatile year. Under the high quality leadership of our executive Directors, Peter Harrison and Richard Keers, the company has held true to serving clients and delivering our strategy.

Asset prices experienced significant fluctuations during the year, and with all metrics impacted by lower bond and equity markets, our financial performance was affected. Operating profit was £723.0 million, down from £841.0 million in 2021. Profit before tax was £586.9 million (2021: £764.1 million). Assets under management ended the year at £737.5 billion (2021: £766.7 billion), principally due to lower bond and equity markets. These are resilient results in the circumstances and testament to our strategy of diversification and staying close to our clients. Our capital position also remains strong.

The Board is therefore recommending a final dividend of 15.0 pence per share (2021: 14.9 pence), bringing the full year dividend to 21.5 pence (2021: 21.4 pence). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 4 May 2023 to shareholders on the register on 24 March 2023.

Global Markets have started 2023 on a more optimistic note in anticipation of an economic recovery later this year. We of course welcome the improvement in sentiment but recognise that markets are likely to remain volatile given continuing levels of uncertainty in the outlook. Our strategy of diversification positions us well.

Strategy, talent, culture and clients

A demanding environment inevitably puts greater strain on a company and it is at precisely these times that strategy is tested. I am pleased to report that our strategy helped place us in a resilient position to continue to deliver for all our stakeholders. We are putting even more emphasis on building closer relations with our end clients, continuing to focus on developing distinctive capabilities in our asset management business, and have expanded further our private assets business.

Throughout this annual report you will read more about our strategy: what it is, why it makes us different and how we are delivering on it both now and will in the future. Strategy has been a key focus of our Board discussions over the past year, culminating in our offsite meeting in November.

During this the Board fully endorsed continuing with the strategic direction that has been pursued since 2016 and the three pillars on which it is based, while increasingly taking advantage of technological innovation to enhance our offering to clients and maintain cost discipline. The acquisitions of recent years, including those completed in 2022, all support this drive. Sustainability is something we see as integral to each of our strategic pillars and our goal is to become a leader in this field.

I have now been on the Board for almost 18 months and I am grateful for the warmth of the welcome I have received. Through my induction I spent many hours not just with the executive team but also with many other employees. I have been impressed by the rich and diverse talent we have across our businesses. Understanding the views of our people is essential in helping the Board understand the culture of the organisation and make the right long-term decisions. With the relaxation of travel restrictions, the Board was able to go overseas for the first time since 2019 and we experienced at first hand the enthusiasm and professionalism of our colleagues in New York.

Schroders has long held a reputation for putting our clients at the heart of everything we do and I have now been able to experience this at first hand. It is core to who we are and what we do and the Board fully recognises that we must protect this reputation.

In all our Board discussions, the needs of our clients and wider stakeholders are seen as paramount. Delivering consistently for our clients in a volatile and uncertain market will deliver long-term shareholder value. We have the right strategy and the talent to deliver it.

Simplifying our share structure

In September we completed the simplification of our share structure by enfranchising our non-voting shares. Now all shareholders have the same rights. This was a major step for the Company and was undertaken after significant consultation with shareholders. Holders of both classes of shares overwhelmingly supported our proposals. We could not have achieved enfranchisement without the support of our Principal Shareholder Group. Despite their voting rights being diluted by enfranchisement, their support for the proposals as being in the Company's best interests demonstrated their long-term commitment. This is a major strength as we move forward.

The Board

As the Company evolves, so does the Board and there is more on how we are doing this in our Nominations Committee report. We said farewell to our previous chair Mike Dobson at our Annual General Meeting in April after 21 years and I would like to thank Mike for his support and guidance as I prepared to succeed him in the Company. In July we welcomed Paul Edgecliffe-Johnson to the Board. Paul brings significant strategic and financial expertise along with global business experience. Damon Buffini will leave the Board at the Annual General Meeting in April after five years. We have benefitted enormously from Damon's experience, particularly in private markets. We are very sorry to see him go but fully appreciate the need for him to focus on his new role as Deputy Chair of the BBC. The search for Damon's successor is well advanced.

Looking forward

High levels of macro uncertainty are likely to continue. That said, delivering our strategy and excellence in performance is what Schroders has always done and will continue to do. What I have found since joining the Board has reinforced what I always believed about Schroders; it is a Company that thinks and acts for the longer-term benefit of its clients, shareholders and other key stakeholders.

Taking over as Chair of your Company has been an enormous privilege and also hugely enjoyable. This is principally due to the quality of the people within Schroders and their infectious drive to take the Company forward. I am grateful to them for all they do and also for the support of my colleagues on the Board as collectively we look to the future.

Dame Elizabeth Corley
Chair

1 March 2023

KPI

Dividend per share (pence)

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 recommends 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 57%.

Robust results, resilient performance

I am heartened that we lead in opening up new investment frontiers

Schroders Capital gross fundraising

£17.5bn

(2021: £12.4bn)

Schroders Wealth Management NNB

£5.6bn

(2021: £6.1bn)

2022 will be remembered for the slew of challenges that confronted society. It was the year that war returned to Europe and inflation reached a 40-year high, sparking a once-in-a-generation crisis in the cost of nearly everything. Amid such acute pressures, geopolitical tensions worsened and political divisions inevitably widened.

For companies, it was a test of financial strength, of strategy, and of how they responded in supporting their people.

I'm proud of our response. Schroders performed and acted as it should when clouds darken. The strength of our employee value proposition is perhaps why the 'great resignation' never came to Schroders.

It is in times like these that I'm glad Schroders is a committed active manager. More than ever, our fund managers have engaged with companies and challenged their strategies, sharing our own data on everything from climate change to employee wages. Our considerable investment in sustainability – in active ownership teams, in proprietary tools – gives us a deep understanding and therefore an investment edge. Fast forward to the present day and we have a sizeable, scaled sustainability capability which is a real competitive advantage.

In an exceptionally tough year for markets, our revenues and profits were inevitably affected but I am pleased with the relative performance of our core business.

I'm equally pleased with the speed at which we continue to move to areas of the industry where relationships with clients are deeper and longer lasting. Importantly, our strategy kept moving.

Most notably in 2022, we completed two major acquisitions: we bought a majority stake in Greencoat Capital, now an important component of Schroders Capital, so that we could offer our clients ownership of renewable energy assets, and we combined River and Mercantile's solutions business with Schroders Solutions to bolster our advice capabilities and better solve the complex challenges faced by clients.

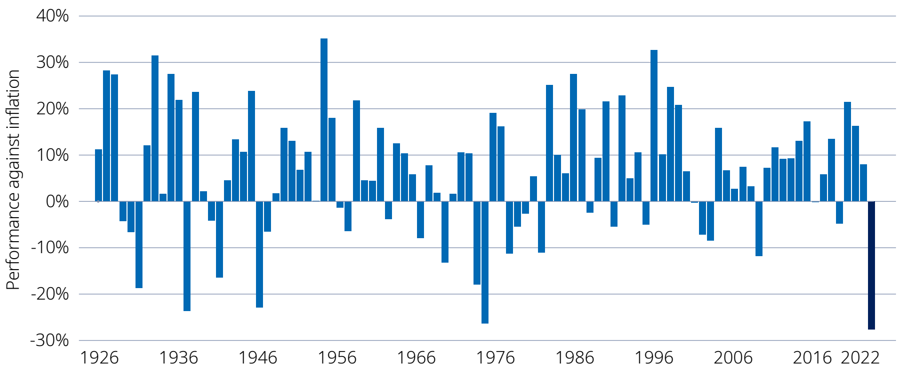
Markets in 2022 served up a reminder of the need for true diversification. It was the year that equities and bonds crumbled simultaneously, defying the convention that when one falls, the other rises. The classic portfolio combination of 60% equity and 40% bonds had its worst year in nearly a century, as research from our Strategic Research Unit makes abundantly clear in the chart on the next page.

Clients responded by investing in assets they may previously have not considered. In equities, our energy transition strategies saw the greatest demand. Investors want choice and they want to back the trends they believe in. There is a growing desire, and need, to fund the world's transition to carbon net zero.

The company is a leader in opening up these new investment frontiers to clients, not just through our thematic funds and the wind turbine projects of Schroders Greencoat, but also with natural capital products that will reward investors for helping to protect rainforests in Asia.

The measure of a corporate strategy is how it navigates a company through the hardest of environments while maintaining a promised long-term trajectory. This report sets out in detail how and why Schroders' strategy met that test in 2022.

A portfolio of 60% equities and 40% bonds underperformed inflation by the most in almost 100 years



Equities are US large cap equities, bonds are long-term US government bonds. Data to 31 December 2022.
Source: CFA Institute, Schroders, Refinitiv.

KPI

Client investment performance (%)

Our objective

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

How we performed

73%

We again delivered strongly for our clients with 73% of assets outperforming their relevant comparator over three years and 76% outperforming over five years. We have been above our target for the previous five years.

Our financial performance

Our revenues and profits inevitably felt the effect of lower bond and equity prices but benefitted from our diversification and our pivot towards quality growth areas. Our core business performance is reflected in our net operating revenue excluding performance fees and net carried interest figure. This increased 1% to £2,301.9 million, despite the challenging market backdrop in 2022. Our operating profit was lower than last year's record high, ending the year at £723.0 million.

Considering the difficult environment, we started the year well compared to our peers. At the half year we generated net new business (NNB) of £8.4 billion and saw NNB of a further £1.0 billion in the third quarter. The fourth quarter saw a reversal, driven by a global risk-off sentiment, while in the UK we navigated a crisis in the gilt market. In the end, 2022 saw net outflows of £7.6 billion, or £1.6 billion excluding joint ventures and associates.

We strive to provide excellent investment performance to our clients through active management. That's our bread and butter and also what drives our financial performance. I'm pleased that we again delivered strongly for our clients with 73% and 76% of assets outperforming their relevant comparator over three and five years respectively. Furthermore, 86% of our public market AUM had a better SustainEx™ score than their benchmark. This measure shows the impact our investments have as we act as the stewards of clients' assets.

Our strategic plan, now in its seventh year, continues to drive us forward.

Our long-term strategy

We have three strategic areas of focus: building closer relationships with end clients; growing our asset management business through providing solutions, leadership in sustainability and geographic expansion; and expanding our private assets business.

This strategy is effective because it pivots our business towards quality: higher margin, higher growth areas, and increasingly into areas where relationships with clients are stronger and longer lasting. Our competitors have seen the merits of this approach and have embarked on a similar path. Our advantage is that we are well progressed, having set course in 2016.

These strategic areas of focus apply across our firm and are executed via the businesses we have built: Schroders Wealth Management, Schroders Capital, Schroders Solutions and Schroders Investment Management. Each has significant market presence in its own right. The true value is unlocked by housing these businesses under one roof; the whole is greater than the sum of the parts. All Schroders Solutions clients have access to the private assets capabilities of Schroders Capital, for example. By deepening relationships with clients, we improve the Schroders experience and we strengthen our business.

KPI

Net new business (£ billion)

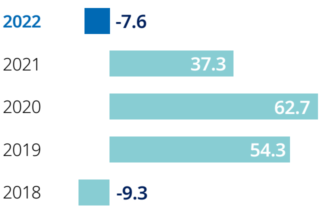
Our objective

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

How we performed

-£7.6bn

Overall, total net flows were -£7.6 billion for the year. Excluding our joint ventures and associates total net flows were -£1.6 billion. In 2022, the two strategic growth areas of Schroders Wealth Management and Schroders Capital contributed strongly, with £5.6 billion and £6.4 billion of net flows respectively.



The chart, below, shows our net new business split by business and how our combined strategic growth areas have positively contributed. Schroders Wealth Management had a good year, together with a number of our private assets businesses. Had we not embarked on our strategic shift several years ago, our results would have looked very different.

Schroders Wealth Management

Over the years we have built a broad wealth management platform, advising clients across the spectrum of ultra-high-net-worth, high-net-worth and affluent clients, and provide a technology-driven platform for financial advisers in the business-to-business space. Schroders Wealth Management generated an impressive £5.6 billion of net new business in 2022.

This success is a result of a combination of factors. Firstly, we have a strong portfolio of wealth brands including Cazenove Capital and Benchmark, together with our Lloyds Banking Group joint venture, Schroders Personal Wealth, that are delivering very competitive investment performance versus peers. This is leading to higher inflows and lower attrition levels. Secondly, there has been strong growth in UK charities where our sustainability expertise has been very well received, particularly in the university sector. Sustainability has been an important theme in private wealth where families are becoming more focused on the impact of their investments. We've also seen strong growth from our expansion of regional hubs in Birmingham, Leeds, Bristol and Manchester.

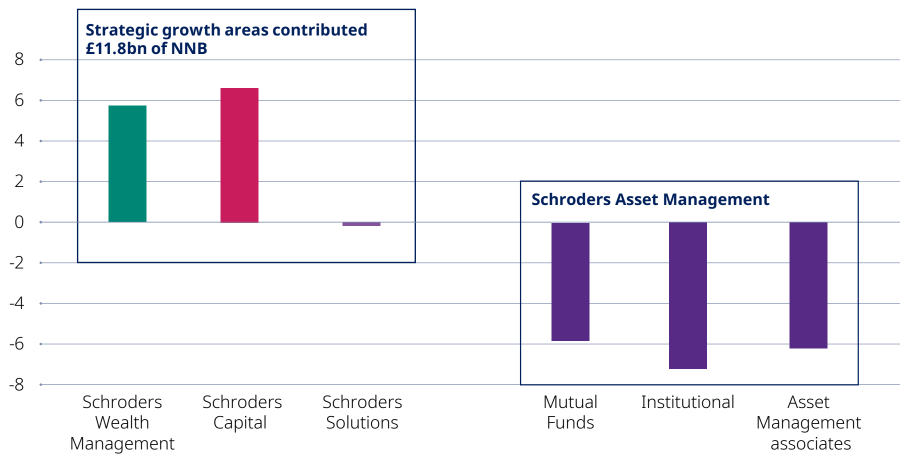
Schroders Capital

Our private assets business has undergone considerable change in both size and composition. In 2016, we managed around £20 billion, predominantly consisting of real estate, securitised credit and private equity. Through a targeted programme of bolt-on acquisitions and complementary organic investment, we now have a complete business offering private debt, private equity, infrastructure, real estate and alternatives. Schroders Capital ended the year with £68.3 billion of fee earning assets under management and generated £17.5 billion of gross fundraising, with NNB of £6.4 billion in 2022, despite the challenging environment.

The chart on page 9 shows the success of our acquisition strategy; we have nearly doubled the £24.6 billion of assets under management that we have bought since 2016. To take our private equity franchise as an example, we bought Adveq (now Schroders Capital private equity) in 2017 when it managed £6.0 billion. It was a solid business led by great people but to accelerate growth it needed access to a strong brand, an efficient and effective product development machine and global client reach. Providing this meant that we could grow the assets by 90% to £11.4 billion and win some sizeable mandates across Europe last year. Most notably, we were awarded a mandate by Nest, a workplace pension scheme set up by the UK Government. Its 10 million-plus members now have access to private equity for the first time.

Last year, we bought a majority interest in Greencoat Capital, a green infrastructure manager adding £7.7 billion of assets and contributing £0.5 billion of NNB. This is an attractive proposition for many of our clients amid the drive toward net zero.

Net new business (£ billion)



Becoming a true trusted adviser is the next phase of our strategy

We foresee a multitude of opportunities to grow the business in both Europe and the US. We also acquired Cairn Real Estate in the Netherlands, completing the jigsaw of a pan-European real estate capability.

We have also expanded the geographies we operate in. We now have more Schroders Capital AUM in Europe than in any other region. The democratisation of private assets is a very live conversation for many European distributors, with the rollout of European Long-Term Investment Funds, or ELTIFs, and we are well-placed to partner with them given the breadth of our Schroders Capital offering.

Public markets remain out of favour. McKinsey research has shown that the number of US company listings dropped by over 25% between 2000 and 2020. That trend is inhibiting the opportunities for active managers and forcing talent into private markets. In a world where disruption is accelerating, capital needs to be agile and be deployed more quickly. Private markets will likely have a better chance of succeeding in that environment. The ability to see across public and private will prove incredibly valuable for us.

Schroders Solutions

We successfully navigated the gilt crisis despite only having acquired River and Mercantile's solutions business at the beginning of the year. I personally witnessed the Herculean efforts of our teams when markets were most febrile and I know how well we communicated with clients and their consultants during times of need. We experienced short term redemptions as our clients derisked their portfolios, but our actions during the crisis give me great confidence that we have the opportunity to grow our market share amongst UK pension funds considerably.

It is widely known that our plumbing, the speed at which we could respond, worked and that there were clear benefits from being both a fiduciary and an asset manager for some clients. More clients will want such a full partnership in the years ahead.

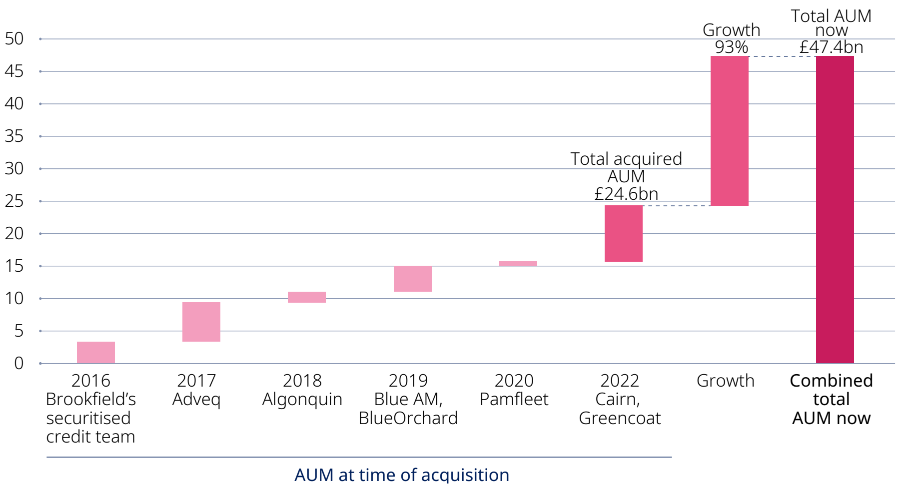
The new clients that have partnered with Schroders Solutions in 2022 is a roll call of industry leaders – from Lloyd's of London to UK energy giant Centrica. I am confident that the list of future clients will be equally impressive.

Schroders Investment Management

Our public markets business areas, Institutional, Mutual Funds and our activities in India and China via our associates, are exposed to greater cyclicality than our other businesses. The risk-off environment inevitably affected new business growth for our core, albeit we outperformed peers, primarily due to strong demand for thematic funds. Mutual fund net outflows were £5.9 billion which was mostly due to outflows from fixed income products. Our Institutional business saw some larger mandate losses in the first half of the year due to several clients restructuring their asset allocations, but benefitted from the flows gathered by our Wealth Management Company in China. The new partnership ended the year as the number one Wealth Management Company in terms of flows last year. In total, Institutional net outflows were £7.3 billion.

Our position in China is very well regarded and our growth prospects remain compelling. It is the world's second-biggest economy and an important market; we can bring our experience to the benefit of millions of families seeking to provide for their futures. It should also be noted that China is a leader in low-carbon technologies; companies at the forefront of innovation need capital.

Development of acquired AUM in Schroders Capital (£ billion)



KPI

Assets under management (£bn)

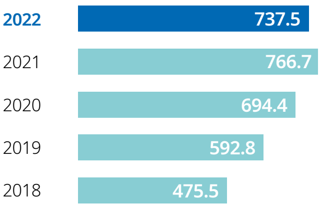
Our objective

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

£737.5bn

At the end of 2022, AUM stood at £737.5 billion. Our strategic acquisitions contributed £52.0 billion, while investment performance and currency movements decreased AUM by £73.6 billion. Net new business decreased total AUM by £7.6 billion.



Across our whole business, it becomes more evident each year that investment decisions must be based on three dimensions rather than two: risk, return and the impact these investments have on people and planet. More clients want to understand what is under the bonnet of our products; they want better reporting on sustainability and transparency on impact.

We measure impact through SustainEx™, our proprietary investment tool designed to quantify the positive contributions and negative impacts companies have on society. The tool helps analysts, fund managers and clients measure and manage those social and environmental impacts and risks more effectively. The chart, overleaf, shows how the percentage of our AUM with a better SustainEx™ score than their benchmark has increased over the past two years. The tool also allows wealth clients to receive a SustainEx™ score on their portfolios.

We remain focused on developing products of utmost relevance to clients. We have, in fact, launched more than 130 products over the last three years. As a result, we have avoided large outflows; we have evolved to meet our clients' ever-changing needs. On energy transition, for example, we effectively repurposed our existing team to create a market-leading capability which now manages £2.3 billion of assets.

Similarly, part of our real estate team has branched out so that now we have a smart global cities equities capability with £2.2 billion of assets. Energy transition, smart cities, food and water – these are what many of our clients care about and our product set is evolving to meet that demand.

The future of client relationships

Becoming a true, trusted adviser is the next phase of our strategy. We have built the platform, now we need to take its full capabilities to every client. This is not an adjustment to the model but a reinvention of the way we work. In mindset, we are moving from a 'distribution model' to a 'client-centric model'. At its most literal, we have recently reshaped our Distribution division and renamed it the Client Group.

Asset managers who retain a mindset of pushing products to clients will fall behind. Those that move rapidly to become a trusted adviser and solutions provider, as we are doing, will resonate with clients.

Because of what we have already built, we have an advantage: the multi-dimensional nature of our business makes it easier for us to help with an array of client problems. It also opens up new opportunities. Because we had a wealth business, we were easily able to enter into a banking distribution model, for example, something that most of our peers would have found impossible. We often find ourselves pitching for business where only two or three firms have the capabilities to solve a difficult client problem. We are pitching and we are winning.

This dovetails with our strategy of building longer-lasting relationships. The rise of the investment platform has significantly smoothed the process of switching assets between funds. In the UK for instance, the uncomfortable reality is that the average retail client now moves to a new manager after less than four years, leaving firms locked in a constant, and intensifying, battle to onboard new clients.

Moving that average up by just one year will significantly improve a company's long-term growth rate, and pivoting our business mix to higher longevity areas has allowed us to do just that. The more we have offered services clients want and need, the stickier our asset base has become. The length of time a client stays with us is increasing.

Sustainability: being bold

I also have no doubt that our clear and bold position on sustainability will increasingly be viewed as having been the right one. For us, it is a question of returns. We challenge companies to do the right thing by all stakeholders, to mitigate risk and to protect their future profitability.

It is on climate change that we have been boldest. In February, we were the largest asset manager in the world to have our greenhouse gas emission reduction goals formally validated by the Science Based Targets initiative (SBTi).

This is not just our own emissions but also 'financed emissions' – those arising from the companies in which we invest. It is a polarising topic, and it was perhaps inevitable that in the US, perhaps the most polarised of countries, we would attract some mire. The states of Texas and Kentucky added Schroders to the shortlist of asset managers that they will boycott.

I have no regrets. It is our fiduciary duty to understand how the world is changing and use this knowledge to protect the wealth of clients. We have made commitments to net zero as a corporate and we will work tirelessly to meet them. As stewards of capital, we will continue to analyse the risks posed by climate change and help companies to navigate them.

Business implications arise from this position. Sometimes there will be new client opportunities we can't win, but for the remainder we will have an edge – our forward thinking on climate change.

Some of the market headwinds we have experienced will not dissipate quickly in an era of quantitative tightening, yet so much remains in our favour: our clear strategy, our strong market positions, our diversification across geographies and clients and our trusted brand. Innovation is also crucial to our success. We are determined to develop tokenised products as we aim to make more of the world's assets accessible and investible.

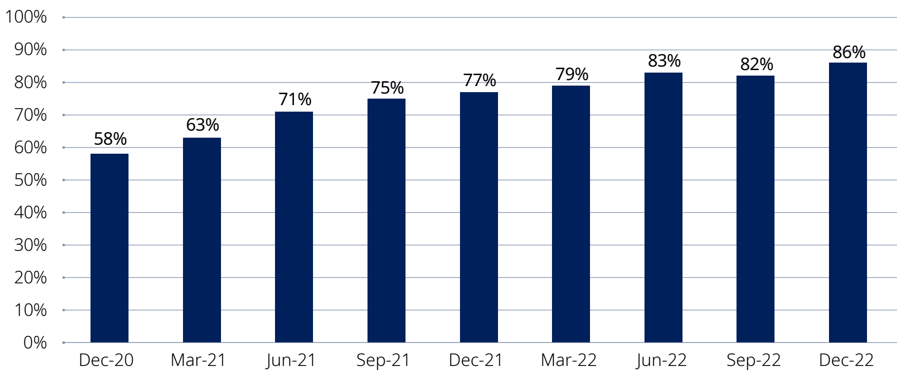
Finally, it is our people who give me most reason for optimism. We retain, nurture and attract the industry's best talent and most diverse thinkers. In fact, 96% of our people are proud to work at Schroders.

We have made the right investments in our people and in our platform and I am confident that we will continue to deliver for all our stakeholders in 2023 and in the exciting years ahead.

Peter Harrison
Group Chief Executive

1 March 2023

AUM with better SustainEx™ score than benchmark



Weighted average across in-scope AUM managed by Schroders; excludes Schroders Capital and certain other portfolios and businesses, for example where measurement is not practicable due to insufficient data coverage. May include double counting of AUM for certain portfolios.

Strategic context

Our industry is evolving rapidly and we remain alert to a range of external forces which are disrupting our business model. Anticipating changes before they materialise allows us to respond to protect our business model and seek opportunities for revenue growth. The need for capital markets to provide returns has never been greater, with growing global wealth, more people living into old age and the need for savings to support them beyond their working lives. Furthermore, businesses need capital for innovation, growth and to fund the transition to a carbon-free global economy.

Evolving developed market composition

- Decline of public listings globally
- Investors seeking alternative sources of return

The number of **publicly listed firms** is declining. In the US for instance, McKinsey analysis found that the number of public-company listings dropped from about 5,500 in 2000 to about 4,000 in 2020. Moreover, businesses are typically floating on public markets later in their life cycle, which reduces opportunities to access investment returns from public markets alone.

Historically, **private assets** have been harder to access for most private investors because of the long-term investment return horizon and fund structures compared to traditional listed asset classes. Private markets today represent around 9% of the global market and demand remains strong. Regulation about who can hold private assets is loosening, and innovation in new fund structures, products and the potential of technology are opening up access for more investors.

How we've responded:

- Prioritised the organic build out of our private asset capabilities
- Completed targeted private asset acquisitions

Link to strategy

Expanding our private assets business

Pricing pressures

- Passively managed products taking market share
- Pricing pressure

The demand for investment products which **passively track a market-weighted index** has continued to grow, outstripping active management strategies. While this trend was previously largely confined to equities, it is now being seen in fixed income too. This has led to a smaller pool of capital being allocated to active strategies, causing increased competition on price and driving down fee margins.

At the same time, the **cost of doing business is increasing**. Additional cost is introduced as we ensure we meet evolving standards of transparency and disclosure in line with changing regulation. Our focus on the safety of both our clients' investments and our brand remains paramount, and is reflected in our continual investment into cyber security. Market data and software costs are sensitive to rising inflation. These additional costs threaten to erode the profit our business makes.

How we've responded:

- Focus on 'value-add' services, such as advice, solutions and thematics
- Invested in a scalable operating platform and embarked on our transformational Cloud migration programme
- For more information see page 35

Link to strategy

Growing asset management

Changing investor needs

- Increasing importance placed by investors on the environmental and social aspects of capital allocation
- Shift towards 'core-satellite' portfolio construction

Environmental, social and governance (ESG) considerations are playing an increasing role in investment decisions across Schroders. We continue to develop our global product range in response so that it meets the needs of investors as well as rapidly evolving regulatory demands.

The **energy transition** is also set to be an important source of growth. The Ukraine conflict has accelerated the investment in renewables. The US announced $369 billion of spending on energy security and climate change in the Inflation Reduction Act.

Investors are increasingly favouring a **core-satellite portfolio approach**, allocating a 'core' portion to low risk, low fee investments, for instance index funds. Additional allocations are made to actively managed strategies to gain targeted exposure to specific markets where alpha is more readily available, for example emerging markets or thematics.

How we've responded:

- Integrated ESG factors across our portfolios of managed assets
- More than doubled our Sustainable Investment team over the past two years
- Developed a comprehensive Thematic product range

Link to strategy

Growing asset management

The trends outlined on this page are aligned to the strategic risks outlined in our risk disclosure. For more information, see pages 40-45.

Global differences in market trends

- Growth in Asia
- Demographic changes

Since 2010, **growth of AUM in Asia** has outpaced developed markets. The latest IMF projections show the Emerging and Developing Asia region is expected to continue to outperform with real growth of 5.1% in 2027 versus 1.7% for the Advanced Economies. India and China play a significant role in this performance. Recent changes in foreign ownership rules increase opportunities for investment managers from outside China.

A number of **emerging markets** are experiencing material **demographic changes**. For instance, in Latin America savers are forced to work their money harder, given the aging population and the move away from state-funded retirement.

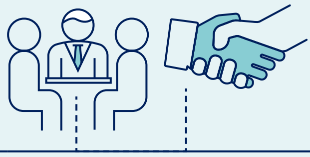
These factors present opportunities to establish market share. Market participants must ensure their approach factors in potential risks, including geopolitical tensions.

How we've responded:

- Leveraging our long-standing partnership with Bank of Communications in China
- Geographic expansion Latin America
- Standing up local investment teams to ensure deep understanding of markets

Link to strategy

Growing asset management
Building closer relationships with clients



Demand for advice and solutions

- Wealth creation across the UK
- UK advice gap
- Changes in demand from products to outcome-oriented solutions

The **UK high-net-worth segment** has benefitted from thriving entrepreneurial activity over the last decade across the country. A number of entrepreneurs have exited their businesses as a result of private equity transactions. This led to a new wave of high-net-worth individuals outside London and the South East.

UK regulation banned commissions in 2012, leading to a drop in the number of financial advisers in UK of nearly 200,000. This left affluent consumers without access to financial advice, commonly referred to as **'the advice gap'**.

Many institutional investors are looking for **specialist investment solutions** or even to outsource their day-to-day investment activities to streamline governance processes or satisfy stakeholder demand to meet sustainability goals.

How we've responded:

- Expanded our presence in the regional UK wealth market
- Launched our joint venture with Lloyds, Schroders Personal Wealth
- Acquired River and Mercantile's solutions business

Link to strategy

Growing asset management
Building closer relationships with clients

Opportunities

12%

Asia's AUM compound annual growth rate (CAGR) since 2010, compared with 7% CAGR in developed markets[1]

Advice gap

Financial advisers in the UK dropped by nearly 200,000 between 1991 and 2021[2]

$17 trillion

The expected AUM in private markets by 2026, of which $3 trillion will be contributed by currently under-allocated retail investors[3]

1. BCG, BNP Paribas Exane.
2. Polarisation and Financial Services Regulation, FSA 2000; Financial advice firms in 2020 – Platforum, 2020.
3. Oliver Wyman, Morgan Stanley Research.

Our strategy

In response to industry disruption, we are focused on growing our revenues by expanding into areas that bring us closer to clients and their needs.

We recognised early that we needed to change – to increase the length of client relationships and generate higher lifetime earnings from those relationships. We also identified the need to diversify into areas of our industry that are seeing higher growth and to expand our global footprint.

We have pursued these goals by focusing on three priorities across our business:

Build closer relationships with clients: Developing trusted-adviser relationships that promote longer client relationships and more sustainable margins, particularly through Schroders Solutions and Schroders Wealth Management.

Expand our private assets business: Meeting the increasing client demand and help us generate more stable, long-term revenues that are less exposed to fee pressure, through our Schroders Capital offering.

Grow asset management: Focusing on differentiated investment capabilities in areas of demand, such as sustainability and thematics, and in higher growth markets, such as China and India. We offer these capabilities across the Group.

Where we stand today

By focusing on our three strategic priorities, we have built four strong businesses – **Schroders Wealth Management, Schroders Solutions, Schroders Investment Management and Schroders Capital**. Each business has significant market presence in its own right. But combined they offer a valuable opportunity to take more of our capabilities to more of our clients.

We are now able to offer a broad set of investment management and advisory services for individuals, families and institutions across public and private assets. The challenges our clients face to meet their long-term investment goals are considerable. Being able to answer those challenges under one roof is a powerful and distinctive proposition.

Our strategy is enabled by sustainable leadership

Sustainability is embedded throughout our strategy because we believe it is how we can deliver long-term value for clients and all stakeholders. We see demand for sustainable investment as a driver of new business. As an active investor, it is also important to lead by example – so we focus on being true to our purpose in every aspect of our operations.

Looking ahead

We have largely built the capabilities we need to meet our strategic goals. Our focus in the coming years will be on clients' increasingly complex needs, as well as growing our private assets and wealth businesses, which have significant positive potential.

Our three strategic priorities are delivered through four principle businesses that form the Group:

Schroders Wealth Management

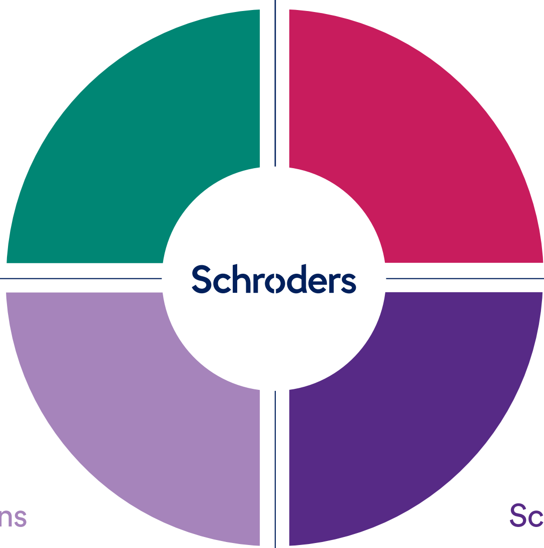
Building long-lasting, sometimes multi-generation relationships with clients.

For more information, see page 18.

Schroders Capital

Seeking more stable, long-term revenues by expanding our private assets business.

For more information, see page 20.



Schroders Solutions

Establishing deeper, trusted-adviser relationships with larger, complex clients.

For more information, see page 22.

Schroders Investment Management

Optimising the core of our business by focusing on high-growth areas.

For more information, see page 24.

Enabled by sustainable leadership

Investing sustainably

We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

Read more on pages 27-29.

Prioritising our people and culture

Delivering our long-term strategy is dependent on our ability to attract, retain and motivate the best people.

Read more on pages 30-31.

Leading by example

As an active investor, we need to hold ourselves to the same high standards that we ask of the companies we invest in.

Read more on pages 32-33.

Our business model

By caring about what matters to our clients and putting them first, we can deliver sustainable value – for our clients and other stakeholders.

What we do

1

Understand clients' needs

We understand our clients' needs, for instance through surveys and client meetings, and design our offering accordingly. Our approach is underpinned by our capabilities, which opens up our expertise to clients.

2

Innovate products and solutions

Client needs and the investment universe we operate in are dynamic. In response we have materially enhanced our product range over the past six years, with increased focus on sustainability, thematics and public/private solutions.

3

Actively manage investments

With operations in 38 locations, we are well placed to take our deep investment knowledge and broad product range to clients around the world, via local distribution teams or trusted partners.

We aim to provide excellent investment performance through active management.

How we earn money

We earn fees charged as a percentage of clients' assets under management. We may also earn performance-based revenues.

What we need to be successful

Investment data and tools

Data and tools are at the heart of our ceaseless push for investment excellence, underpinning our investment decision-making and providing better insights. We have developed a number of proprietary tools, including our award-winning SustainEx™ impact measurement tool.

Platform

Our scaled, robust, global operating platform is the foundation for effective service delivery. We have materially upgraded our front office technology and are migrating the wider platform to the Cloud to enhance agility and cyber security.

Talent and culture of excellence

The success of our business relies on our people. We nurture a culture that allows individuals to achieve their highest potential, by supporting their career aspirations and development, celebrating diversity of thought and creating a sense of community.

What makes us different

Breadth of capabilities

The products we offer span private assets and alternatives, fixed income, equities and multi-asset.

We are one of the few publicly listed asset managers that can offer such breadth of capabilities.

Brand and heritage

The Schroders brand embodies the tenets of excellence, innovation and integrity, values that are evident in every aspect of our work. In the NMG survey, we are ranked fifth globally as an asset management brand among over 2,000 managers, with stable recognition across institutional and retail audiences.

Sustainable investment expertise

We have built our sustainable investing experience over the past 20 years. Our research and tools provide insights, which help our investors understand the various sustainability risks and opportunities faced across their portfolios.

Products launched since 2019

130+

Years of history

200+

Sustainable Investment team growth (since 2020)

2.6x

Global reach

Our investment capabilities span the globe. Our extensive global network brings the best of the Schroders proposition to our clients wherever they are.

Investment outperformance

Our purpose is to provide excellent investment performance to our clients through active decision-making.

Long-standing partnerships

Schroders has a rich history of partnerships across a number of geographies. Working with local partners has allowed us to access new markets and client segments.

Locations around the globe

38

Assets outperforming over three years

73%

Longest strategic partnership

23 years

How we create value over the long term

Responsible stewards of assets

We know that as stewards of more than £700 billion of assets, we can channel money to benefit society. We actively invest in forward-thinking companies, but we also support them in their journey to a fully sustainable future.

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.

Number of engagements

3,500+

Client meetings in 2022

23,000+

Dividend per share

21.5 pence

Schroders Wealth Management

A direct and trusted connection with our clients allows us to build longer-lasting client relationships which drive more sustainable revenue and margins.

Our priorities

- Continue enhancing our service and investment offering to deliver optimal client outcomes to our private, charity and trust clients.
- Extend our established business-owner franchise to serve thriving entrepreneurs across the UK.
- Develop Benchmark Capital, allowing more to benefit from our full range of platform and investment services.
- Nurture our client-centric and collaborative culture so that we remain employer of choice and the best home for clients.

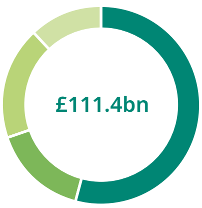
Outcomes

£406.8m
Wealth Management net operating income

16%
6-year AUM CAGR

6.6%
Organic growth of advice business

Schroders Wealth Management AUM (£ billion)



Advised	60.4
Platform	17.3
Managed	20.4
Joint venture	13.3

The growth of our Wealth Management business sharply illustrates the value of building closer client relationships.

Assets under management in Schroders Wealth Management have more than doubled in five years, to £111.4 billion in 2022, and we see considerable potential for further growth. That potential is underpinned by important trends, particularly a fall in UK adviser numbers, the success of family-owned businesses across the country and the need for advice driven by the growth of defined contribution (DC) pensions and the transfer of risk for retirement saving onto individuals.

Client assets in wealth management are typically held for significantly longer than in asset management and attract higher margins. That is why Schroders Wealth Management is providing a growing share of diversified Group profits.

We have built on our existing UK, Swiss and Asian Wealth businesses with a series of carefully chosen acquisitions and partnerships.

The acquisition of Cazenove Capital in 2013 enabled us to broaden our offering to high- and ultra-high-net worth clients in the UK. Benchmark Capital added an important technology platform capability and additional adviser reach. Schroders Personal Wealth, the joint venture with Lloyds Banking Group, in 2019 provided access to the mass affluent client segment with referrals from their banking network.

We generate revenue in three distinct ways – from advice (advised), from the assets we manage on behalf of clients (managed) and from the platform services which advisers use to manage investments, track portfolios and for compliance (platform) – see breakdown, left. This model shows the potential we have to generate multiple revenue streams from a single relationship.

Four branded franchises allow us to articulate clearly our offering to different client segments across the wealth spectrum.

Progress in 2022

Accelerating the UK regional growth of Cazenove Capital: We continued to expand our business in various locations providing a platform to extend our business-owner franchise serving entrepreneurs across the UK. We now have a presence in six regions outside London and the South East.

Building relationships with financial advisers: We attracted 50 new financial advisers onto Benchmark Capital's technology-driven platform allowing them to benefit from our expanded offering of platform and investment services.

Our sustainability leadership in wealth: 19.6% of discretionary AUM won in Cazenove Capital was for sustainability mandates.

Our Responsible Multi-Asset Fund for charities with AUM of £1.2 billion is the fastest growing charity fund in each of the last three years.

Our global family office service: The 2020 acquisition of specialist family-office business, Sandaire, strengthened Cazenove Capital's established franchise with ultra-high-net-worth clients in the UK. We have continued to develop this business to deepen trusted adviser relationships with clients through the services it provides.

Generating client referrals in Schroders Personal Wealth: Referrals increased, and net new business has turned positive in our joint venture with Lloyds Banking Group, Schroders Personal Wealth.

Our four brands:

Cazenove Capital	Schroders Wealth Management	Benchmark	Schroders personalwealth
UK: High- and ultra-high-net worth individuals, families and charities	International: High- and ultra-high-net worth.	UK: a technology platform supporting financial advisers and a network of advisers servicing private clients	UK joint venture with Lloyds Banking Group: financial planning and advice for the mass affluent client segment

Strengths and opportunities for growth

The UK 'advice gap' (see page 13) presents important opportunities for Schroders Personal Wealth and Cazenove Capital.

Schroders Personal Wealth, our joint venture with Lloyds Banking Group, allows us to extend our reach across client segments to Lloyds Banking Group's broad customer base across the UK.

The expansion of Cazenove Capital into the UK regions is a response to demand driven by the success of family-run businesses and opportunities arising from the UK advice gap (see page 13). We have a history of building multi-generational relationships with clients by having a local presence. In our Cazenove Capital client survey, 98% reported that we act in their interests, and thanks to the trust we establish, many relationships span 20 years or more. Where we have long-standing relationships with Cazenove, we also enjoy strong referral flows from clients and their networks of professional advisers.

Capabilities that span the Group strengthen the credibility of our wealth offering and enhance our ability to address clients' needs. For example, our leadership in sustainable investment continues to be an important differentiator. Over 80% of new business flows from charities in 2022 were into mandates with sustainability objectives. The demand for multiple components is also strengthened by our private assets capabilities, which we are increasingly structuring in a way that is attractive to private clients.

Our adviser platform in Benchmark Capital positions us well to reach more clients and generate revenue from multiple streams.

Success story: UK regional expansion of Cazenove Capital

Wealth clients are increasingly looking for a personalised, local service in order to achieve their long-term financial objectives. Expanding our local office network helps us deepen relationships with a new wave of high- and ultra-high-net-worth clients, to better understand their needs and to provide them with the valuable insights of a global firm.

They want advisers they can trust, advisers who understand the issues that matter to them personally. Our local presence across the Midlands, Thames Valley, North West and North East, South West, Yorkshire and Scotland, allows our advisers to become a part of each local ecosystem of professional advisers.

At the same time, our ability to draw on Schroders' global network differentiates us. Being part of a larger FTSE 100 company gives us tremendous financial strength. Our global investment expertise enables us to populate our clients' investment portfolios with the very best information. Clients recognise this is something they wouldn't get from a mere local presence.

Karan Sejpal
Head of Business Owners, Cazenove Capital

Schroders Capital

The scale and diversity of private markets allow us to offer our clients access to sources of diversified return across a large investment universe. With longer investment horizons and more locked-in capital, they help us generate more stable, long-term revenues and are less exposed to fee pressure.

Our priorities

- Scale and globalise our private assets business, for example by seeking cross-selling opportunities across the Group.
- Capture the full growth opportunity from bringing the breadth of our capabilities to our clients as a trusted partner and solutions provider.
- Develop innovative private assets products for new client segments, including insurers, private wealth and DC pensions.
- Expand our leading position in fast-growing sustainability and impact investing (S&I) strategies.

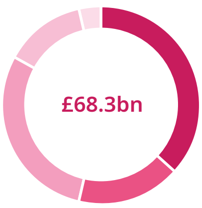
Outcomes

£406.1m
Net operating revenue

£6.4bn
Net new business generated

£17.5bn
Fundraising in 2022

Schroders Capital AUM (£ billion)



Real estate	25.1
Private equity	11.7
Private debt	20.0
Infrastructure	9.2
Alternatives	2.3

Over the past decade, we have systematically added a comprehensive set of capabilities to our business across private market asset classes. As a proportion of the Group's AUM, private assets has risen from 5% in 2016 to 9% in 2022. This growth journey culminated in the launch of the Schroders Capital brand in 2021 to provide more visible market presence.

Today, Schroders Capital operates on a platform that provides synergies in fundraising and deployment, product structuring, marketing and operations. The platform allows clients to access a broad range of risk and return profiles and S&I outcomes in specialised – and more defendable – areas across the four major private asset classes.

In private equity, we have made over 200 direct and co-investments and are active in secondary and primary funds across Europe, US and Asia. Our investments focus on early-stage venture, growth capital, small and mid-sized buyouts.

Our unique platform of real estate operators under one institutional roof allows us to access and assess best risk-weighted opportunities to create long-term sustainable income and value.

In Private debt and credit alternatives we can offer access to a broad range of diversifying returns across securitised products, asset-based finance, leverage loans, insurance-linked investments and both infrastructure and real-estate debt. In infrastructure, we are the largest renewables investment manager in the UK and Europe.

We are one of the top European head-quartered private assets business, and we continue to grow rapidly.

Progress in 2022

Nearly 150 new clients, including a €750 million property portfolio win for a leading insurer and a €780 million property portfolio win for a German public pension provider.

Increasing our fundraising activity: We raised £17.5 billion of client funds for investment, an increase of £5.1 billion on last year.

Acquiring a leading renewable energy infrastructure capability: We took a majority stake in Greencoat Capital, one of the largest renewable infrastructure specialists in Europe. Exposure to renewable energy investments is increasingly relevant for our clients, fuelled by priorities around energy transition and energy security.

We have further strengthened our deployment and reporting capabilities in S&I investing: We have a developed our S&I investment policy and launched our first sustainability and impact report providing a comprehensive view of our approach to S&I.

Expanding our footprint in Real Estate: We acquired Cairn Real Estate in the Netherlands, strengthening our pan-European real estate business.

Opening access to private assets investment: We made an important step in giving defined contribution pension savers exposure to returns from private equity. Nest, a defined contribution scheme set up by the UK Government, representing a third of the UK workforce appointed us to manage a £600 million private equity allocation (see success story, right).

Strengths and opportunities for growth

The growth of our platform and the potential it offers, enables us to attract entrepreneurial and innovative investment teams to join us. We have over 300 investment professionals and over 700 employees dedicated to private assets around the world, providing outstanding specialist investment expertise with long-standing records of performance.

Our businesses do not operate in isolation, they rely on and benefit from each other. All Schroders clients can benefit from our private assets capabilities, not just those who engage with Schroders Capital. The breadth of our offering across private equity, private debt and credit alternatives, real estate and infrastructure, with shared capabilities across Solutions, S&I investing and manager research, enables us to combine investments offerings for institutional and private clients across the Group.

This makes us relevant to a range of clients, from those seeking complex, bespoke mandates to those seeking a single specialised strategy.

We are opening up private assets with pioneering new fund structures, embracing the opportunities from digital technology and changing regulation – particularly with the rollout of LTAFs in the UK and European Long-Term Investment Funds (ELTIF) in Europe. We can increasingly make private assets available to individual investors and DC pensions.

With BlueOrchard's long-established impact investing capability and Schroders Greencoat's long-established impact investing capability we have a pioneering position in S&I investing. The access and scale provided by the Group's wider sustainable investment expertise is an important source of differentiation.

Success story: Opening access to private equity

The stock market was always the automatic choice for fast-growing companies in need of fresh capital. But markets have evolved. Today, more companies are choosing to fund their growth through private markets, and increasingly investors are willing to provide the capital.

At the core of our private assets business sits our private equities specialism. It has been built out from the acquisition, in 2017, of Swiss headquartered Adveq (now known as Schroders Capital Private Equity), a leader in private equity.

May 2022 marked an important milestone in the journey since then. Nest, the National Employment Savings Trust set up by the UK Government as default pension provider for its auto-enrolment drive, chose Schroders Capital to run a new sleeve of private equity in its portfolio. Most of the 10 million members will likely be first-time private equity investors. We are proud to be able to do this and we look forward to bringing our capabilities to more and more investors.

Our business grows because we focus on what clients want and need. We open investment frontiers through accessible structures, those that make illiquid investments more liquid. Today that might be Schroders British Opportunities, a public/private investment trust we launched in 2020; tomorrow it will likely be tokenised investments made possible from blockchain technology. From here, the democratisation of private assets will only accelerate and Schroders will be leading the drive.

Rainer Ender
Global Head of Private Equity

Schroders Solutions

Positioning ourselves as a trusted adviser, able to answer the most challenging and complex questions for clients, allows us to offer them all of our capabilities and build longer-lasting valuable relationships.

Our priorities

- Establish a market-leading position as one of the foremost solutions providers in the UK and expand our presence in global markets.
- Become a provider of choice for Fiduciary Management (FM) and Outsourced Chief Investment Officer (OCIO) as the market in the UK continues to consolidate.
- Build on our significant Insurance Solutions presence globally.
- Meet the specific needs of our clients globally across Liability Driven Investments (LDI) and Risk Managed Investments (RMI).

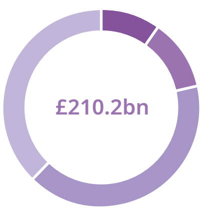
Outcomes

£292.2m
Net operating revenue

£43.1bn
AUM acquired

15%
6-year AUM CAGR

Schroders Solutions AUM (£ billion)



Equities	20.6
Fixed Income	24.5
Multi-Asset	86.2
Risk Mitigation	78.9

The investment backdrop, alongside developments in regulation, climate change and workforce demographics are all increasing the challenges facing our broader client base. They include insurance companies, pension funds, financial institutions, endowments, foundations and other large institutions.

We see a growing demand for advice and expertise to work in partnership with these clients as the complexity of their needs evolve.

Following our acquisition and onboarding of River and Mercantile Group's UK Solutions Division (RMSD), we are now one of the largest solutions providers in the UK that is independent of a consulting business.

We are also seeking to build our presence in global markets where we can identify need and believe our skills and capabilities position us to deliver investible solutions for clients.

Schroders Solutions offers a market-leading proposition which includes strategic advice, an advanced and proven investment process, an integrated implementation model aligned with an embedded client-centric approach.

The enhanced capabilities position us as one of a small number of firms globally able to solve complex client problems at scale. We can compete in this space because our investment capabilities, our long-term track record and our depth and breadth across asset classes give us the credibility to do so. Our advice and holistic design capabilities combined with our strength in sustainability and thematics allow us to become long-term trusted partners with our clients.

Progress in 2022

A key acquisition to expand our Solutions capability: We welcomed around 140 new colleagues from RMSD and added £43.1 billion of AUM. Schroders Solutions is now one of the largest Solutions providers in the UK, with a combined AUM of £210.2 billion and over 600 clients.

Growing our business with insurance clients: Our presence as a provider of choice able to manage complex investment requirements for insurance clients grew as Schroders Solutions managed £100.8 billion of assets globally for insurance companies. A testament to this growing reputation was our appointment as investment partner for the Lloyd's of London new investment platform.

Delivering for clients as a leading Fiduciary Management specialist: We enabled our clients to secure nearly £3.1 billion of pension fund members benefits in 2022 through buy out and buy in. This includes a £600 million buy in with the trustee of the Amey OS Pension Scheme, helping to secure the benefits of over 3,500 members.

Setting standards in the structure and delivery of Liability Driven Investments: We continued to deliver for our pension clients and their members, designing and implementing investment strategies to help them achieve stronger sustainable levels of funding. Our response to the 2022 gilt crisis, which resulted from volatility in the government bond market in the UK solidified our reputation as a trusted and client-focused partner.

Winning OCIO mandates: We were appointed as OCIO by the trustees of the Centrica pension schemes to manage £10 billion of their members' assets. We continue to see demand for this service as Trustees and sponsors evaluate the optimal governance and management structure.

Gaining industry recognition: We were named **'Fiduciary Management Firm of the Year'** at the Pensions Age Awards 2022.

Strengths and opportunities for growth

The Solutions business brings a trusted adviser, consultative approach to our engagement with clients. We apply open architecture principles for designing strategies and investing their assets, and use our in-house investment expertise where appropriate. We believe this delivers on our clients' financial aspirations and governance needs.

Over the coming years we see growth opportunities across our business, in particular in the following areas:

UK defined benefit pensions

An increasing number of defined benefit pension schemes are nearing maturity and seeking to secure members' benefits. We believe consolidation will continue to build momentum, and we are positioned well to be a leader in meeting this demand.

Liability Driven Investments (LDI)

We have an established reputation in the LDI market and the acquisition of RMSD has further strengthened our resources and capabilities. We continue to evolve in response to clients' needs, for example by combining LDI with our capabilities in 'buy and maintain' credit and private assets investment expertise.

Balance sheet solutions for insurers

Insurance companies face a variety of competing challenges due to local regulatory and accounting-standard developments. We have established a Solutions Insurance team with the investment capabilities to meet these needs. We are building partnerships across the firm to bring together individuals with the relevant skills and those with awareness of the insurers' regulatory frameworks.

Risk managed investments (RMI)

This has been a core part of the business for many years and as market complexity increases, the opportunities grow for us to deliver innovative solutions in this area.

Success story: launch of Schroders Solutions

The challenges facing clients globally continue to become more complex and diverse. UK pension funds are one example across our client base where we continue to see significant change. Funds evolve and mature and therefore risk appetite changes, and the need to develop and implement really effective cashflow driven investment (CDI) solutions becomes increasingly important. We need to understand the challenges each client faces – which could range from governance, investment strategy, de-risking, regulatory change or consolidation – and then tailor investable portfolios that address their very specific needs.

Growing our business is essential in tackling these client challenges, and we now have a team across the UK, Europe, Asia and North America, including a dedicated team of ESG specialists to help meet those needs. This scale gives us a real insight into the changing regulatory backdrop, the advisory landscape and global market forces.

The mandates we are given by our clients demonstrate how the combination of the scale of our business, our brand and the expertise of our outsourced investment offering is increasingly attractive for pension funds and our other clients globally.

James Barham
Executive Chairman, Schroders Solutions

Schroders Investment Management

Active asset management of publicly listed securities remains the core of our business and we continue to see untapped potential to optimise our strengths in the face of industry disruption.

Our priorities

- Establish a leadership position in sustainability and impact investing.
- Develop and broaden thematic investing.
- Expand our geographic footprint into new high-growth regions.

Outcomes

£2,068.7m
Asset Management Net Operating Income

£73.6m
Share of profit from associates

130+
new products launched since 2019

Schroders Investment Management AUM (£ billion)

Mutuals Funds	100.8
Institutional	139.1
Associates	107.7

Publicly listed assets provide the greatest proportion of assets under management and the bulk of our revenue.

While we have been famous for a long time as an 'equities house', we have since diversified with well-established fixed income, multi-asset and quant capabilities. Offering access to high-quality sources of alpha remains the foundation of what we offer clients – it also enhances our advisory services in Wealth and Solutions. Being able to offer a full spectrum of active investment products makes us a valuable partner to our clients and benefits the whole business.

The needs of clients have changed. It's no longer sufficient to be simply a manufacturer of high-quality investment components. Retail investors can track benchmark returns at lower cost with passive funds, so they look to supplement their portfolios with targeted exposure to differentiated strategies where alpha is the goal.

Product innovation – with a focus on sustainability and thematics – is a priority for us. We have invested significant amounts of seed capital to build a dynamic product set that is geared towards future demand and the needs of our clients. Being an active asset manager at our core means that we can provide top-performing products in thematics and extend our position as a leader in sustainable investment. We offer a sustainable investment option for all of the main asset classes. We then build our capabilities into local fund structures so that our clients can easily access them locally around the world.

Working in partnership with established local brands to combine our investment expertise with their distribution networks allows us to build our presence in global growth markets.

Data scientists are embedded within investment teams, and data insights underpin product innovation and our stock-picking expertise.

Proprietary sustainable investment data and bespoke tools such as ThemeEx and SustainEx™ inform investment strategies and are a genuine point of differentiation (see page 26).

Progress in 2022

Broadening our sustainability offering: We launched eight new funds with sustainability objectives. We have developed our Sustainable and Impact Product Framework (read more on page 28) to provide greater clarity over the different approaches taken by our strategies.

Developing innovative and relevant Mutual Fund products: We broadened our offering of thematic funds, evolving our smart cities equities and energy transition strategies.

Expanding our geographic reach: We made important progress through our strategic partnerships and joint ventures. Our Wealth Management Company venture with Bank of Communications in China began operating in April when Covid-19 measures were in place but has made good initial progress. Like any expansion into local markets, our approach is the result of an assessment of the potential opportunities and possible risks associated with the region.

The licence for our wholly owned Fund Management Company in China has been approved and we expect to begin operating in the second half of 2023. Building this business from the ground up has been a significant investment, which we expect will provide growth over the mid and long-term.

Latin America contributed positively, adding £0.3 billion of NNB.

Strengths and opportunities for growth

We continue to see strong demand for innovation and a distinctive offering in sustainability and impact. Flows into sustainable products remain strong and our Global Investor Study tells us that clients continue to seek returns with impact. Our investment in both the expertise and the products to support this position us well to continue being a leader in sustainability.

The demand for thematic investing offers great potential which is met by the investment we have made in expanding our thematics range.

Expanding demand in the Americas and Asia – particularly India and China – is an opportunity to scale our business in regions where we don't historically have a presence. The partnerships and relationships we have built in these regions are the product of long-term commitment and cannot easily be replicated by our competitors.

Success story: Thematic investing and the power of trends

As early as 2007, we were able to offer our clients access to a Climate Change fund.

However, six years ago we took a conscious decision to develop a broader thematics range. The evidence was growing that investors increasingly wanted to be able to back the trends they believe in. It was therefore put at the heart of the strategy to grow and evolve our core equities and bonds business.

Today our range spans broad themes, such as disruption, to more narrow specialisms, such as food and water, digital infrastructure or smart manufacturing. Our Global Energy Transition strategy has enjoyed particularly strong demand. It was drawing attention and assets before last year's energy crisis and that has continued unabated. It saw the largest net inflow of any of our thematic strategies in 2022.

Our success is underpinned by the skill and vision of our portfolio managers and their access to data. Schroders' early investment in data insights tools has paid dividends.

We believe we have selected themes with great potential and are in high demand. Wherever there is demand, competition is strong. We relish the challenge. Our success rests on outperforming the market and our peers over the long term. We never forget that.

Alex Tedder
Head of Global and Thematic Equities

Our approach to sustainable leadership

The ways of doing business that have driven corporate success in the past will not necessarily drive success in the future. Today, environmental, social and governance (ESG) factors are important considerations for all companies.

We believe that by recognising and embracing this change we can deliver long-term value for our clients, shareholders and wider stakeholders. We achieve this by embedding sustainability within our business – through our approach to investing sustainably; leading by example in the way we manage our corporate impact; and by promoting a positive culture underpinned by clear values of excellence, innovation, teamwork, passion and integrity (see page 30).

The path to net zero

We have made a number 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. In 2022, our greenhouse gas (GHG) emission reduction goals were formally validated by the Science Based Targets initiative (SBTi). Our Climate Transition Action Plan, published in December 2021, and progress against our targets are outlined in our Climate (TCFD-aligned) Report.

Read our Climate Transition Action Plan (www.schroders.com/ctap) and Climate Report 2022 (in line with recommendations by the TCFD) (www.schroders.com/tcfd).

Investing sustainably

We integrate the consideration of ESG factors across our portfolios of managed assets to help inform better investment decisions, the importance of which is increasingly recognised by our clients.

Market-leading

Engagement Blueprint

won 'ESG engagement initiative of the year'

Science-based targets

Validated

by the SBTi to be aligned with a 1.5°C pathway

Better SustainEx™ score than benchmark

86%

based on public market AUM*

Prioritising people and culture

We aim to attract and retain talented employees and maintain our unique culture so we continue to deliver against our purpose.

Proud employees

96%

of our people are proud to work for Schroders

Employees' Choice Award

Glassdoor

One of the Best Places to Work in 2023

'Potential, not polish'

2:1

degree requirement removed for early careers

Leading by example

As an active investor, we hold ourselves to the high standards that we ask of the companies we invest in.

MSCI ESG Rating

AAA

putting us in the top 13% of our sector with a consistent score for more than five years

Renewable electricity

95%

of our electricity across our global offices is from renewable sources

CDP leadership level score

A

Ranked in the top 2% in the 2022 climate change questionnaire

* Weighted average across in-scope AUM managed by Schroders; excludes Schroders Capital and certain other portfolios and businesses, for example where measurement is not practicable due to insufficient data coverage. May include double-counting of AUM for certain portfolios.

Investing sustainably

Portfolio temperature score (°C)

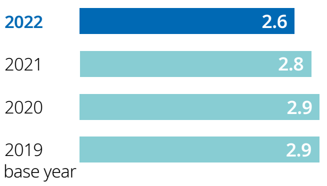
Our objective

Align portfolios to a 2.2°C pathway by 2030 and 1.5°C by 2040.[1]

How we performed

2.6°C

Temperature alignment of in-scope[2] assets fell to 2.6°C at end-2022, ahead of the pace of reduction required to meet our targets.



1. Based on Scope 1 and 2 targets for 2030 and Scope 1,2 and 3 targets for 2040, in line with SBTi near and long-term calculations.
2. Current in-scope asset classes for SBTi include listed equities, corporate bonds, real estate investment trusts and exchange-traded funds. This represents more than 60% of our AUM.

Sustainable investment is not just a research effort, a fund range or a way of reporting. It is understanding how the investment decisions we make affect, and are influenced by, the myriad of social and environmental issues shaping economies, industries and investment portfolios.

We have invested heavily in building that understanding. It means we have conviction in our views – rather than bending to pressure from non-governmental organisations (NGOs) or adhering to industry league tables.

Our heritage in active management allows us to be bold; to develop thoughtful views of the world we are heading toward, rather than the one we are coming from. As a global, fully scaled investment platform, we bring together insights from across our network of analysts and fund managers, across regions, investment styles and asset classes.

Active management also brings us the ability to influence the management teams of companies and assets held in the investments we manage. Our ability to successfully support and encourage the transition towards more sustainable and successful business models is an increasingly important component of the value we create for our clients. By combining our specialist expertise in the central Sustainable Investment team with the breadth and depth of relationships and insights our investment teams have across global industries, we have a strong platform to build on.

Our industry is at the heart of the reallocation of billions of dollars of capital that will be needed to tackle the climate crisis, to reverse nature loss and to mend the cracks opening in many societies.

We are committed to seeking out the opportunities that this transition presents, and to providing a positive contribution to those challenges that many of our clients seek.

Climate threats are foremost among those threats and opportunities. We actively track the impact of our investments through our portfolio temperature score.

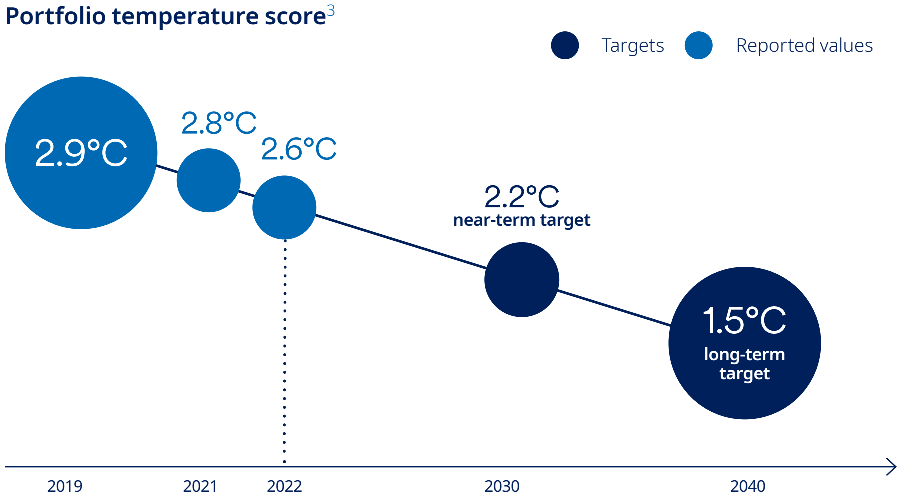
Climate change is a sustainability focus

While sustainability spans a wide spectrum of social and environmental trends and their investment consequences, climate change stands out for its dominance of policy agendas and social concerns. We continue to invest in building the capabilities to support transition in portfolios we manage and to develop investment solutions to support our clients' own goals. Reflecting our conviction of the importance of preparing for the disruption climate change presents, we are a founding member of the Net Zero Asset Managers initiative and the largest asset manager to have our climate targets validated by SBTi. Delivering that transition requires firm-wide engagement and effort.

The route we take to the net zero destination on which global leaders are focused will determine our ability to ensure our clients participate in the opportunities that transition will create. Companies able to decarbonise their business models will be at an advantage and the evidence of recent years tells us that stock markets have rewarded companies able to cut their emissions faster than peers. In 2022, we embarked on the biggest engagement effort Schroders has undertaken. Analysts, fund managers and sustainability specialists across the firm engaged over 700 companies representing around half the Group's financed emissions from portfolios in scope of our targets. We have seen the temperature alignment of those portfolios falling from 2.8°C to 2.6°C during the year.

Environmental pressures and social cracks underline the need for the investment industry to find new ways to connect capital to the solutions to those challenges. We have developed a broad range of investment strategies spanning public and private assets, including the creation of Akaria Natural Capital in 2022, a joint venture to invest in nature-based solutions in South-East Asia.

Portfolio temperature score[3]



3. Schroders temperature score is for illustrative purposes only as it includes the near-term target, which covers Scope 1 and 2 financed emissions, but the long-term target also includes Scope 3 as well. Though both targets are managed, they are monitored separately in practice.

Insights

How we analyse investments

Dedicated Sustainable Investment analysts work with specialists across investment teams to examine the consequences of social and environmental trends.

We have invested heavily across analytical, data and technology areas to develop thoughtful models for many asset classes, and to integrate them into our global research toolkit, portfolio monitoring and reporting.

In addition to broader analysis and tools, such as SustainEx™, we continue to develop the climate toolkit we have built in recent years and assess risks, action and alignment in portfolio companies.

We integrate the consideration of ESG factors across our clients' portfolios of managed assets. Our internal accreditation framework – which we continue to adapt and strengthen – supports that firm wide integration. Integration focuses on considering ESG factors alongside traditional investment metrics, not on eliminating exposure to challenged parts of markets.

Highlights in 2022

- Established research partnerships with global clients.
- Shared our views and pushed for action at the UN Biodiversity Conference in Montreal.
- Continued investment in strengthening our technology and data platform and the transparency we provide to our clients.

2.6x

the growth of our Sustainable Investment team since 2020

See www.schroders.com/tcfd for more information on our Climate Report.

Influence

How we influence management teams

Specialists work with analysts and fund managers to ensure a coordinated and consistent approach to influencing change and supporting transition in companies and assets we manage.

In 2022, our inaugural Engagement Blueprint laid out the areas of focus for companies with our ActiveIQ platform tracking our engagement actions. Our influence goals are reflected in the votes we cast.

We embarked on the largest engagement programme Schroders has undertaken, using our voice and influence to encourage over 700 companies to establish and deliver ambitious climate goals. We will continue to engage at that scale in the years ahead.

The same priorities are reflected in our voting. Our specialist corporate governance analysts work with portfolio managers and analysts to ensure our transition goals are reflected in the votes we cast.

Highlights in 2022

- Rolled out ActiveIQ, our new engagement database.
- Published an inaugural Engagement Blueprint.
- Awarded "ESG engagement initiative of the year" by Environmental Finance.

3,500+

Company engagements

See www.schroders.com/engage for more information on our Engagement Blueprint.

Innovate

How we develop and manage new products

Clients increasingly want strategies that explicitly reflect sustainability goals or processes. In 2022, we developed our Sustainability and Impact Product Framework, to bring consistency and clarity to the outcomes our clients can expect of different types of funds.

We have drawn on our experience and expertise to establish an impact investing framework, spanning public and private asset classes.

Despite fears that higher energy prices would lead investors back to oil and gas exposure, we continued to see strong demand for our growing range of climate-focused strategies in 2022. Akaria Natural Capital, the joint venture we launched with Conservation International, marked a statement of ambition in natural capital investments.

Highlights in 2022

- Developed the Sustainable and Impact Product Framework.
- Became members of the Operating Principles for Impact Management and launched three new impact funds.
- Developed innovative new products spanning public and private assets.

7

new Article 8 and Article 9 funds launched in 2022

See www.schroders.com/sipf for more information on our Sustainable and Impact Product Framework.

Q&A with Andy Howard
Global Head of Sustainable Investment

Q Schroders' purpose is to provide excellent investment performance to clients through active decision-making. How does sustainable investing help you to achieve this?

A Social and environmental forces are reshaping businesses and financial markets creating risks and opportunities. The companies adapting fastest will thrive. A key point of good active management is to identify the potential winners and losers. We will continue to develop investment products that offer exposure to key sustainability trends.

Q ESG is in Schroders' DNA, but can you say that all of your investments are sustainable?

A We integrate the consideration of ESG factors across our investment desks. The way in which those factors are reflected in any given investment process may vary, so that doesn't mean we avoid companies that may not be considered "sustainable" or which face challenges. By engaging with companies to encourage transition toward more sustainable business models, we can help our clients to benefit from the value created.

Q At what point would you decide not to invest in a company?

A If you're not in the room, you can't be heard and you can't effect change. That said, divestment is an option when we have tried all other avenues.

Effective engagement is key. We explain in the case study on the right how we do this and expand on that summary in our Engagement Blueprint.

Q How do you manage the risk of overselling or greenwashing?

A Good governance and transparency are the antidote. That is why we continue to invest in building strong processes and controls so that portfolios meet the commitments we have made.

Secondly, we realise that sustainability means different things to different people. We have worked hard to develop models and measures so that we can be clear what we mean.

Q Some asset managers have left industry net zero initiatives, do you still think net zero is achievable and what is Schroders' role?

A We are proud to be a leader on net zero commitments. That position won't change. The suggestion from some corners is that returns must be sacrificed in the pursuit of climate goals. We believe that is fundamentally wrong. Our climate transition plan is designed to help us deliver returns for our clients, not constrain us from that goal. You can read more about our climate progress on page 27.

Active Ownership – unleashing the power of active management

For over 20 years we have conducted constructive and committed engagement with the management teams at the companies and assets we invest in.

We are rightly proud of our long track record and of how we accelerated the impact of our work in recent years.

The process is undertaken by our Active Ownership team and by hundreds of fund managers, investment and sustainability analysts around the world. Crucially, analysts and fund managers making investment decisions are central to engagement efforts, not a siloed team sitting in a corner.

Our approach can be broken into three stages:

1. Dialogue – fact-finding engagements with companies to understand if and how they are preparing for the long-term challenges they face.

2. Engagement – we support companies to help them to understand the potential impact of these challenges and to encourage them to take action in the areas where change may be required.

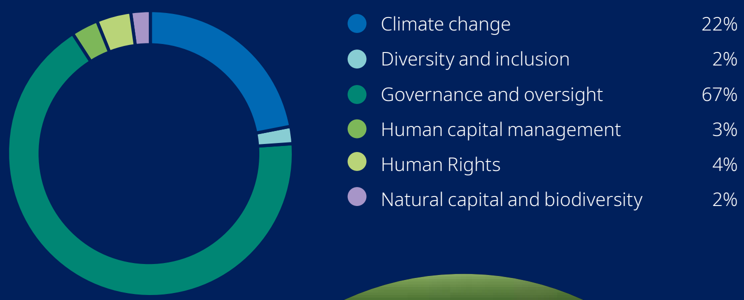
3. Voting – we use our voice and rights as shareholders to support the changes we believe should be effected.

We must be transparent, and so in 2022 we published our award-winning Engagement Blueprint. It means that our expectations are clear to companies and available to scrutiny by anyone. Experience has shown us that sustainability never stands still; new research will emerge, data sets will expand and regulation will change, and so we have committed to update our Blueprint on an annual basis.

The table below offers a snapshot of our engagement in numbers. We report on this regularly. Our quarterly Sustainable Investment Report carries the numbers but also tells the stories of our engagements.

Kim Lewis
Head of Active Ownership

Engagements by theme



Prioritising our people and culture

KPI

Retention of highly-rated employees (%)

Our objective

Developing and retaining talented people is key to our ongoing success. We actively monitor the retention of our employees with an emphasis on those who have received a strong performance rating in their annual performance review.

How we performed

94%

Our retention of highly-rated employees has consistently been at 94%. This represents a committed and engaged workforce, aligned with our values.

Our people are central to our purpose and critical in delivering our firm-wide strategy.

We strive to create an inclusive culture which celebrates diversity of thought and provides a world-class work environment. It helps us to attract and retain exceptional employees and supports our ability to deliver excellent investment performance and client care.

We want to be the employer of choice. To maintain this position, we offer:

- Purpose and inspiration;
- Fair pay for performance;
- High-quality work in a good environment that prioritises wellbeing; and
- Personal growth opportunities.

Our Board tracks and measures success by looking at a range of measures including how successful we are in retaining highly-rated employees, and by tracking the results of our pulse surveys, including the percentage of our people who feel proud to be associated with Schroders.

Our values

We strive for excellence: Being good at what we do is a powerful way to create value for all stakeholders and secure a long-term future for our business.

We promote innovation and teamwork: We challenge how things are done, anticipate future opportunities and understand that to deliver value takes collaboration and a healthy respect for individual skills.

We have passion and integrity: We are realistic about what we can achieve, but are ambitious too, approaching everything we do with energy and drive. This sits alongside openness and responsibility to deliver on our promises.

Purpose and inspiration

Building an organisation with a clear purpose for our people through common shared values and leadership behaviours.

Our managers are key to maintaining our inclusive culture and reputation for excellence. 700 of our managers attended 'Lead to Win' training this year and we introduced a new way for teams to feedback to managers to help them improve.

Our data-driven approach to inclusion helps us drive meaningful change. Key achievements in 2022 include:

- Publishing our first combined workforce diversity and gender pay gap report, providing stakeholders with transparency about our progress (see www.schroders.com/workforce).
- Removing the 2:1 university degree criterion from our entry level programmes, making investment management more accessible to people from all backgrounds.
- Improving our ranking in the Social Mobility Employer Index and our score in the Bloomberg Gender Equality Index.

We will be setting new targets for gender and other underrepresented groups in 2023.

We are committed to providing equal employment opportunities and combatting all forms of discrimination. In keeping with our Equal Opportunities Policy, we give full and fair consideration to all employment applications, including those from disabled people, considering their particular 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.

Employees who would recommend Schroders as a good place to work

92%

Outperformed the benchmark for high-performing companies

Female representation in senior management

35.5%

Achieved target of 35% one year early. Details on gender diversity of our Board and senior management available on page 110.

Fair pay for performance

Recognising and rewarding employees with a holistic compensation and benefits offering.

Annual compensation

Salary and bonus decisions are governed by our Fair Pay for Performance framework, meaning each decision takes into account:

1. Annual performance – assessing firm-wide, team and individual performance, including behaviours.

2. Market context – pay levels and outlook among relevant comparators, as well as wider economic conditions.

3. Relativities and diversity – independent validation and challenge to ensure fairness versus peers and markets.

4. Individual context – skills, experience and potential of each employee.

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

Benefits

We aim to provide generous benefits and support, over and above local market norms. Our flexible and inclusive offering empowers each individual to choose options that suit them and their personal circumstances. Enhancements in 2022 included the introduction of an electric car scheme and augmented medical support for menopause and gender dysphoria in the UK.

Quality work and environment that prioritises wellbeing

Providing rewarding work, autonomy, flexibility, and supportive work relationships and environment.

Flexible working

In 2020, we were one of the first companies to launch a global Flexible Working Charter which sits at the centre of our inclusive culture. The Charter continues to be a significant advantage in attracting diverse talent.

Wellbeing

Supporting the wellbeing of our people – mental, physical and financial – has always been important to us. We have our own Schroders Employee Wellbeing Model, developed in 2022, that provides a framework through which we can make sure that we get help to the people that need it most.

Our new Wellbeing Hub, currently available in the UK, will soon be available globally. It provides tailored help and support for different career and life events, including divorce, infertility, going through the menopause, experiencing financial worries and struggling with workload. The hub allows easy access to the wide-ranging wellbeing support on offer at Schroders, and is complemented by a comprehensive calendar of wellbeing events.

With many employees impacted by increased costs of living, our financial wellbeing efforts have been particularly important this year. These include financial education sessions, 1:1 support on topics such as budgeting and debt consolidation and higher salary increases being targeted to our lower earners in countries experiencing higher inflation.

Personal growth opportunities

Supporting the development and career aspirations of our people through learning offerings and new opportunities driven by the growth of the business.

Employee feedback and engagement

We value regular employee feedback as it helps us deliver the things that are most important to our people. This feedback is heard by the Board of Directors and GMC and helps us in our goal to retain and recruit the very best people. Our Global Employee Forum is chaired by the Senior Independent Director and meets regularly during the year.

Our work to build a strong feedback culture has paid off, with 80% of our employees now agreeing that we ask for and receive regular feedback, the most improved category in the latest employee survey.

Learning and development programmes

'Career Week' allows our people at all levels to plan and take ownership of their own development and career progression. We develop bespoke learning opportunities to give our people the skills they need to deliver our strategy, such as in sustainable investment. Other examples include:

Sales Excellence Programme focusing on critical skills to take a more client-centric, trusted adviser approach.

Spotlight Programme, a career development initiative tailored for Investment to ensure we have a robust pipeline of emerging talent who are committed to staying with Schroders in the long term.

Salary increases for junior employees in high inflation countries

8-10%+

Find out more on page 77

Employees who are shareholders of the company

78%

Launched new

Wellbeing Hub

Employees who agree leadership care about wellbeing

90%

outperformed the benchmark for high-performing companies

Sustainability related training

5,200+ hours

online and in-person training completed in 2022

'Lead to Win' training

700+

managers attended

Leading by example

In our role as a global employer, a FTSE 100 company and a steward of our clients assets, we recognise the importance of using our influence in society wisely and responsibly.

Our corporate sustainability strategy is grounded in the issues that matter to our stakeholders and reflects priorities in areas where we can make a meaningful contribution. Our priority themes relate to people, by promoting equalities and, planet, by supporting the transition towards a net zero and nature-positive future.

We strive to lead by example and hold ourselves to the same standards as the companies in which we invest. We are a signatory to the United Nations Global Compact and support its ten key principles, covering human rights, labour, environment and anti-corruption. By considering these issues in our operational decisions we help to promote positive change.

We play an active role in many other initiatives that drive change across and beyond our sector. We are members of the Race to Zero campaign, signatories of the Finance for Biodiversity Pledge, Change the Race Ratio, the Women in Finance Charter and a founding partner of Progress Together, a social mobility initiative in the City of London. We support and actively engage with a range of initiatives, memberships and organisations to help deliver our corporate sustainability strategy.

Rewarding shareholders

The interests of our shareholders are closely aligned with those of our clients, which means that in doing the right thing for our clients, we are also able to deliver value to those who have invested in our business. During 2022, the Board proposed changes to simplify the Company's dual share class structure through the enfranchisement of our non-voting shares and a related compensatory bonus issue. These changes were subsequently approved by shareholders and have now come into effect. The changes were the result of direct engagement and enable all shareholders to enjoy the same economic rewards and risks, and have the same voting rights.

Our impact on wider society

We want to inspire our people to support and collaborate with the communities in which they live and work. We have established corporate programmes, as well as employee-led programmes, which support employees to volunteer, fundraise and donate. In 2022, we committed £5.2 million to charitable causes around the world (2021: £4.9 million), £1.4 million of which was outside the UK (2021: £0.7 million). We provide grants to charities on the topics of inclusion, disability, social mobility and mental health. Each partnership provides employees with an opportunity to engage with our wider communities through volunteering, applying their knowledge and developing new skills and awareness. We also ran four emergency fundraising appeals to support children impacted by the famine in Afghanistan; the people of Ukraine; those affected by the floods in Pakistan; those struggling to feed themselves due to food insecurity.

We offer donation-matching schemes for employee fundraising across Asia, Europe, the UK and US. We were awarded the Diamond Quality Mark for our payroll giving by the Charities Aid Foundation: 22% of our UK employees used the Give As You Earn scheme (2021: 24%), which saw £1.2 million donated (2021: £1.3 million) before the contributions were matched by Schroders, to over 1,300 charities across the globe.

We support our employees in collaborating and contributing their skills within our communities by offering up to 15 hours of paid volunteer leave per year. Employees around the world contributed over 4,800 hours (2021: 4,000) of volunteer work, inside and outside office hours. We have invested in the number of volunteer opportunities available to our people, recognising the benefits to both the development of our people's skills and wider communities.

Founding partner of

Progress Together

promoting social mobility

Donations committed to charitable causes

£5.2 million

2021: £4.9 million

Reduction of our Scope 1 and 2 greenhouse gas emissions

-34%

from our 2019 base year

Addressing modern slavery

We have a responsibility to respect human rights and tackle modern slavery; whether in our role as an employer, as a buyer of goods and services, when carrying out our fiduciary duties as a provider of financial services or as an investor in companies.

We apply similar analysis and engagement principles to our suppliers as we do to the companies in which we invest. We take a risk-based approach to the sourcing, onboarding and monitoring of our own supply chain and apply enhanced due diligence to those deemed to be higher risk regarding modern slavery exposure. In 2022, we rolled-out awareness-raising training to all employees, globally.

Our Modern Slavery Statement has been prepared in accordance with section 54 of the UK Modern Slavery Act 2015 and section 14 of the Australian Modern Slavery Act 2018.

Read our Modern Slavery Statement:
www.schroders.com/mss

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 are also reducing our business travel and engaging with our supply chain to encourage them to set their own science-based targets.

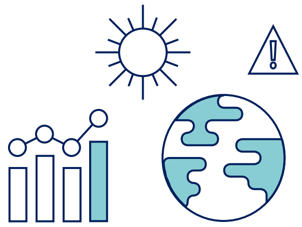
We are currently on track with our science-based trajectory for our near-term targets. Our Scope 1 and 2 GHG emissions have decreased by 34% compared to our 2019 base year, a significant move towards our 46% reduction goal by 2030. We have also increased our annual sourcing of renewable electricity to 95%. We are developing site-specific net zero action plans and continue to roll-out ISO 14001 Environmental Management System certification across our largest office sites.

Despite business travel emissions currently being 60% lower than 2019 levels, business travel has increased as Covid-19 restrictions were eased. We will continue to monitor and manage this closely. Taking a similar approach to our active ownership programme with investee companies, we have a supplier engagement plan. In 2022, 25% of our suppliers in scope (by GHG emissions) had set a science-based target. We are exploring different ways to support our suppliers in their own net zero journey.

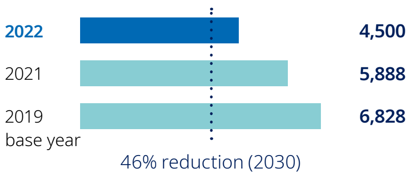
While our primary focus is on our decarbonisation plan, we continue to operate as a climate neutral company, following the CarbonNeutral® Protocol framework.

For our total operational GHG emissions footprint and energy data, see page 110.

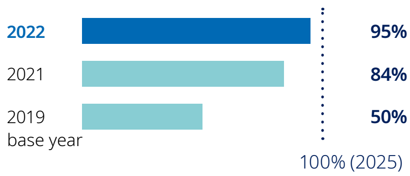
Our operational science-based targets



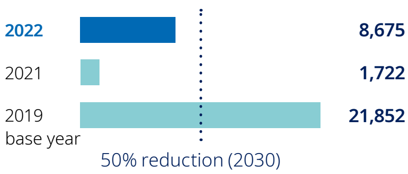
Scope 1 and 2 emissions performance (tCO_2e)



Renewable electricity consumption



Scope 3 business travel performance (tCO_2e)



Suppliers with science-based targets*

* Suppliers in scope (by GHG emissions) includes Scope 3 categories purchased goods and services; capital goods; and upstream transportation and distribution.

Demonstrating the strength in our strategy

KPI

Net operating income (£ million)

Our objective

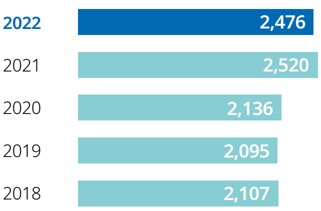
Net operating income comprises net operating revenue, which is primarily generated from AUM, net gains on co-investments, share of profit of joint ventures and associates, and other income. We aim to grow net operating income over time.

How we performed

£2,476m

Net operating income for 2022 was £2,476 million, down £44 million from 2021.

Net operating revenue from our strategic growth areas increased by £106 million. However this was offset by the market turbulence experienced worldwide in 2022.



Our financial results demonstrate the resilience of our business in what has been a challenging market environment. Net operating revenue, excluding performance-based fees, increased by 1%. This represents good underlying performance given the wider backdrop.

We reported an operating profit of £723.0 million (2021: £841.0 million) and profit before tax of £586.9 million (2021: £764.1 million). Profit after tax was £486.2 million (2021: £623.8 million). The Board has recommended a final dividend of 15.0 pence per share (2021: 14.9 pence per share). This means a total dividend for the year of 21.5 pence per share (2021: 21.4 pence per share, and a payout ratio of 57% (2021: 50%).

Continued growth from our strategic areas of focus

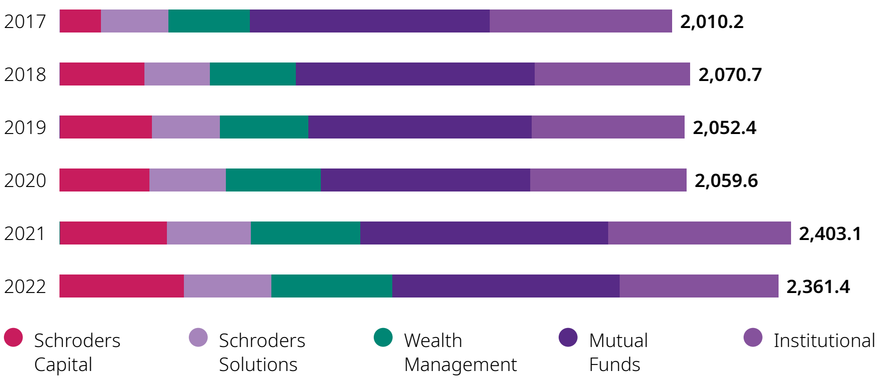
Despite the difficult market conditions, we continued to grow our revenues across Schroders Capital, Schroders Solutions and Wealth Management. These businesses represent strategic areas of focus for us as we look to pivot away from the industry-wide headwinds (see page 12). The growth they have delivered demonstrates the strength of our strategy, and the benefits of further diversification.

Over the past five years, our net operating revenue from these business areas has increased by 75% to £1,092.6 million, which represents a compound annual growth rate of 12%.

Moreover, demand for products within these areas continues to rise, with Schroders Capital and our Wealth Management business welcoming net new business of £6.4 billion and £5.4 billion respectively in 2022.

Schroders Capital also benefitted from the two strategic acquisitions we completed during the year, which contributed AUM of £8.8 billion. The most notable of these was our acquisition of a majority stake in Greencoat Capital (now Schroders Greencoat), a leading renewable infrastructure manager. This not only enhances our capability in infrastructure assets, but also increases the longevity of our revenue streams.

Net operating revenue by business area (£ million)



Within Schroders Solutions, we successfully onboarded River and Mercantile's solutions business which we acquired at the beginning of the year. The strength of our client relationships came to the fore in helping us successfully navigate the gilt crisis. This provides a strong endorsement of our ability to navigate complex issues for our clients and positions us well going forward. The market disruption did however lead to some short-term redemptions as clients rebalanced their portfolios. As a result, our Solutions business area saw a marginal net outflow of £0.2 billion. The interest rate rises that occurred contributed to a reduction in the value of our AUM. However, this generally benefitted our LDI clients as the value of their liabilities reduced, helping many of them to move closer to their objective of achieving a buyout.

As noted earlier, in Wealth Management we continued to deliver strong growth, with continued client demand across our three service lines: advice (including discretionary management, financial planning, and banking services); platform services; and investment management. This reflects particularly strong growth at Cazenove Capital, our UK ultra-high-net-worth business, which delivered resilient investment performance in volatile markets. We saw significant demand for our sustainable investment expertise, and benefitted from the successful regional build-out of our business-owner franchise.

Overall, as a result of these developments the AUM of these three strategic growth areas rose 5% from £359.7 billion in 2021 to £376.6 billion in 2022, and the net operating revenue generated from them now accounts for 46% of our total net operating revenue (2021: 41%).

Market volatility impacting the more traditional parts of the Group

The traditional parts of our Asset Management segment were more impacted by the challenging conditions. For the first time in a generation, we saw bond markets and equity indices fall at the same time. The MSCI World equity index fell 17% and the Barclays Global Aggregate fixed income index fell 16%. This was a significant contrast to the bull markets that characterised the latter part of 2021.

Sterling's depreciation versus the US dollar and euro (11% and 5% falls respectively) helped to partly mitigate the impact of this, given the currency mix of our AUM.

Our Mutual Funds and Institutional businesses were particularly impacted by both this, and an increasingly risk-off attitude of investors as the year progressed. As a result, net operating revenue from these business areas reduced to £748.3 million (2021: £815.0 million) and £520.5 million (2021: £601.0 million) respectively.

Overall, our total net operating revenue was £2,361.4 million (2021: £2,403.1 million), with the decrease principally explained by lower performance fees and net carried interest, which fell from the record high of 2021 as markets retreated and portfolios failed to reach the high watermarks previously set. Excluding these fees, net operating revenue increased by 1% year-on-year, demonstrating the success of our strategy.

Our associates and joint ventures were not isolated from the challenging environment, experiencing a reduction in AUM due to net outflows and the fall in asset values. Net new business had been positive up until the third quarter but the prevailing risk-off sentiment towards the end of the year led to negative net new business of £6.0 billion. Our share of profit of associates and joint ventures therefore reduced to £77.6 million (2021: £88.2 million).

Long-term investment

The retention of key talent is paramount to delivering our strategy, and so we were extremely pleased with the results from the 2022 pulse survey which demonstrated that 96% of our people are proud to work for Schroders. We maintained cost discipline in managing our compensation costs, keeping our total compensation ratio at 46% (2021: 46%). Compensation costs within operating expenses therefore reduced to £1,121.2 million (2021: £1,136.3 million), despite the increase in headcount.

Non-compensation costs in our operating segments were £631.3 million (2021: £542.7 million). The increase was largely driven by the acquisitions we made and the impact of foreign exchange movements on our overseas costs. We also continued to invest in other areas where appropriate, including the build out of our presence in China and in further enhancing our IT resilience through our cloud migration programme. As explained in the Chief Executive's statement, growth in China remains an important part of our strategy for growing our core Asset Management business. Our transition to the cloud will result not only in greater operational resilience, but also future cost savings.

Bringing all of these components together, we generated an operating profit of £723.0 million (2021: £841.0 million).

Overall, I am pleased with these results. Our Schroders Capital and Schroders Wealth businesses performed very well, helping to mitigate the effects of the challenging backdrop our traditional asset management business faced. We believe that our focus on long-term goals and strong investment performance continues to provide a sound platform for future growth.

KPI

Basic operating earnings per share (pence)

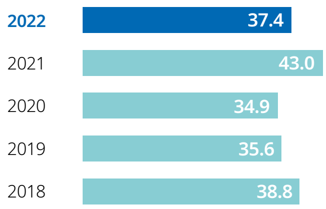
Our objective

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

How we performed

37.4p

In 2022, basic operating earnings per share was 37.4 pence.



Re-presentation of our income statement and the revised treatment of AUM

During 2022, we re-presented our consolidated income statement and revised the treatment of AUM. Further information can be found on page 71 and page 168.

£ billion	Schroders Capital	Schroders Solutions	Mutual Funds	Institutional	Asset Management	Wealth Management	Total (excl. JVs and associates)	Joint ventures and associates	Group Total
Opening AUM	**53.7**	**198.1**	**116.0**	**166.2**	**534.0**	**81.2**	**615.2**	**116.4**	**731.6**
Restatement[1]	–	–	–	–	–	20.4	20.4	14.7	35.1
Transfers[2]	(2.0)	8.3	0.9	(7.2)	–	–	–	–	–
Restated opening	**51.7**	**206.4**	**116.9**	**159.0**	**534.0**	**101.6**	**635.6**	**131.1**	**766.7**
Gross inflows	16.1	39.5	33.7	24.3	113.6	14.5	128.1	240.9	369.0
Gross outflows	(9.7)	(39.7)	(39.6)	(31.6)	(120.6)	(9.1)	(129.7)	(246.9)	(376.6)
Net new business	**6.4**	**(0.2)**	**(5.9)**	**(7.3)**	**(7.0)**	**5.4**	**(1.6)**	**(6.0)**	**(7.6)**
Acquisitions	8.8	43.1	–	–	51.9	0.1	52.0	–	52.0
Investment returns[3]	1.4	(39.1)	(10.2)	(12.6)	(60.5)	(9.0)	(69.5)	(4.1)	(73.6)
Closing AUM	**68.3**	**210.2**	**100.8**	**139.1**	**518.4**	**98.1**	**616.5**	**121.0**	**737.5**

1. Wealth Management AUM has been restated to reflect the basis on which contractual revenues are earned by the Group. AUM is now recognised where separate contractual client relationships exist that generate incremental revenues for the Group.
2. Emerging Markets Debt and Commodities have been transferred to the Mutual Funds and Institutional business areas and certain pension mandates have been transferred from Institutional to Schroders Solutions.
3. Includes markets, FX and investment performance. Currency movements increased AUM by around £37.3 billion.

The following commentary provides a more detailed review of our financial results.

Asset Management segmental results

Our Asset Management results demonstrated the benefits of our strategy. The two strategic growth areas of Schroders Capital and Schroders Solutions performed well, supported by strategic acquisitions. This helped to mitigate the market headwinds that impacted our Mutual Funds and Institutional business areas.

Net operating revenue for the segment was lower than the prior year at £1,967.1 million (2021: £2,043.1 million). This was largely due to lower performance fees and net carried interest which reduced to £59.1 million (2021: £126.1 million).

Schroders Capital had good growth, with gross fundraising of £17.5 billion and net new business of £6.4 billion. Net flows were particularly strong in our real estate and infrastructure capabilities, although the more liquid parts of our alternative credit products experienced outflows as clients rebalanced their portfolios. Together with the acquisitions of Greencoat Capital and Cairn Real Estate in the Netherlands, the net new business drove an increase in average AUM for the business area of 35%. This helped offset the impact of the fall in performance related fees within the business area, and led to net operating revenue increasing by 16% to £406.1 million (2021: £350.7 million). The net operating revenue margin excluding performance fees and carried interest reduced slightly to 61 basis points (2021: 62 basis points) as a result of a change to the product mix, including the impact of transfers.

Net operating revenue in Schroders Solutions business grew 6% to £292.2 million (2021: £276.4 million). This was principally a result of higher average AUM following the acquisition of River and Mercantile's solutions business which contributed £43.1 billion of AUM. As noted earlier, we dealt with the gilt crisis well, and emerged relatively unscathed. The net operating revenue margin for the business area reduced to 13 basis points (2021: 14 basis points), due to a change in the mix.

The average AUM for both our Mutual Funds and Institutional business areas reduced as a result of the fall in asset values and net outflows. As a result, net operating revenue for these business areas reduced to £748.3 million (2021: £815.0 million) and £520.5 million (2021: £601.0 million) respectively. Excluding performance fees, the net operating revenue margin for Mutual Funds reduced to 71 basis points. This was due to a change in business mix as the adverse market conditions had a greater impact on our higher margin products. Excluding performance fees, the net operating revenue margin for our Institutional business however increased to 34 basis points (2021: 31 basis points), principally as a result of the impact of transfers affecting the mix.

Our venture with Bank of Communications in China experienced a reduction in AUM, which resulted in reduced profits, although this was partly offset by foreign exchange movements and the performance of our other interests, including our partnership with Axis Bank in India. Returns from our Asset Management joint ventures and associates were largely flat as a result at £73.6 million (2021: £73.9 million).

Bringing this all together, our net operating income for the year was £2,068.7 million (2021: £2,137.5 million).

Operating expenses in Asset Management increased to £1,475.6 million (2021: £1,424.8 million). This reflects not only the increase in the scale of our business following the acquisitions we completed during the year, but also higher travel costs as business continued to open up post Covid-19 and the investment in our cloud migration noted earlier. Given the currency mix of our expenses, foreign exchange movements also resulted in a higher cost base. Overall, these movements resulted in operating profit of £593.1 million (2021: £712.7 million) for the Asset Management segment.

Wealth Management segmental results

Our Wealth Management business had a strong year, in particular demonstrating the benefit of the UK regional investment we have made in recent years. Net operating revenue enjoyed an increase of 10% to £394.3 million (2021: £360.0 million). Within this, management fees increased by 2% to £318.1 million (2021: £312.3 million) as a result of higher average AUM. The rise in interest rates had a positive impact and led to net banking interest increasing more than threefold to £36.9 million (2021: £11.1 million). This drove an increase in the net operating revenue margin of 2 basis points to 40 basis points.

We generated net new business of £5.4 billion, with positive contributions from each of the three services we provide clients: Advised, Platform and Managed.

Schroders Personal Wealth (SPW), our joint venture with Lloyds Banking Group, continued to perform well, generating positive net flows of £0.2 billion and an increase in revenue of 3%.

Operating expenses were £276.9 million (2021: £254.2 million). The increase in the year principally reflects continued investment in this growth area, both through strategic hires and improvements to our IT platform.

As a result of these movements, operating profit for the segment increased to £129.9 million (2021: £128.3 million). In light of the overall market environment, this represents a very strong result.

Central costs and other items

Central costs, which are presented below our operating profit, reduced to £48.8 million from £53.6 million in 2021. These represent costs incurred as part of our treasury and strategic corporate development activities and the costs associated with the governance and corporate management of the Group. The decrease was principally as a result of the reduction in compensation for our executive Directors.

As part of the treasury and capital management activities, the Group holds seed and investment capital. Due to the fall in financial markets this year, we incurred a net loss on financial instruments and other income of £6.7 million (2021: gain of £43.9 million). Acquisition costs and related items increased to £86.4 million (2021: £65.2 million), reflecting expenses, including amortisation of intangible assets, incurred as a result of the strategic acquisitions completed by the Group during the year. The combined impact of these movements along with the profit from our operating segments resulted in a profit before tax for the year of £586.9 million (2021: £764.1 million). Profit after tax was £486.2 million (2021: £623.8 million).

Financial strength and liquidity

Our year-end capital position remains strong, with a capital surplus of £655 million (2021: £1,454 million). The reduction in our capital surplus is largely due to the deployment of capital to complete our strategic acquisitions. These acquisitions highlight our focus on utilising excess capital to help deliver value for our stakeholders.

The Group's net assets increased by £54.0 million during 2022 to £4,479.7 million (2021: £4,425.7 million). The different forms of business that we conduct affect our total assets and liquidity. Certain assets managed on behalf of investors are recognised in the Consolidated statement of financial position, while others are not. The following table sets out how these assets are broken down between on-balance sheet assets and others that form part of our total AUM.

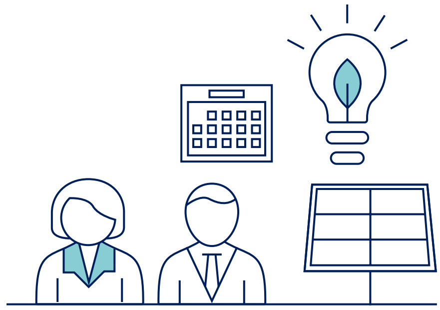
£ billion	Statement of financial position	Not recorded in the statement of financial position	Total
Life Company	10.1	–	10.1
Other Asset Management	–	508.3	508.3
Total Asset Management	10.1	508.3	518.4
Wealth Management	4.5	93.6	98.1
Joint ventures and Associates	–	121.0	121.0
Total AUM	**14.6**	**722.9**	**737.5**
Investment capital	0.2		
Seed and co-investment capital	0.5		
Other assets	6.0		
Total Group assets excluding clients' investments	6.7		
Total Group assets	**21.3**		

Within Asset Management, assets that are managed by the Group but not owned by it are not included in the statement of financial position. However, certain clients invest through life insurance policies that are managed by the Life Company. The assets backing these policies are owned by the Life Company and are included in the Consolidated statement of financial position along with a matching policyholder liability. Wealth Management principally provides investment management, wealth planning and financial advice, platform services and banking services. 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 with consideration of the liquidity demands that may arise from clients. Reflecting these structures, the Group's total assets decreased to £21.3 billion at 31 December 2022 (2021: £24.3 billion).

As at 31 December 2022, investment capital is mainly comprised of cash, cash-like funds and other funds managed by the Group. During 2022, investment capital reduced by £654 million to £184 million (2021: £838 million) and our seed and co-investment capital decreased to £512 million (2021: £666 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.

Richard Keers
Chief Financial Officer

1 March 2023



Our stakeholders

Clients

Actively helping our clients achieve their long-term financial goals

Clients are the primary focus of our business. The Group's resilience and ongoing success are built upon our ability to understand our clients' needs and respond to them. We work to anticipate how these will evolve and to construct products that meet their investment needs and build future prosperity.

How do we engage with them and consider their interests?

Our client service teams are the first point of contact for clients. They build lasting relationships with current and potential clients to develop a clear view of client objectives and how these are likely to evolve.

We have a dedicated Client Insights Unit that uses internal and external datasets to maximise the understanding of our clients and the environment in which they operate.

We conduct client surveys (independent third party and our own bespoke surveys) to hear directly from our clients. As a result of all of these activities we design our product solutions and advice offering to best meet their needs.

Outcomes

Engagement with clients drives our strategy. Client needs and the investment universe we operate in are dynamic and we have materially enhanced our product range in recent years.

Our desire to build closer relationships with end clients, to grow asset management through product innovation and expand private assets and alternatives is a direct result of our understanding of client needs.

Shareholders

Rewarding our shareholders through the sustained success of our business

We rely on the support and engagement of our shareholders to deliver our strategic objectives and grow the business. Our shareholder base supports the long-term approach we take in the management of our business.

How do we engage with them and consider their interests?

The Board engages with shareholders throughout the year. After being held remotely during the pandemic, the 2022 AGM was held as a hybrid meeting following changes to the Company's Articles of Association which gave shareholders a choice of how they could participate.

Over a number of years, the Company's non-voting ordinary shares had become increasingly illiquid and the discount at which they traded to the ordinary shares widened significantly. The Board closely engaged with the Principal Shareholder Group and our other major shareholders before recommending they approved the simplification of the Company's dual class share structure.

See page 63 for more details.

Outcomes

The interests of our shareholders are very closely aligned with those of our clients, which means that in doing the right thing for our clients, we are also able to deliver value to those who have invested in our business.

The simplification of the Company's dual class share structure was as a result of direct engagement with our shareholders and its completion has enabled all shareholders, who share the same economic rewards and risks to have the same voting rights.

Our people

Offering fulfilling work and shared values to our people

Our people are central to the ongoing success of the business, and we are proud of our reputation as an employer of choice. Our people strategy aims to develop an agile and diverse workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs.

How do we engage with them and consider their interests?

We engage with our people through a variety of channels including management briefings, videos, an internal magazine and updates from the Group Chief Executive. We have dedicated teams and activities in every region so that everyone is connected to the key priorities, corporate developments and support networks. At the start of the year, all employees are invited to join sessions on business strategy and have the opportunity to ask questions of senior management. We also conduct pulse surveys and have invested in our internal communications to help employees understand and deliver our strategic objectives. Ian King, our Senior Independent Director, is our designated non-executive Director responsible for gathering workforce feedback. Ian chairs the Global Employee Forum to hear directly from employees on issues that concern them and reports back to the Board.

See pages 30 and 31 for more details.

Outcomes

In our latest pulse survey, 96% of employees felt proud to be working for Schroders, which is a testament to our strength in having a great culture. During 2022, we held a global "Career Week" to help our people plan and take ownership of their development. We also launched an annual manager feedback survey to provide feedback and insights to our managers so that they can take practical actions to have greater impact on team engagement and performance. We also devised a new wellbeing strategy and developed a new model to measure wellbeing to be more responsive to the needs of our people.

Section 172 statement

The Board is bound by its duties under the Companies Act 2006 to promote the success of the Company for the benefit of its shareholders as a whole, having regard to our other key stakeholders.

The Board believes that in order to deliver its strategy and achieve long-term sustainable success, it must consider the interests of all stakeholders. We recognise that engagement with stakeholders in order to understand their needs and considering the impact of decisions on them is key to the continued success of the Company.

Examples of how the Board has considered the interests of the Group's stakeholders appear throughout this Annual Report and a specific example of how the Board considered their interests in relation to its principal decisions made during the year is set out on page 63 in the Corporate Governance Report.

Wider society

Directing our decisions and actions towards supporting wider society

We recognise the responsibility we have to wider society. Schroders is a principles-led business, and we believe that demanding high levels of corporate responsibility is the right thing to do.

How do we engage with them and consider their interests?

We are committed to helping communities around the world, by raising funds for specific causes and volunteering. Our employees are widely engaged with the selection of causes that we support and the Board receives an annual update on the Group's corporate sustainability activities, including risks and opportunities.

We are committed to respecting human rights and avoiding human rights infringements including modern slavery. This involves raising awareness and helping our people understand the scale and complexity of the issue.

During 2022, we published our first standalone report that is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This provided stakeholders with a fuller understanding of how we manage exposure to climate-related risks and opportunities.

Outcomes

We committed £5.2 million to charitable causes in 2022 and we rolled out modern slavery awareness training to all employees globally.

Our climate reporting has been recognised for its transparency and performance. Our 2022 CDP climate change questionnaire response (for year end 2021) achieved a leadership level score of A. This top ranking was achieved by only 2% of the nearly 15,000 global companies assessed by CDP.

External suppliers

Working with trusted partners

We have an established global network of external service partners that supplement our own infrastructure and, in many instances, provide a source of competitive advantage whereby we benefit from the expertise and specialised skills they provide.

How do we engage with them and consider their interests?

We continuously and proactively engage with our external service providers through various communication channels by employees throughout the Group. We have a framework that governs the sourcing, selection, on-boarding, management, oversight and reporting of suppliers. Our Supplier Code of Conduct sets out the high standards to which we hold ourselves and subsequently the treatment and behaviours we expect of our suppliers, and their suppliers, covering such fundamental principles as human rights including modern slavery, ethical sourcing, bribery and corruption, living wages, diversity and inclusion, health and safety and the environment. The Audit and Risk Committee reviews the Group's supply chain annually with a significant focus on material outsourced providers to ensure that they are consistent with our strategy to use service partners that add value to our infrastructure.

Outcomes

Schroders is committed to the fair treatment of its suppliers who are viewed as key stakeholders. The Board approved the Group's Modern Slavery Statement, which contains details of the risk assessment and due diligence processes in place for our suppliers on the issue of modern slavery.

Regulators

Building respectful relationships

As a global business, we seek to build collaborative relationships with each of our regulators providing input and expertise, and constructive challenge to their thinking where we think this is needed. This helps us to comply with current requirements, and to shape future ones, all of which helps us to serve our clients better. We also believe this strengthens and supports the regulators contributing to a more competitive, more resilient financial system.

How do we engage with them and consider their interests?

We engage with regulators and policymakers to understand and contribute to evolving regulatory requirements. In addition to compliance and risk teams we have a dedicated public policy presence in the UK and in Brussels for the EU.

The Board engaged with the FCA, PRA and Takeover Panel in respect of certain aspects of the simplification of the Company's dual class share structure. Our Public Policy team has regular engagement with officials at all levels and this year held detailed engagements on topics as diverse as sustainability, digitisation and governance and culture.

Senior management hold meetings with our regulators to foster good working relationships. The Audit and Risk Committee receives regular reports on engagement with regulators and how changes in regulatory regimes may impact our business.

Outcomes

Our engagement delivered better outcomes for the firm and our clients. This included engaging on the implementation of the FCA's Consumer Duty which sets expectations for the standard of care to be provided by UK firms to retail customers. During the implementation period we are engaged with the FCA to adopt an approach that is consistent with regulatory expectations. Similar engagement with the EU enabled us to meet deadlines for the implementation of the EU's Sustainable Finance Disclosure Regulation. Our input on related UK Sustainable Disclosure Requirements is helping to shape the policy.

Our risk management framework

Our rapidly evolving industry, global presence and core business activities mean that we are exposed to a variety of risks. Our risk management framework and strong system of internal control enable us to manage our risks and helped us respond to the challenges of 2022. Integral to our framework is our strong control culture and the effectiveness of our three lines of defence. Our second line of defence was strengthened in 2022 by bringing together our Risk and Compliance functions. This has allowed us to provide better oversight of the first line, enabling us to support business growth in a risk controlled manner through more integrated discussions and alignment of approach.

Managing risks

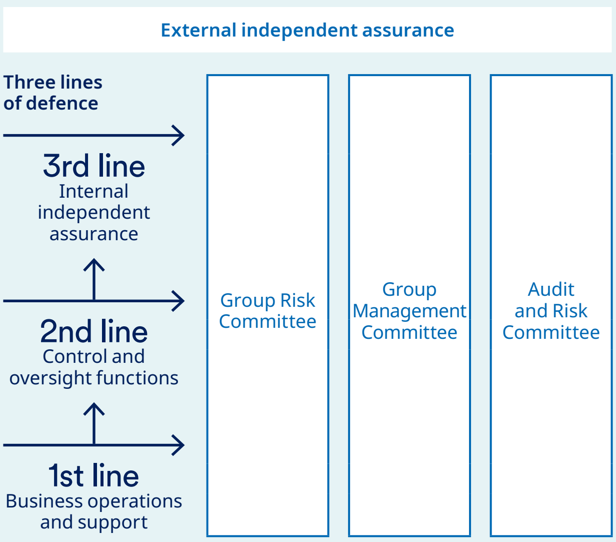
The Board is accountable for the maintenance of a prudent and effective system of internal control and risk management. It assesses the most significant risks facing the business and also uses quantitative exposure measures, such as stress tests, where appropriate, to understand the potential impact 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, more details of which are set out on pages 68 to 75. We embed risk management within all areas of the business at Group and legal entity level. 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 individual behaviours, within the teams they manage, reflect the culture and control standards of the business. The Group Strategy Committee, which supports the Group Chief Executive with the development and delivery of the Group's strategy, regularly receives a risk dashboard which includes metrics to monitor exposure against key risks. Subsidiary 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 has responsibility for the risk and control framework of the Group 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 which review and challenge risks and report significant risk matters to the GRC.

Lines of defence overview



Lines of defence

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

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

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

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

Risk appetite

Risk appetite statements are set by the Board and cover all our key risks (excluding strategic risk, as this risk type mainly comprises factors that are external to our operating model) and apply to all areas of the business. We have a Group level risk appetite statement and a number of entity level statements. In 2022, we reviewed and refreshed our risk appetite statements for applicable UK entities to reflect the harms identified in our solo-entity Internal Capital Adequacy and Risk Assessments (ICARAs) and developed new risk appetite statements for in-scope entities where needed. See page 41 for further details on our ICARAs.

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. This is then formally assessed on an annual basis and is reviewed and challenged by the GRC, GMC and the Audit and Risk Committee prior to the Board.

Strengthening our approach to risk management

In 2022, we combined our Risk and Compliance functions under the leadership of the Chief Risk Officer (CRO). Bringing these functions together has allowed us to increase collaboration and effectiveness across the teams, develop talent, and ultimately improve the robustness of the second line of defence.

We have found natural synergies between the two functions. For example, a failure to comply with conduct and regulatory expectations is most likely to arise due to operational risk failures. As such, management of these risks in a more integral way is proving beneficial. We have also seen improvements in our reporting. We have combined our reports to the GRC and Audit and Risk Committee which has enabled us to more clearly highlight the key matters for senior management attention, resulting in more focus on these issues. In addition, by having our Investment Risk and Investment Compliance teams work together more closely we have been able to leverage the skills and experience of both functions in order to provide better oversight of our portfolios.

Notable developments

In 2022 a number of initiatives were undertaken to progress our management of risk. Some of these are summarised below:

- We further enhanced **ESG risk dashboards** and analytical techniques to support the review and challenge of ESG risks, including at the Asset Class Risk and Performance Committees. These committees are the primary venue for the first and second line functions to review and challenge risk and performance. For private assets strategies we developed proprietary scorecards to assess the ESG risk of individual transactions.
- We successfully completed the first phase of the FCA's and PRA's **operational resilience** regulations. The Schroders plc Board and relevant legal entity boards approved the operational resilience self-assessment documents. These assessments identified our most important business services, the level of resilience required for these services and the areas of our operational resilience that we should enhance. We are now focused on enhancing the areas of operational resilience identified, integrating ongoing compliance with the regulations into business-as-usual activities and continuing to mature our approach to achieve full operational resilience by March 2025.
- The Information Security Oversight Committee continues to provide oversight of the management of **cyber risk**. The focus in 2022 has been on testing our cyber defences through simulated cyber attacks. This has provided valuable insights into the areas we should prioritise for enhancement. Given this, we have initiated a Group-wide multi-year programme to further accelerate the evolution of our cyber defences which will enable us to make cyber defences as effective as possible and to evolve in line with the threats that we face. Attacks by organised crime groups (for example targeted ransomware) remain a risk for financial services and Schroders is no exception.
- We have been working with the firms we acquired in 2022 to move them onto our network, integrate them into Schroders' frameworks (as appropriate) and align our policies so that our control standards are consistent across the Group.
- We have ten UK entities in scope of the FCA's Investment Firms Prudential Regulation (IFPR). The regulation sets risk, capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an **ICARA**. In 2022, all of our solo-entity ICARAs were approved by their respective boards. As part of the development of the ICARAs we identified, assessed and quantified harms to clients, markets and the firm itself and confirmed that we have sufficient capital and liquidity resources under the new regime.
- Our Credit Risk team designed and developed a new automated tool to run **loan book stress tests and diversification analysis** reports for the wealth management banks which provide clear and up to date information for quick decision making in a volatile market. The reports are presented monthly to the various Assets and Liabilities Committees for discussion and approval.
- Within operational risk we have continued to enhance our RCA framework. Our **RCAs are a core part of our operational risk** framework and help us manage operational risk across the Group. They are used to identify inherent risks in business processes and document the controls in place to mitigate risks, enabling us to maintain ongoing oversight of the risk profile. This year we:
  - Incorporated consideration of **ESG and Operational Resilience** risks into the RCA process, leveraging the advice from specialist teams.
  - Implemented a **mid-year RCA review** to capture changes in business processes and associated risks on a formal basis. This was in addition to the existing expectations that RCAs be updated following periods of business change.
  - Developed a quarterly review of **high residual risks** to track and monitor the timely progression of actions to reduce risk and any changes to these risks.
- The way in which we communicate with clients is becoming increasingly more sophisticated and varied as we are communicating on a wider product and investment service range, in a wider set of jurisdictions. To mitigate reputational risk and the risk of non-compliance with regulatory requirements we have established a **Client Communications Framework,** which provides a consistent method of communicating with clients across the Group.
- We have a robust **Conduct Risk Framework** which was established a number of years ago. At the heart of the framework is a requirement for business areas to submit Conduct Risk Assessments on a quarterly basis which are reviewed and challenged by the GRC. This year we enhanced our approach by developing business function **Conduct Risk Appetite statements** leveraging the Group risk appetite approach. These risk appetite statements have enabled us to further analyse where conduct risk could occur within each business function, and to develop metrics to assess the current level of risk versus appetite.

Geopolitical risk, economic pressures and our crisis management approach

The last few years have tested our emerging risk and crisis management processes. From the Covid pandemic which began in 2020, to the geopolitical events of 2022 (specifically Russia's invasion of Ukraine in February and the gilt crisis in September and October), we have managed all crises with minimal disruption to the business and our clients. We consider emerging risks on a regular basis across the firm and incidents as they arise. We operated a daily call in February and an intraday call in September to manage the impact from the events noted above. We also have a crisis management plan which provides a coordinated and structured approach.

This overall approach served us well in response to Covid and recent events. Whilst geopolitical risk continues to remain high due to war in Europe and some political tension between China and the West, our business remains diversified globally, providing additional resilience. We regularly monitor our exposure to geopolitical risk and take proactive action where possible. The high inflation, low growth economic environment poses risks to the growth of our AUM and may in turn add cost pressures to the business. We must therefore apply vigilance to maintaining our control environment and continue to manage risks effectively.

Risk assessment

Emerging risks, and changes to our existing risks, are identified throughout the year, during the normal course of business, and are reviewed and discussed at relevant risk committees and boards. In addition, on a periodic basis we 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 Group Risk and discussion with GMC members and subject matter experts around the Group. Emerging risks and trends in existing risks are reviewed in light of the current internal and external environment, geopolitical factors, market conditions, changing client demand and regulatory sentiment. The objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. Each risk is then analysed to assess how it can be managed and mitigated.

The "bottom-up" approach uses the results from RCAs (described on page 40), trends in risk events and high-impact issues logged in our operational risk database, Archer.

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

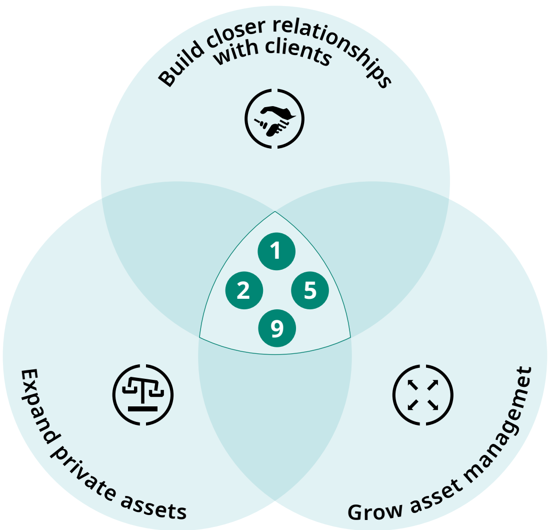
We have reviewed the list of internal key risks and identified a sub-set that are the principal risks to the firm. These are set out below and on pages 43 to 45. These pages are not designed to be an exhaustive list of all risks, but instead capture the principal risks that are most likely to impact 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.

We have included trend arrows showing how our risk profile has changed since last year. Commentary to explain why risks have increased since the prior year, can be found on pages 43 to 45.

We have also included a diagram showing the strategic risks faced by the firm, that are mitigated by our strategy.

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	Categories of risk
Increased	Strategic risk
Decreased	Business risk
Remained the same	Operational risk

	Principal risks	2022	2021
1	Business model disruption	Remained the same	Increased
2	Changing investor requirements	Remained the same	Remained the same
3	Conduct and regulatory risk	Increased	Remained the same
4	ESG including climate change	Remained the same	Increased
5	Fee attrition	Remained the same	Remained the same
6	Financial instrument risk	Increased	Remained the same
7	Information security and technology	Remained the same	Increased
8	Investment performance risk	Remained the same	Remained the same
9	Market returns	Remained the same	Increased
10	Operational process risk	Remained the same	Remained the same
11	People and employment practices	Decreased	Increased
12	Product strategy and management	Remained the same	Remained the same
13	Reputational risk	Remained the same	Remained the same

Principal risks

	Description	How we manage this
1	**Business model disruption** Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Geopolitical turmoil, including sanctions and conflict, could also impact our business. For example, heightened tension between China and the West may impact our China-based activities or Chinese assets which we invest in on behalf of our clients. This risk remains elevated.	We continue to invest in our technology platform to support our Schroders Capital business. We regularly monitor developments in countries subject to geopolitical risk and take steps to protect our people and assets where necessary.
2	**Changing investor requirements** Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a decrease in AUM. An example of where we need to respond to this is to win business that has transferred from defined benefit to defined contribution pension plans. ESG is a material part of our client considerations and we expect climate risks to feature more heavily in future investment requirements and offerings. The advice gap means demand for wealth management products continues to be high. There is a risk we do not grow and evolve to respond to this demand and retain and attract the right people to serve our Wealth Management clients.	The acquisition of the River and Mercantile solutions business and Greencoat Capital have allowed us to evolve our products to meet a wider range of client needs. We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed capital to support product innovation for future growth. We focus our attention where we believe we are able to make a more significant difference to our clients through current or planned future capabilities, in particular closing the UK private client advice gap.
3	**Conduct and regulatory risk** The risks of client detriment or reputational harm arising from inappropriate conduct of our staff or those of counterparties, suppliers and other third parties we engage, including failure to meet regulatory requirements (including those with respect to conflicts and financial crime), poor behaviour, or failing to meet appropriately our clients' expectations. This risk increased in 2022 due to regulators taking varying approaches to ESG, making implementation more difficult, and disruption in the UK gilt market resulting in increased regulatory scrutiny.	We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct and regulatory compliance via our conduct risk framework, supported by training and compliance assurance programmes.
4	**Environmental, social and governance (ESG) risk including climate change** Failure to understand, accurately assess and manage investment risk associated with ESG factors within assets and portfolios, and to appropriately represent the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate ESG products or to meet our clients' expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk has stabilised in 2022 due to improved data coverage of public assets, developments within SustainEx™ and the creation of a Schroders Capital Sustainability and Impact working group. The risk associated with regulators implementing different approaches to ESG, and their heightened scrutiny on the topic, is captured within Conduct and Regulatory risk above.	We have developed a range of proprietary tools to better understand the impacts of ESG risk including climate change on the portfolios we manage. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees. We have an Integration Accreditation Framework which we use to assess the integration of ESG factors into our investment desks' processes and re-accredit them on an annual basis. Regarding climate specifically, we have developed a Net Zero Dashboard which enables our investment teams and central risk function to monitor the temperature alignment of portfolios and track our progress against our firm-wide net zero commitment.
5	**Fee attrition** Fee attrition caused by clients allocating more of their assets to passive products, and less to active managers, coupled with a lower allocation to public markets, and a greater allocation to private markets. This has resulted in increased competition on price in the traditional active management market. We are also exposed to the risk of intermediaries taking more revenue streams.	We have continued to focus on solutions and outcome-oriented strategies, thematic products and private assets, which diversify our fee income. We have expanded our fiduciary business within Solutions and partnered with a number of new clients in 2022. We are also increasingly diversifying our product offering, supporting long-term profitability. We are moving to vertical integration and getting closer to clients allowing us to better understand their needs. This has also given us opportunities to access a greater share of available revenue.

	Description	How we manage this
6	**Financial instrument risk** We face market, credit, liquidity and capital risks from movements in the financial markets in which we operate, arising from holding investments as principal. Due to geopolitical events resulting in inflation and movements in interest rates we have seen an increase in the volatility of several asset classes and shifts in correlations between asset classes which has resulted in an increase in Financial Instrument risk. Failure to manage market, credit and liquidity risks arising from managing AUM on behalf of clients would be considered an Operational Process risk.	We manage capital, liquidity and the Group's own investments through Board-set limits and in the Group Capital Committee. Equity market and credit spread risks in seed capital are hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.
7	**Information security and technology risk** Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that leads to a negative impact on the Schroders business and our client experience. Cyber threats have remained at the elevated level reported last year due to the activities of highly capable criminal organisations and state-sponsored threats. Through our programme of testing we continue to have greater insight into the areas we should focus on to enhance our cyber defence capabilities.	We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation. We are also undertaking a migration of our infrastructure and systems to the Cloud. This will allow us to use the capabilities of cloud technologies and the expertise of the providers, further enhancing our resilience and reducing cyber risk.
8	**Investment performance risk** There is a risk that portfolios may not meet their investment objectives, including, where applicable, a sustainability outcome, or that there is a failure to deliver consistent and above-average performance. There is a risk that clients will move their assets elsewhere if we are unable to outperform competitors or unable to deliver the investment objectives. The change from a long-term low interest rate environment to rising interest rates can impact clients' performance expectations and our ability to meet them and may require adjustments within strategies. Strong investment performance is critical to the success of Schroders.	We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge. Oversight of both risk and performance is embedded in our business processes and governance. In 2022, 73% of client assets outperformed benchmarks over three years and 76% outperformed benchmarks over five years.
9	**Market returns** Our income is derived from the value of the assets we manage. Falling markets reduce our AUM and therefore impact revenues. Market falls may be exacerbated by geopolitical risks, for example in response to deteriorating relations with Russia. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies. Economic uncertainty driven by the energy crisis, continued strict Covid-19 measures in China, UK government changes and the UK/EU relationship presented a risk in 2022. The impact of rising inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM. Capital investment may be targeted at domestic growth rather than being allocated to cross-border initiatives. This risk has stabilised at the higher level reported last year because none of the factors above have eased.	We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Schroders Capital, Schroders Solutions, and Schroders Wealth Management increased from £368 billion in 2021 to £390 billion in 2022, further increasing our diversification. Our focus on growing our Schroders Capital product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets.

	Description	How we manage this
10	**Operational process risk** The risk of failure of significant business processes, such as compliance with fund or mandate restrictions, fund pricing, trade execution for investment portfolios and client suitability checks, whether these occur within Schroders or appointed third parties. It includes operational integration of acquisitions as there may be some risks whilst newly acquired firms are operating on different platforms, and before they are fully aligned to Schroders' policies. It also includes the ineffective management of joint ventures and associates. Overall this risk remains stable as our control environment continues to mature.	Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We work with acquired firms to move them onto our platforms (where appropriate) and to align our policies. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier life cycle to identify potential risks which may impact the quality or continuity of service.
11	**People and employment practices risk** People and employment practices risk may arise from an inability to attract or retain key employees to support business activities or strategic initiatives; non-compliance with legislation; or failure to manage employee performance. This risk has reduced in 2022 as our early move to a flexible working charter has given us a competitive advantage over our peers when recruiting and retaining talent. We are also normalising to a pre-Covid environment with staff coming back to the office and this has boosted morale. This is also evidenced with our latest pulse survey results, with 96% of our employees still feeling proud to be working for Schroders.	We have competitive remuneration and retention plans, with appropriate deferred compensation targeted at key employees. We have sustainable succession and development plans. We have policies and procedures in place to encourage inclusion and diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.
12	**Product strategy and management** There is a risk that our product or service offering is not suitably diversified or viable or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, do not perform in alignment with their investment objectives for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.	Risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee. We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. We have a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) would be notified to relevant teams rapidly, to reduce potential liquidity risk issues.
13	**Reputational risk** This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls. In recent years we have extended our brand through a number of new acquisitions. Reputational issues in joint ventures and associates where we have limited control of the outcome could adversely impact the Group.	We consider reputational risk when initiating changes to our strategy or operating model and focus on maintaining high standards of conduct. We have a number of controls and frameworks to address other risks that could affect our reputation, including: financial crime, investment risk, client take-on, client communications and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.

Climate-related financial disclosures

The following summary read together with our detailed Climate Report, which can be found on our website, 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 the Group incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to the expectations of our stakeholders.

The reason we have produced a supplemental detailed Climate Report is to provide a more comprehensive and tailored view for our stakeholders. The summary disclosure below should therefore be read in conjunction with our Climate Report.

Read our Climate Report: www.schroders.com/TCFD

For our total operational GHG emissions footprint and energy data, see page 110.

See pages 26-33 for more details on our sustainable leadership.

Summary disclosures

TCFD pillars	Recommended disclosures	Our response
Governance Read more on pages 13-19 of our Climate Report.	a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks.	• The Board of Schroders plc has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate and nature-related risks and opportunities into our strategy. The Board is therefore ultimately responsible for the oversight of climate and nature-related risks and opportunities that could impact our business. • 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, whilst retaining overall responsibility for the delivery of our strategy. The Group Chief Executive has management responsibility for overseeing the Group's approach to climate change. There are a number of management committees and working groups that assess, advise on and oversee climate and nature-related risks and opportunities. The Group Sustainability and Impact Committee, chaired by the Group Chief Executive, monitors progress towards our climate and nature-related targets.
Strategy Read more on pages 20-50 of our Climate Report.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Risks to our investee companies include physical risks affecting operations (long term), and transition risks from measures to support global decarbonisation goals affecting the business proposition (short, medium and long term). In turn, these can negatively impact our investment performance. • Opportunities will arise in sectors that stand to benefit from decarbonisation, such as those focused on energy efficiency, renewable energy infrastructure, or climate change resilience/adaptation (short and medium term). • The majority of the risks and opportunities lie in our investments. We identify where the risks lie and act to respond to those risks. We assess our risk across a range of temperature scenarios. Our approach is detailed in our Climate Transition Action Plan, which has been updated, including our progress, in our subsequent 2021 and 2022 Climate Reports. • Our approach is to measure exposure, track and hold companies to account and offer client solutions aligned to a net zero pathway. • We work with our investee companies to transition through engagement. If companies do not take steps in their transition to a 1.5°C world, we have the option of exiting those positions. • For our own operations, we are reducing energy consumption in our offices, transitioning our company car fleet to electric vehicles, implementing ISO 14001 Environmental Management Systems, increasing renewable power, reducing business travel and engaging suppliers to set science-based targets.

TCFD pillars	Recommended disclosures	Our response
Risk management Read more on pages 51-58 of our Climate Report.	a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	• The process of identifying, assessing and managing climate risks has been embedded into our Group-wide risk management framework, which operates a three lines of defence approach. We also identify risks through the lenses of physical and transition risk. • Environmental, Social, Governance (ESG) risk including climate change is a key risk and is monitored using our risk appetite metrics. • We assess the risk via research and analytics for investee companies (valuations) or ourselves (reduced revenue/increased costs) using our Climate Analytics Framework and stress testing. • Climate risk has been embedded into our key existing processes alongside specific climate-related governance and decision-making bodies. This includes embedding it into investment research and decision-making, product development, company engagement and risk management processes. • The Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework.
Metrics and targets Read more on pages 59-69 of our Climate Report.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. (All data is at 31 December 2022 unless stated otherwise.) c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• For our clients' investments, we review greenhouse gas (GHG) emissions using absolute and intensity measures, and track implied temperature scores. • For our own operations, we review and measure GHG emissions in our offices, company car fleet, business travel and supply chain. • As an investment manager, our Scope 3 category 15 (financed emissions) represents our greatest exposure to climate-related risks. • The combined Scope 1 and 2 carbon footprint for in-scope[1] AUM was 59.1 $MtCO_2e$. The temperature score for the combined Scope 1 and 2 GHG emissions at portfolio level was 2.6°C. • Our Scope 1 GHG emissions were 789 tCO_2e (29% reduction since 2019). Our Scope 2 location-based GHG emissions were 3,711 tCO_2e (35% reduction since 2019). 95% of our global electricity consumption was from renewable sources. • Our Scope 3 business travel GHG emissions were 8,675 tCO_2e (60% reduction since 2019). 25% of our suppliers in-scope[2] (by GHG emissions) have set a science-based target. • For our clients' investments our target is to align 100% of Scope 1, 2 and 3 temperature score for in-scope[1] listed equity, corporate bonds, real estate investment trusts (REITs) and exchange-traded funds (ETFs) holdings from 3.2°C in 2019 to 1.5°C by 2040. • For our own operations our targets are to reduce absolute Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year; increase sourcing of renewable electricity to 100% by 2025; reduce absolute business travel emissions by 50% by 2030 from a 2019 base year; and work with our suppliers so that 67% of suppliers (by GHG emissions) will have science-based targets by 2026.

1. Includes all mandatory asset classes required by the Science Based Targets initiative, which consist of our listed equity, corporate bond, REIT and ETF exposure. This accounted for over 60% of our AUM.
2. Includes Scope 3 categories 1 Purchased goods and services; 2 Capital goods; and 4 Upstream transportation and distribution.

Governing our non-financial information

This section of the strategic report details the policies and standards which govern our approach to non-financial information. It is in accordance with sections 414CA and 414CB of the Companies Act 2006.

	Non-Financial Matter				
	Environment	Employees	Social matters	Human rights	Anti-corruption and anti-bribery
ESG Policy for Listed Assets – our principles and practices regarding sustainable investing in Schroders' Asset Management processes and strategies.	✓		✓	✓	
Schroders Capital Sustainability and Impact Policy – our principles and practices regarding sustainable investing in Schroders Capital Private Assets business.	✓		✓	✓	
ESG and Stewardship Policy – our principles and practices regarding sustainable investing in our Wealth Management processes and strategies.	✓		✓	✓	
Statement of Compliance with UN Principles for Responsible Investment	✓		✓		
Group Climate Change Position Statement – our position in relation to the environmental management for the investments we manage and our operations.	✓				
Group Nature and Biodiversity Position Statement – our position on nature and biodiversity.	✓			✓	
Task Force on Climate-related Financial Disclosures	✓				
Engagement Blueprint – the areas on which we are focusing our engagement efforts with companies to support and encourage management teams to transition towards more sustainable business models that we believe will strengthen the long term value of their businesses.	✓		✓	✓	
Guiding principles and values – our values of excellence, innovation, teamwork, passion and integrity.		✓			
Directors' Remuneration Policy – our approach for setting Directors' remuneration.		✓			
Policy on Board diversity – our approach to board diversity.		✓			
Group Personal Data Policy – summarises the obligations imposed upon all Schroders Group Companies and employees by data protection laws and covers the rights of individual employees with respect to their personal data.		✓			
Group Tax Strategy – 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 www.schroders.com/taxstrategy, 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.					✓
Modern Slavery Statement – our annual statement on how we assess, manage and report on the risks of modern slavery practices in our business and value chain.		✓	✓	✓	✓
Supplier Code of Conduct – the standards and behaviours we expect from our suppliers. We also have a number of internal policies and standards that are not published externally relating to anti-corruption and anti-bribery matters.	✓		✓	✓	✓
Group Human Rights Position Statement – our position for our entities and employees in relation to respect of human rights.		✓	✓	✓	
United Nations Global Compact (UNGC) – we were an Early Adopter of the refreshed UNGC Communication on Progress.	✓	✓		✓	✓
Whistleblowing Policy – our internal procedure for reporting and investigating concerns without fear of reprisals or detrimental treatment.		✓		✓	

Environment on pages 32, 33, 46 and 47.

Employees on pages 30, 31 and 38.

Social matters on pages 32, 33 and 39.

Human rights on pages 32.

Anti-corruption and anti-bribery on pages 32 and 39.

Additional information

Description of business model	Our business model is designed to deliver for our stakeholders. We do this by providing excellent investment performance to our clients through active decision-making.	On pages 16-17.
Description of principal risks and impacts of business activity	We review our internal and external environment to identify the principal and emerging risks that are most likely to impact our strategy, business model, reputation and performance.	On pages 40-45.
Non-financial key performance indicators	In addition to our financial performance metrics, we also measure our performance through the use of non-financial performance indicators.	On the inside front cover.

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

Assessment of prospects

The five-year period to December 2027 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, with the outlook most recently updated in February 2023. The business planning process considers the longer-term headwinds 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 14-17.

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 comprising the expected total compensation cost ratio and non-compensation 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 Schroders plc Directors 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 40–45. 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 as a result of a severe period of market stress, similar in severity to the global financial crisis;
- the impact of a material operational risk event or poor investment performance which could lead to reputational damage and significant outflows of our AUM;
- a significant decline in net operating revenue margins reducing projected revenues, together with an increase in the ratio of total operating expenses to net operating income;
- the early crystallisation of certain climate change risks;
- prevailing economic factors such as the potential for a sustained period of high inflation, elevated interest rates and a marked slowdown in global growth.

The Group also assesses the impact of the regulatory stress scenario 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 49 constitute the Strategic report, which was approved by the Board on 1 March 2023 and signed on its behalf by:

Peter Harrison
Group Chief Executive

1 March 2023

Glossary

About our business areas

Schroders Capital
Gives investors access to opportunities in private markets, such as real estate, private equity and infrastructure, as well as alternatives.

Schroders Solutions
Provides complete solutions and partnerships, including liability offsets and risk mitigation.

Mutual Funds
Offers retail clients access to our investment capabilities through intermediary networks.

Institutional
Makes investment components available directly to institutions and through sub-advisory mandates.

Schroders 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.

Exceptional items
Exceptional items are significant items of income and expenditure that were previously presented separately by virtue of their nature. They related principally to items arising from acquisitions undertaken by the Group.

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 from our operational activities to aid understanding of the financial performance.

Operating profit
Profit before tax but excluding revenue and expenditure that does not fall into the core operations of Asset Management or Wealth Management, or are acquisition related in nature (see note 3).

Payout ratio
The total dividend per share in respect of the year (see note 6) divided by the operating basic earnings per share.

Profit before tax and exceptional items
Profit before tax but excluding exceptional items. This presentation provides transparency of recurring revenue and expenditure from our operational activities to aid understanding of the financial performance of the Group.

Total compensation ratio
Compensation costs, excluding those recognised within 'Acquisition costs and related items', divided by net operating income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.

Active asset management
The management of investments based on active decision-making rather than with the objective of replicating the return of an index.

Alpha
Excess return over market returns relative to a market benchmark.

Article 8 and Article 9
See Sustainable Finance Disclosure Regulation.

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, 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%).

Carbon dioxide equivalent (CO_2e)
A standard unit for measuring carbon footprints. It enables the impact of different greenhouse gas emissions on global warming to be expressed using an equivalent amount of carbon dioxide (CO_2) as a reference.

Carried interest
Carried interest is similar to the performance fees we earn on our core business, but is part of Private Assets and Alternatives fee structures.

Carbon Disclosure Project (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 virtually all 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 £79.3 billion of assets, principally comprising those managed by third parties or held on an execution-only basis, 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 72% 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 12% 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 7% of assets in the calculation.

Clients
Within our Asset Management business 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.

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.

Family offices
These manage and/or advise on the financial affairs and investments of ultra-high net worth individuals or families.

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 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 Schroders Capital business comprising new funds invested into our products and contractual commitments from clients to invest their capital in the future.

Gilt crisis
The UK government's 23 September 2022 mini-budget caused sharp falls in the pound's exchange rate and UK government bond prices as a result of fears the government would be unable to fund its Growth Plan 2022.

Greenhouse Gas (GHG) Protocol
Greenhouse gas protocol, a global standardised framework to measure and manage greenhouse gas emissions.

GMC
Group Management Committee.

GRC
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.

Integration of ESG factors
The incorporation of a range of risks and opportunities related to environmental, social and governance (ESG) factors into the investment decision-making process. In principle, this leads to a broader assessment of the drivers of business and asset valuations than traditional financial analysis alone, particularly in the long term.

Recognising that no standard framework exists to assess the integration of ESG factors into investment processes, we have developed a proprietary accreditation framework which we apply to our investment processes. Different investment strategies may consider different ESG factors as part of their investment process and apply them in different ways. The ESG factors may not be the primary factors that influence an investment decision. The framework requires investment teams to describe how ESG factors are incorporated into their investment processes and provides a consistent basis on which to assess how those factors are taken into account.

For certain businesses acquired more recently we have not yet accredited the integration of ESG factors into investment decision making. A small portion of our business for which the integration of ESG factors is not practicable or possible, for example, our legacy businesses or investments in the process of being liquidated, and certain joint venture businesses are excluded.

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.

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.

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). These are calculated as at 31 December 2022 on the basis of actual funding provided or withdrawn.

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 income revenue margins
Net operating revenue excluding performance fees, net carried interest and real estate transaction fees divided by the relevant average AUM.

Net zero / net zero target
Net zero emissions is achieved when the amount of emitted greenhouse gases are balanced by the equivalent of emissions removed. A "net zero" target refers to reaching net zero carbon emissions by a selected date and refers to balancing the amount of emitted greenhouse gases with the equivalent emissions that are either offset or sequestered.

Other operating income
Other operating income primarily relates to gains and losses on co-investments and foreign exchange.

Passive products
Products whose stated objective is to replicate the return of an index.

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.

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.

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. It is calculated 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.

PRA
Prudential Regulation Authority.

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 43.11% of the ordinary shares of Schroders plc.

Regulatory surplus capital
Total equity less the Group's overall regulatory capital requirement and regulatory deductions, in accordance with the EU Capital Requirements Regulation as set out in the Group's Pillar 3 disclosures.

Renewably sourced electricity
Electricity that is directly or indirectly (via Renewable Energy Certificates) procured from a verifiable renewable source.

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 by the business 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.

Sustainable Finance Disclosure Regulation (SFDR)
Under the EU's Sustainable Finance Disclosure Regulation, 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.

SustainEx™
Schroders' proprietary estimate of the net 'impact' that an issuer may create in terms of social and environmental 'costs' or 'benefits'. 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.

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 PRA.

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.