Annual Report and Accounts 2020

Schroders

Strategic report

Governance

Financial statements

Shareholder information

Our Annual General Meeting (AGM) will be held at 11.30am on 29 April 2021 at 1 London Wall Place, London, EC2Y 5AU.
A glossary of terms used throughout the Annual Report and Accounts, including details of Alternative Performance Measures, can be found from page 189.

ACCELERATING POSITIVE CHANGE

Our purpose is to provide excellent investment performance to our clients through active management.

By serving clients, we serve wider society. Channelling capital into sustainable and durable businesses accelerates positive change in the world.

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

The events of 2020 were exceptional. Our response mirrored our response to crises before: we held firm and took decisions that best served the interests of our clients, our people, our shareholders and other stakeholders.

Our core belief that investments should be actively managed was rewarded. Fund managers who were free to take deliberate decisions in the interest of clients, performed well during last year's periods of market volatility.

More broadly, we nurture a long-term culture that cares about people and outcomes. It creates the right environment for our strategy to flourish.

Performance

The conscious and considered decisions of our fund managers have driven positive outcomes for clients while a focus on sustainability underpins our corporate performance.

Over three years
72%
of client assets outperformed their respective benchmarks

Over five years
81%
of client assets outperformed their respective benchmarks

Sustainalytics ESG Risk Rating of
18.8
low risk and in the top 15% for diversified financials sector

People

The responses in our employee surveys reflect the positive culture on which we build our business.

98%
of employees proud to be associated with Schroders

94%
retention of highly-rated employees

Reached
33%
target of female representation in senior management

Progress

At every level of our organisation, we understand our role in supporting wider society through an unprecedented crisis.

MSCI ESG Rating of
AAA
putting us in the top 3% of our sector with a consistent score for more than five years

73%
reduction in CO_2e emissions per employee globally

£4.3m
raised through #CollectiveAction, including director and employee donations and corporate matching

For more information about how we calculate client investment performance refer to the Glossary on page 189.

Strong investment outperformance underpins strong financial performance

By building a strong and caring culture, we can achieve the outcomes our clients want. It is this, and a commitment to bold and conscious decision-making, that underpin our financial strength and powers our growth. The numbers highlight a solid performance during the challenges of 2020. The key performance indicators (KPIs) used by the Board to track strategic progress can be found on pages 22-23.

Financial highlights

Net income
£2,179.2m
(2019: £2,124.8m)

Basic earnings per share before exceptional items
200.8p
(2019: 201.6p)

Assets under management
£574.4bn
(2019: £500.2bn)

Profit before tax and exceptional items
£702.3m
(2019: £701.2m)

Basic earnings per share
172.4p
(2019: 178.9p)

Net new business
£42.5bn
(2019: £43.4bn)

Profit before tax
£610.5m
(2019: £624.6m)

Total dividend per share
114p
(2019: 114p)

Total equity
£4.1bn
(2019: £3.8bn)

Key awards in 2020

Outstanding Investment House – Fund Manager of the Year Awards

'Advanced' recognition in Morningstar ESG Commitment Level Assessment

Best Investor Engagement Award at IR Society's Best Practice Awards 2020

SustainEx™ first place for Impact Reporting in the Environmental Finance IMPACT Awards 2020

Group CIO Johanna Kyrklund: one of the top 100 most influential women in European finance

Cazenove Capital wins gold at the ESG Investing Olympics

RESILIENCE THROUGH DIVERSIFICATION

Our robust business model enabled us to deliver positive results for our stakeholders despite the challenging environment.

Business resilience was critical in 2020. Faced with changes that affected almost every aspect of life, our diverse business model and strategy met the challenge. Growth was notable in Solutions and Wealth Management. By diversifying and focusing on active investment, our business grew stronger.

Assets under management

£574.4bn

By asset class

Equities	33%
Multi-asset	29%
Fixed Income	17%
Private Assets & Alternatives	8%
Wealth Management	13%

By region

UK	48%
Asia Pacific	18%
Europe, Middle East and Africa	19%
Americas	15%

By business area

Private Assets & Alternatives	8%
Solutions	33%
Mutual Funds	18%
Institutional	28%
Wealth Management	13%

For more information on our strategy see pages 16-17

Our robust business model proved resilient in challenging times

Our assets under management break down across five business areas that align to our strategic priorities.

Private Assets & Alternatives
Comprises opportunities available in private markets, such as real estate, private equity and infrastructure, as well as alternatives

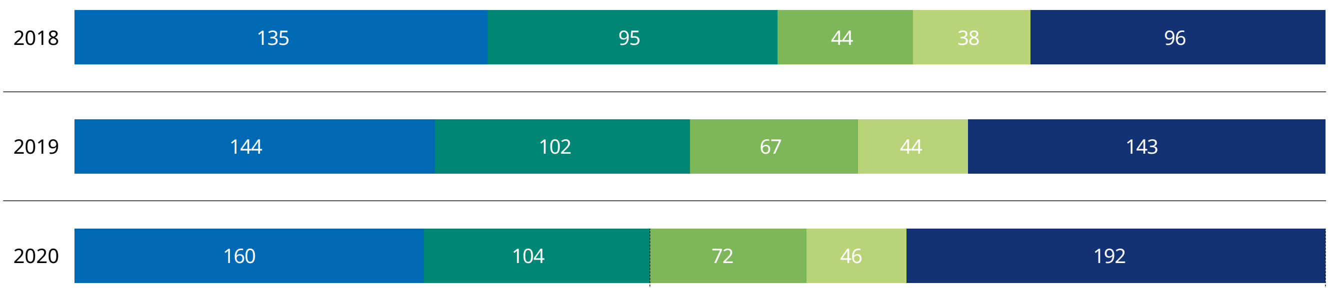
Solutions
Provides complete solutions and partnerships, including liability offsets and risk mitigation

Mutual Funds
Offered through intermediary networks providing retail clients with access to our investment capabilities

Institutional
Investment components made available directly to institutions and through sub-advisory mandates

Wealth Management
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

AUM by business area, £bn



- Private Assets & Alternatives
- Solutions
- Mutual Funds
- Institutional
- Wealth Management

54% of AUM (2019: 51%)

within our key strategic growth areas of Wealth Management, Private Assets & Alternatives and Solutions.

FOCUSED ON RESPONSIBILITY

A year as challenging as 2020 offered a test of corporate character and a test of purpose. We met the challenge, as a corporate and as a steward of our clients' capital. We honoured our pledge to integrate sustainability measures within our investment processes. We went further, building tools to assess the impact, both positive and negative, of the companies we invest in. Our corporate initiatives on a range of environmental and social issues accelerated, improving the sustainability of our business. Our people, who in the face of adversity responded very well, made us proud. Their professionalism maintained standards and services, ensuring business stability.

January

For society

Signed the UN Global Compact, the world's largest corporate sustainability initiative

February

For society

Started a three-year charity partnership with Samaritans in the UK as part of our commitment to improving mental health and wellbeing

March

For our people

Published our fourth consecutive Gender Pay Gap report, demonstrating continued commitment to equality and inclusion in the workplace

April

For our people

Committed to not making any Covid-19 related redundancies or using government support schemes

May

For shareholders

Paid our final dividend for 2019

For society

Raised £4.3 million in support of more than 90 charities

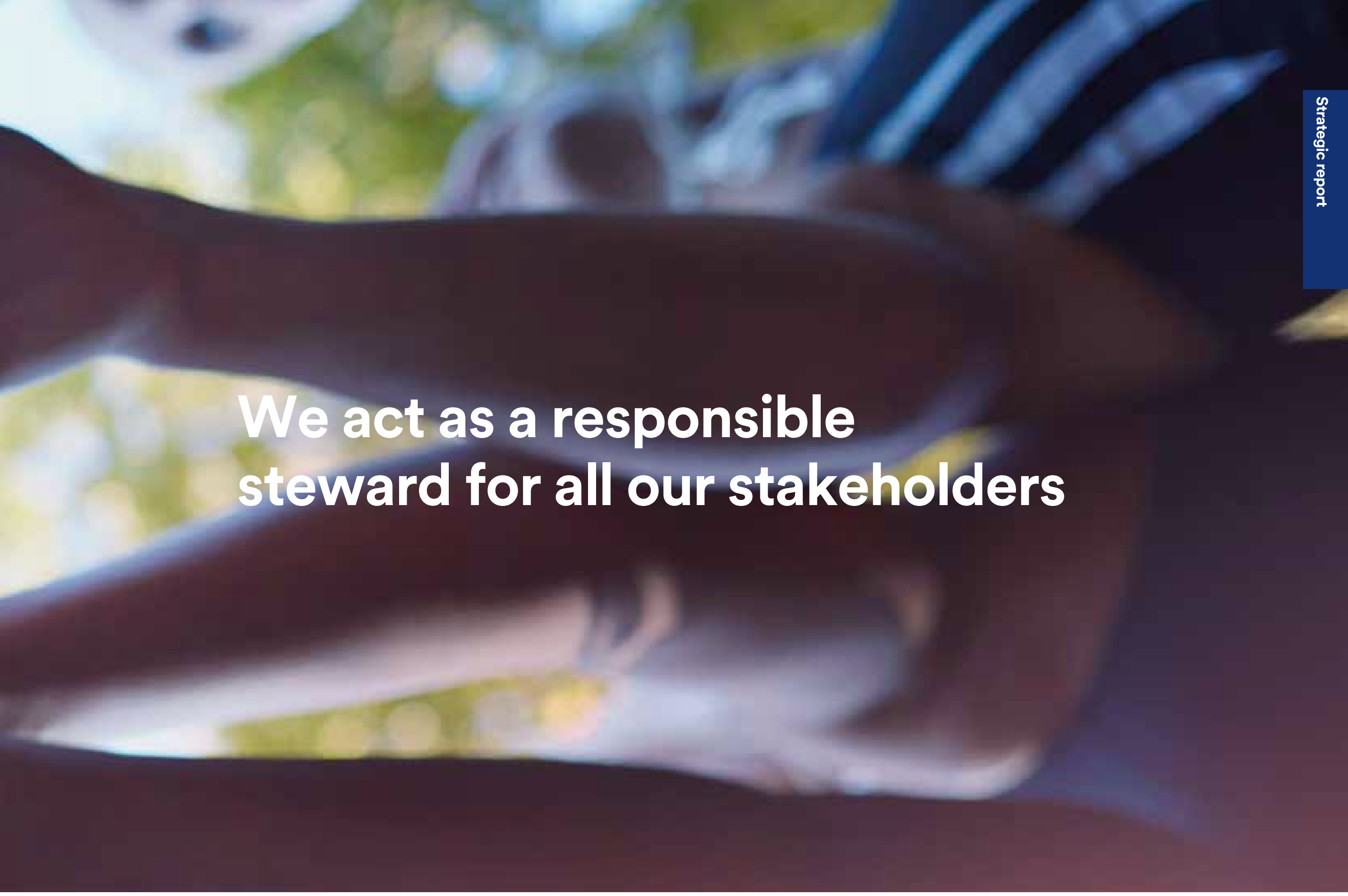
June

For our people

Our LGBTQ+ group organised virtual Pride celebrations around the world, raising money for Albert Kennedy Trust and True Colors United

For more details on our gender diversity see page 37

For more information on our key stakeholders and how we engage with them see pages 32-33



We act as a responsible steward for all our stakeholders

Our stakeholders

- Clients
- Our people
- Shareholders
- Society

July

For society

Joined forces with Jamie Murray to sponsor the 'Battle of the Brits' tennis tournament and raise money for NHS Charities Together

Participated in global 'Plastic Free July' movement

August

For clients

Cazenove Capital won gold in the ESG Investing Olympics

September

For shareholders

Received an 'Excellent' investment management quality rating from Fitch Ratings for the 16th consecutive year, demonstrating the viability of our business over the long term

October

For our people

Celebrated 'Inclusion Month' with a series of virtual activities and an inclusion survey of employees worldwide

For clients

Established a regional Centre of Excellence for Sustainability (CoES) in Singapore

November

For society

Ranked in the Social Mobility Index for the first time, highlighting us as an employer doing the most to change how they find, recruit and advance talented employees from different social class backgrounds

December

For shareholders

Calculated our own SustainEx™ score to be +3.1% (compared to industry average of -0.3%)

For society

Awarded an A- score for our 2020 CDP submission

For clients

Achieved full ESG integration[1] across our managed assets

1. For details see the Glossary on pages 189-192

PERFORMING IN CHALLENGING TIMES

Schroders' results in 2020 demonstrated the resilience of our business model in the face of some unprecedented challenges.

Net operating revenue at £2,059.6 million (2019: £2,052.4 million) was in line with the previous year, as was profit before tax and exceptional items at £702.3 million (2019: £701.2 million). At a time of volatile financial markets and unpredictable investor demand, it was very pleasing to achieve high levels of net new business at £42.5 billion (2019: £43.4 billion) and assets under management ended the year at a new high of £574.4 billion (2019: £500.2 billion).

Dividend

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a pay out ratio of around 50 per cent. Last year, at a time when many companies were cutting or cancelling their dividends as a result of the pandemic, the Board maintained both the final dividend in relation to 2019 and the interim dividend for 2020.

In view of our confidence in the resilience of the business and the capital position, the Board will recommend to shareholders at the Annual General Meeting an unchanged final dividend of 79 pence per share (2019: 79 pence), taking the full year dividend to 114 pence per share (2019: 114 pence), representing a pay out ratio of 57 per cent. The final dividend will be paid on 6 May to shareholders on the register at 26 March 2021.

Our responsibility

Our business philosophy is based on the belief that if we deliver for our clients, by offering them investment capabilities which successfully protect and enhance their capital, then we will deliver for our shareholders, by creating long term shareholder value. We recognise that we have a wider range of stakeholders including our employees, our counterparties and suppliers, and society as a whole. In 2020 we worked particularly hard to discharge that responsibility to all our stakeholders.

For clients, over 80 per cent of assets under management have outperformed their benchmarks over five years, and we continued to enhance our digital offering which was important as we could not meet clients face to face during much of 2020.

Our Annual General Meeting, held virtually, was open to all shareholders.

We were able to seamlessly switch to remote working because of the major investment we have made in technology in recent years and we have not furloughed any staff during the pandemic.

Our operational platform was resilient and we enjoyed an excellent relationship with regulators throughout the year.

We engaged actively with the companies in which we invest to see if there were particular areas where we could be supportive in a very challenging environment.

"Our business philosophy is based on the belief that if we deliver for our clients, we deliver for our shareholders."

Executive directors waived a proportion of their awards under the long term incentive plan and all directors donated part of their salaries or fees to charity. Employees as a whole donated £0.9 million to Covid related charities globally. The Company itself increased its charitable contribution during the year to £4.9 million.

The Board

Matthew Westerman and Claire Fitzalan Howard joined the Board as Non-executive directors in March and April 2020 respectively. The Board comprises 11 directors, the majority of whom are independent in line with our policy, and we now have an almost equal balance between men and women on the Board.

Given the unprecedented circumstances in which we found ourselves, the Board met 19 times during the year to receive regular trading updates from management in addition to our normal Board agenda.

Our people

Schroders' success is built on our reputation and values, our diversified business model, our financial strength and above all on the quality, professionalism and commitment of our people. This was never more so than in 2020 and, although there is still much for us to do as an organisation as we confront high levels of disruption and market volatility, we could not have delivered these results, served our clients, or contributed to wider society in the way we have if our employees had not risen to the challenge of these extraordinary times. On behalf of the Board as a whole, I would like to thank them for what they have done and continue to do for Schroders.

Michael Dobson
Chairman

George Mallinckrodt KBE 1930 – 2021

George (Gowi) Mallinckrodt dedicated more than half a century to Schroders. Joining the business in 1954, he served on the Board for 31 years, including 11 years as Executive Chairman until 1995, before retiring in 2008.

Gowi had a profound impact on Schroders over many years, covering the Company's listing, the sale of the investment bank and the growth of asset and wealth management that is the business today.

His passion for Schroders and his commitment to the firm will be remembered by us all.

DELIVERING ACTIVE PERFORMANCE

The past year has been extraordinary for us all. Managing a business and caring for other people's money meant addressing at least three crises: a financial crisis during March and April, an economic crisis and a social and health crisis, which are still with us.

Swift action from governments and central banks helped steady the financial system and lent support to global economies. Most importantly, the development of vaccines has given us hope that an easing of the health crisis is in sight. Nevertheless, the effects will be long lasting. Regardless of what comes next, I will continue to marvel at how the human race responded and adapted in the face of such adversity.

In the face of these challenges, I am delighted with the performance we have delivered and the way our people responded to the challenge.

Delivering strong investment performance

Looking after our clients' investments during the market turmoil was of the utmost importance for us. Our investment culture of research, team work and internal communications continued to function well, even when most of our portfolio managers were working from home. We remained highly proactive and our Data Insights Unit provided innovative research, in particular on the developments of Covid-19, with high levels of engagement from our investment desks.

This meant our teams did not miss a beat and, as a result, we delivered strong investment performance despite the behaviour of markets. Over three and five years, 72% and 81% of client assets have outperformed their respective benchmarks. This is a major achievement and highlights the ability of active managers to successfully generate alpha.

Client investment performance*	1 year	3 years	5 years
2020	**75%**	**72%**	**81%**
2019	70%	70%	72%

* For more information about how we calculate client investment performance see the Glossary on page 189

I am pleased to say that we continued to meet client requests and increased face time with our clients, albeit virtually, throughout the year despite the disruption. Digital engagement was key. Fortunately, we have been investing for some time in the infrastructure to service clients digitally and so were able to quickly transition our events platform to be fully online and deliver regular insight to our global audiences. This included the launch of SchrodersTV to provide regular market views and a vast increase in webinars, allowing clients to speak directly to our portfolio managers. As a result, we were ranked first for digital engagement in 2020 across the asset management industry by Living Group.

Our new business flows remained strong

Overall, total net inflows reached £42.5 billion for the year, or £14.3 billion excluding the remaining tranches from the Scottish Widows mandate, the first tranches of which were transitioned to Schroders during 2019. Our joint ventures and associates contributed £12.4 billion of net inflows, bringing the total for the year of net flows from which we benefitted to £54.9 billion. This was a very pleasing result for our business, especially when considering the backdrop of the year.

Our assets under management reached a record level of £574.4 billion, £663.0 billion including joint ventures and associates. The growth of our assets was supported by two acquisitions, positive investment performance and strong net inflows.

Sustainability, ESG and impact investing continue to be on the minds of many of our stakeholders and I am particularly proud of the progress we have made in becoming a leader in this space. We are now rated amongst the very best ESG investment firms by MSCI and Sustainalytics. This is not a new avenue for us, as we have had sustainable investment expertise for more than 20 years. At the end of 2019, we had integrated ESG into the financial analysis of just over 50% of our assets and targeted full ESG integration[1] by the end of 2020. I am pleased that we were able to achieve this target despite the challenges of the year. ESG integration provides a broader assessment of the world in which our investee companies operate, identifying ESG risks as well as fundamental value

1. For more information see the Glossary on pages 189-192

opportunities in order to deliver returns for our clients. Our tools are state of the art and having identified the trend early, we have been able to capitalise on client demand. Our innovative work through our Data Insights Unit is delivering both investment performance and real differentiation and our newly launched products are gaining good traction.

Since January 2019, we have been operating the business on a carbon neutral basis, which was an important first step. But climate change is one of the most pressing issues the world is facing and in December 2020 we became a founding member of the Net Zero Asset Managers initiative. The group comprises leading asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, as our industry plays a crucial part in helping efforts to limit global warming to 1.5°C. It is through understanding how companies are positioned to respond to this climate transition that we can meet our clients’ investment objectives. To that effect, we committed to reducing our emissions in line with a science-based target not only for our business but also for the investments we manage on behalf of our clients. I am optimistic about the role finance can play to address the issues we are currently faced with.

2020 was the ultimate test of operational resilience

One of our major achievements was the transition of the remaining tranches of Scottish Widows’ assets. This was a landmark mandate secured from Lloyds Banking Group (LBG). We on-boarded an additional £29.5 billion with the remaining tranches transitioned mostly remotely without a hitch and on time. I felt that was an incredible show of resilience. Separately, we also successfully completed the transition of our transfer agency business to a new provider, a major undertaking.

We recognised that our working practices would change over the long term and a company-wide survey showed a desire for greater flexibility. We adopted our flexible working charter in response, setting a new industry standard. Our Global Head of Human Resources put it well at the time: “in the space of a few months, we have made 20 years’ progress in attitudes towards flexible working, and we are going to continue with this momentum.”

Our employee engagement survey showed that 98% of our people are proud to be associated with Schroders and the number of people who believe that the firm cares about employees’ mental health increased to 96%. This is above the normal results within financial services, by 11% and 23% respectively. Financial services is a people industry, which is why it is crucial for us to create an environment where our talent can flourish. By being an employer of choice we can attract and retain the best people.

I am proud to say that our resilience at Schroders has been a remarkable testament to our people and our business. We took advantage of the opportunity, extending our position as an industry leader whilst acting with real responsibility towards all our stakeholders, whether they be our clients, shareholders, people, suppliers, regulators or wider society.

Responding during a crisis

It was always clear to us that we would not accept money from support schemes, nor would we furlough any staff. We also committed not to make anyone redundant in 2020 due to the impact of Covid-19. As for the companies in which we invest, we encouraged them to carefully think about the actions they took to honour their own social contracts.

We have built a strong and resilient business based on the right foundations. We have sustained our progressive dividend policy and this remains incredibly important to us. It means that we are able to recommend maintaining our final dividend for shareholders at 79 pence per share, representing a payout ratio of 57%.

Our business generated net income before exceptional items of £2,179.2 million and achieved a ratio of total costs to net income of 68% whilst pre-exceptional profits were £702.3 million.

A fundamental measure of our success is the value we create over the long term for all our stakeholders. This value is a direct result of our ability to diversify and further strengthen our business.

£574.4bn Assets under management	**£663.0bn** Assets under management inc. associates
£42.5bn Net new business	**£54.9bn** Net new business inc. associates
15% AUM growth year-on-year	**16%** AUM growth year-on-year inc. associates

Making strategic progress throughout the year

We continued to execute on our strategy by investing for strong, diversified growth, and continued to pivot into higher growth areas of Wealth Management and Private Assets & Alternatives. I have highlighted a few key achievements here but you can find a comprehensive view of our strategy on pages 16-17.

We also generated strong net inflows over the year, as we continued to grow our Wealth Management, Private Assets & Alternatives and Solutions businesses. These now constitute 54% of our AUM, and 43% of our revenues.

To further build our Wealth Management proposition in the UK, we acquired Sandaire, a London-based multi-family office. This provides us with an exceptional opportunity to grow Cazenove Capital's leading position in the UK's ultra-high-net-worth segment. Our Wealth business contributed strongly this year with net income increasing by 24% from the previous year, reaching £382.7 million. This led to a significant increase in profit before exceptional items of 26% to £110.5 million.

Another key strategic initiative is to broaden our private markets capabilities, which we pursue through a combination of acquisitions and organic expansion. In 2020, we acquired a majority stake in Pamfleet, a Hong Kong-based real estate manager. We will continue to look for opportunities to add private markets expertise in other areas or where we can expand our geographical reach. We also made key hires to build our capabilities organically, in real estate debt for example, and to broaden our dedicated Private Assets sales team.

It was a good year for our private markets fundraising activities, particularly our infrastructure, private equity and real estate teams. I view this part of our business as a key revenue generator in the future and we expect to further expand into the space organically and inorganically.

Another pillar of our strategy is to continue to grow our Asset Management business. There are many avenues of growth left for us to explore. These include geographical expansions and new product launches, including products with a focus on environmental, social and governance factors.

We now have a comprehensive range of sustainable funds, offering compelling long-term investment propositions and strong performance. We increased the number of funds within our Global Transformation Range of thematic strategies. Three sustainable strategies, Global Sustainable Growth, Global Climate Change and Global Energy Transition, as well as Global Disruption, all passed key AUM milestones, which should help us gain further traction. We are planning to offer these products in suitable vehicles to more clients around the world.

In 2020, we continued to diversify our business geographically. The US is a key opportunity for us and this year our US business reached an important local milestone and exceeded assets under management of $100 billion (£73.3 billion at year end), as net flows from US clients reached £11.2 billion. This was supported by our long-standing partnership with Hartford.

We also made progress in China and have been granted permission to obtain a Fund Management Company licence, enabling us to provide solutions not only to onshore institutions but also to retail customers. The Chinese onshore market remains one of the biggest opportunities for us and we are working hard to broaden our footprint organically and through partnerships. There is a clear opportunity for Schroders to bring international investment expertise to the growing onshore asset management market.

A proactive response to Covid-19

January

For clients
Rolled out our SustainEx™ tool as a forward-looking measure of the impact of our investments

February

For our people
Our offices across Asia moved to remote working in response to the Covid-19 pandemic, with many other offices following suit

March

For our people
Launched weekly podcast to keep our people connected to the firm and informed about the latest developments

For clients
Increased our digital engagement with clients in response to Covid-19 measures

April

For society
Directors donated 25% of salary / fees for three months and waived 2020 LTIP award to Covid-19 relief efforts

Collaborated with other investors to engage with FTSE 100 companies on employee mental health during Covid-19

May

For society
Our CEO signed an open letter to UK businesses urging pragmatism and offering support in response to Covid-19

Expanding our partnership network globally

Our joint venture with Lloyds Banking Group was impacted by the lockdown, as referrals slowed due to branch closures. This year was foundational for Schroders Personal Wealth, as a new leadership team was established and organisational improvements were implemented. Over the year, the migration of all of Schroders Personal Wealth clients onto Benchmark Capital's digital platform was completed, entirely remotely. The future plans for the business give me great confidence.

Our existing partnerships with Bank of Communications in China, Axis in India and Nippon Life in Japan all performed well and contributed positively. Axis continues to grow its market share over the year reaching 5.7%. BoCom Schroders has improved its market position and is now ranked within the top 15 in China by assets under management. This is due to its strong brand, competitive investment performance and successful product launches.

I am especially pleased that our strong partnership with Bank of Communications meant that we were their preferred partner to form a Wealth Management Company joint venture. Once we commence business activities, I foresee significant growth potential by partnering with one of China's largest banks, a partner we have worked with for many years.

If there is one thing we can learn from the pandemic, it is the role financial services can play. Although these are incredibly difficult times, they serve as an important reminder that what we do as a company can make a big difference to many people. Last year, I noted that we were increasingly seeing that clients were no longer interested solely in the returns generated by their investments but also in the broader impact of those investments.

Our understanding of the impact of companies on society and on the planet is growing ever stronger. Accurate measurement of impact is critical. Our SustainEx™ analysis uses big data and measures the external impacts of a business by qualifying the economic costs and benefits companies create for society. For example, we estimate the social impact of activities like carbon emissions or access to basic services and attribute those impacts to companies systematically and quantitatively.

We must be prepared to turn this scrutiny on ourselves. So, for the record, Schroders' own SustainEx™ score is +3.1%, or expressed a different way, we create £3.10 of additional social value for every £100 of sales. The average financial services business has a SustainEx™ score of -0.3%. (For more details on SustainEx™, please see the Glossary on pages 189-192.)

If one accepts that not all profits are created equal, active asset managers have an important role to play when allocating capital. This will be particularly true in credit markets, where new capital is being made available.

I have a strong belief in the powerful role the financial system can play in addressing some of the perceived shortcomings of capitalism. Investment managers play a pivotal role, between asset owners, our clients, and asset creators, the companies and entrepreneurs we invest in. Given the unprecedented amount of government capital invested in financial markets we should expect to see increased intervention. There is a suite of new legislation and regulation being implemented on ESG factors.

Our impact comes from the careful management of more than half a trillion pounds of our clients' assets. How we approach this will prove far more influential than how we behave as a corporate entity, although the two must be aligned. There is an urgency now to get this right because of the compounding effect of early action. The benefit of acting now is so much stronger and the downside of not acting is so much greater.

Many more companies and investors are waking up to this reality; the Covid-19 crisis has been a catalyst. Schroders remains committed to being a leader and we will continue to invest actively in the best interests of our clients, into businesses that are well-positioned to maximise returns and accelerate positive change in the world.

A tribute to our people

I would like to conclude by paying tribute to our people who have gone above and beyond and kept our organisation going without missing a beat, delivering under extremely difficult circumstances. I also could not be more proud that our people supported and fundraised towards our #CollectiveAction campaign, donating £4.3 million to Covid-19 related charities. Keeping our people safe and looking after their wellbeing continues to be paramount and I am grateful to each and every one for their continued dedication.

Peter Harrison
Group Chief Executive

3 March 2021

June

For society

Participated in the Diversity Project's 'Talk About Black' campaign and joined other businesses in making a diversity pledge

August

For our people

Launched our flexible working charter for all employees globally, offering them the opportunity to work in the way most effective for them

November

For clients

BlueOrchard launched a Covid-19 support fund, with funding from Schroders among others, to support the microfinance market through the pandemic

December

For society

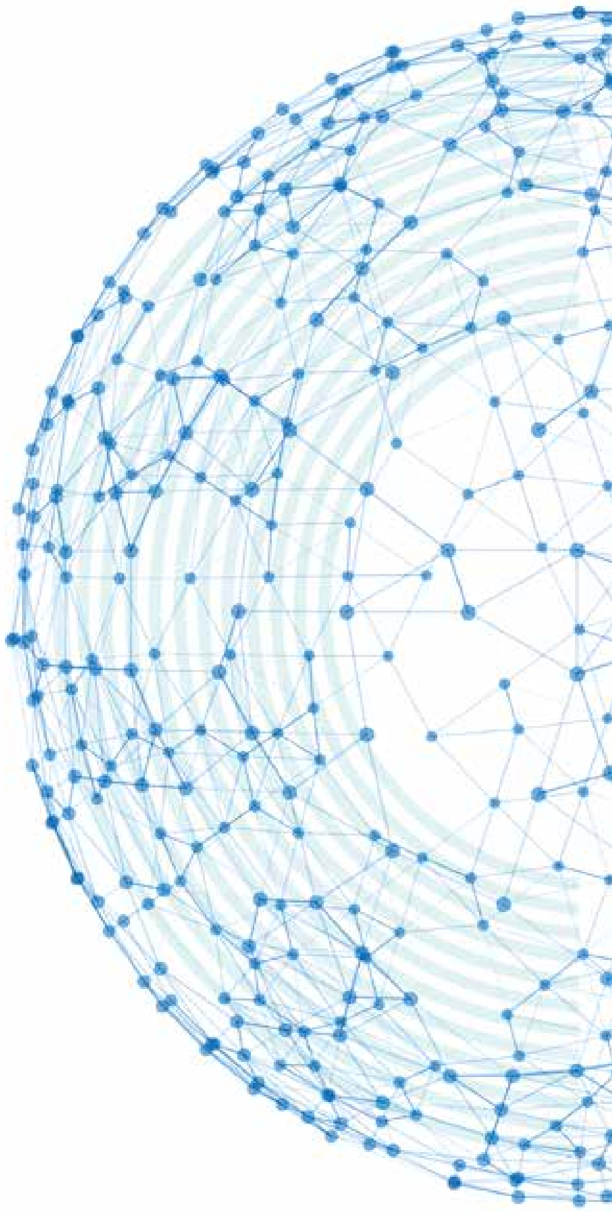
Became a founding member of the Net Zero Asset Manager initiative

For clients

Launched the British Opportunities Trust, investing in British businesses through the pandemic and beyond

Launched the Schroder BSC Social Impact Trust, which invests with a focus on delivering a positive social impact in the UK

Providing excellent performance through active decision-making



Why we do what we do

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

To channel capital to support businesses
We actively select companies with sustainable and durable business models; those that are evolving to survive and thrive in the challenges of the decades ahead.

To help accelerate positive change
We actively select forward-thinking companies, but we also support them in their journey to a fully sustainable future.

Creating value for our stakeholders

Delivering returns for clients and shareholders
With a long-term shareholder base we can take a long-term view, in our careful decision-making for the company and for clients.

Taking decisions to benefit society
We know that as stewards of more than £500 billion, we can channel money to benefit society. Equally, every decision as a corporate entity is mindful of the impact and implication for the world beyond Schroders.

Taking decisions to benefit our people
We take immense pride in our culture. By promoting flexible working, championing diversity and making health and wellbeing a priority, we have created the conditions for our people to thrive. This culture is the cornerstone of our business.

Global network of partnerships

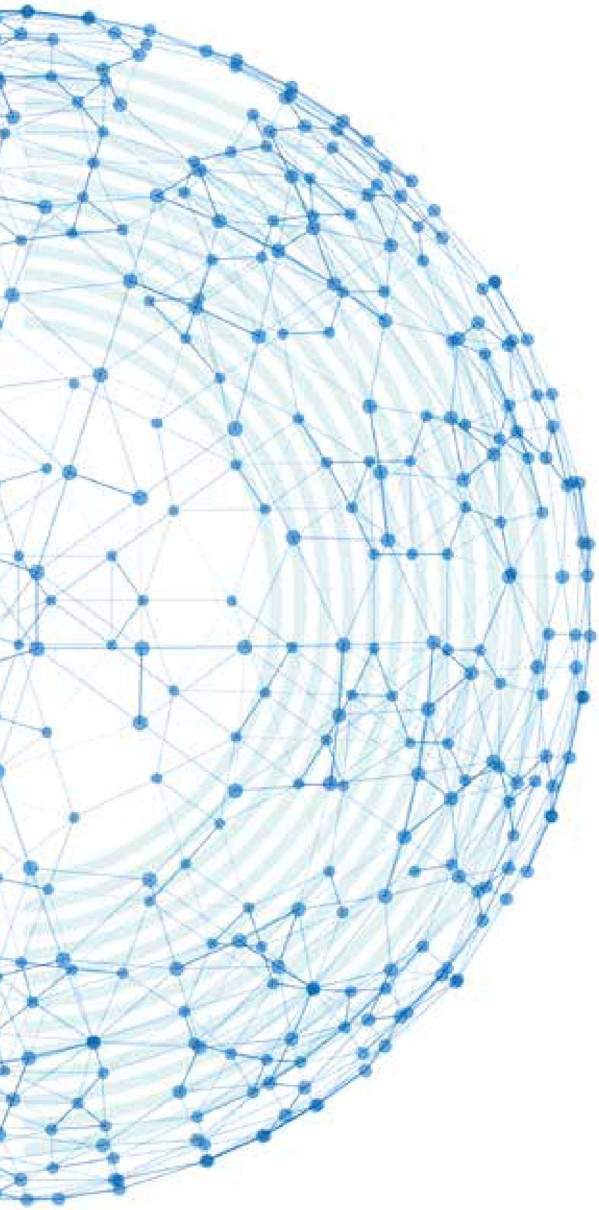
We have a number of strategic partnerships with key investment clients around the world, coupling our investment expertise with our clients' distribution networks, to meet the needs of their customers. Our partnership strategy gives us access to new distribution opportunities around the world, including some of the world's highest growth markets.

交银施罗德 BOCOM Schroders

Our joint venture with BoCom in China continues to deliver strong performance. Net new business totalled £7.7 billion in 2020 reaching total AUM of £68.4 billion.

AXIS MUTUAL FUND

Our joint venture with Axis in India has been growing its market share steadily to 5.7%, ranking 7th in India in terms of AUM. The joint venture generated net sales of £4.4 billion with AUM reaching over £19.3 billion in 2020.



How we deliver for clients

By designing innovative products and services

We strive to understand what clients want and apply this to the funds we offer and the bespoke solutions we develop. Because of our deep relationships and use of technology, we can track and respond to these changing needs. This is underpinned by our carefully designed structure based on capabilities, which opens up our expertise to every client.

By active and intelligent use of technology

Technology and data is at the heart of our ceaseless push for investment excellence. Our award-winning SustainEx™ impact measurement tool is one example.

By motivating and nurturing talented employees

Our business model wouldn't work if our people were unable to thrive. We nurture a culture that allows the individual and the company to make the most of their skills.

What differentiates us

Deep expertise in all asset classes

Our heritage is unique. For more than two centuries we have evolved our understanding of markets and therefore the offering we take to clients. Today, we comprise five business areas: Private Assets & Alternatives, Solutions, Mutual Funds, Institutional and Wealth Management.

Actively driving the growth of our business

We have grown into areas of exceptional growth potential. We can offer access to private markets as equally as public markets. We are a leading specialist in impact investing. We look forward and we change.

Global expertise

Our investment capabilities span the globe. But so does our extensive distribution infrastructure which brings the best of the Schroders proposition to our clients wherever they are.

HARTFORDFUNDS
Our benchmark is the investor®

Our relationship with Hartford in the US comprises ten sub-advised strategies tailored for the US retail customer. In 2020, the funds achieved £0.6 billion of net inflows with AUM reaching over £7.5 billion.

Schroders personalwealth

Our recently established joint venture with Lloyds Banking Group, Schroders Personal Wealth now employs over 300 financial advisers and reached £13.8 billion AUM at the end of 2020.

NISSAY ASSET MANAGEMENT

Our joint venture with Nissay, the asset management arm of Nippon Life, delivered benchmark-beating returns for clients in 2020. Our business with Nippon Life continues to grow.

Strategy

Delivering long-term value for our clients

Changes in the investment industry continue to gather pace. Our strategy looks decades ahead; it is carefully designed to benefit our clients, as we further diversify our business model towards higher demand areas.

FOCUSED ON GROWTH

Our focus

Grow Asset Management

We focus on offering products and solutions that are distinctive and of pinpoint relevance to each client.
Product innovation is key to future proofing our business. As is geographically expanding our reach so we can serve more clients in more jurisdictions. To stay relevant for all our Asset Management clients, we are increasingly providing complete solutions. Reducing the level of intermediation between investment solutions providers and end clients increases client longevity and revenue margins. All these initiatives are underpinned by progressively using technology as our competitive advantage.

Build closer relationships with end clients

End investors can benefit from the breadth of our expanding investment capabilities.
We have the opportunity to leverage our global investment expertise to build a leading Wealth Management franchise. Wealth Management is an attractive business area where trusted adviser relationships lead to greater longevity and higher, more sustainable margins. Schroders' long history of family ownership, our international institutional investment expertise, our Private Assets capability and our sustainability research are key strengths in building a leading Wealth Management business.

Expand Private Assets & Alternatives

Build on the surging client demand for new alternative sources of return.
Our Private Assets business is built to provide investors with a range of portfolio building blocks and customised private asset strategies. Our teams have over two decades of experience in delivering risk-adjusted returns in all private asset classes, covering private equity, real estate, private debt and infrastructure. We offer access to alternative investments via our GAIA (Global Alternative Investor Access) platform, which offers Schroders and third-party funds. The continued expansion of our Private Assets & Alternatives business remains a strategic focus for the Group.

Read more about our distinct capabilities on pages 18-19

Our progress in 2020

We have made significant progress this year towards our sustainability ambitions and achieved full ESG integration into the financial analysis of our managed assets. We now have a comprehensive range of sustainable funds with more fund launches in the pipeline next year. In the US, we have broadened our presence in the institutional space and have continued our strong relationship with Hartford. We have made progress strengthening our onshore presence in China from a distribution and investment perspective and have now been granted permission to obtain a licence to serve retail clients as well as institutions. We also reached an agreement to establish our second joint venture with Bank of Communications. We will jointly be setting up a Wealth Management Company. Our Solutions business grew significantly last year and achieved £43.4 billion of net inflows, mainly driven by the transfer of assets under the Scottish Widows mandate.

In the UK, we completed the purchase of Sandaire, adding to our strong multi-family office franchise, and from this we integrated an additional £2.4 billion of AUM. Cazenove Capital, our UK high-net-worth brand, continued its UK regional expansion to leverage Lloyds Banking Group's (LBG) business bank relationships and target business owners. It also accelerated its growth organically and improved its digital, private assets and sustainable offering. Benchmark Capital expanded its IFA network, generated record profits and successfully migrated Schroders Personal Wealth clients on to its platform. Whilst referrals from LBG were impacted by the pandemic, Schroders Personal Wealth laid the foundations for future growth with new leadership and improved IT infrastructure.

In recent years we have extended our Private Assets capabilities, and our offering includes private equity, insurance-linked securities, securitised credit, infrastructure and real estate. All of these asset classes have experienced strong organic growth and contributed positively to the Group. We have strengthened our management team, including our real estate team, and completed the purchase of a majority stake in Pamfleet, a Hong-Kong based real estate manager. We have also started several organic expansions across the platform including public-private strategies, Australian private debt, real estate debt, securitised credit and impact investing. The development of our dedicated Private Assets sales team has continued globally and we are confident that our clients are benefitting from a specialised approach to client service focusing on local requirements and supported by a global perspective.

Read more about how we track our strategic progress on pages 22-23

Growth opportunities

We see material upside in our continued product innovation programme which helps maintain our strong position in sustainability. This is one of our key ambitions for our business, alongside being a strong Solutions provider for our clients globally.

We expect growth from an increasingly diversified global footprint and see opportunities in the Americas and Asia.

Developing a range of innovative products that achieve positive outcomes for clients is essential. We invest seed capital to support these initiatives.

We will continue to grow our presence in the UK wealth market across all segments. Schroders Personal Wealth and Benchmark Capital are well-positioned to grow post-lockdown in the affluent segment. We also see opportunities to build on our acquisition of ThirdRock in Asia and Sandaire in the UK, as well as our Swiss and Channel Islands businesses, to create a leading family office service in Europe and Asia.

We continue our focus to grow the contribution to the Group's revenues of our Private Assets & Alternatives business to 20% over the medium term. That means becoming the private assets provider of choice for clients by offering innovative products and by scaling up the businesses we have acquired. Building on our strong track record and deep expertise we also see significant opportunities to further develop our Private Assets capability with innovative structures and to establish ourselves as a leader in the ESG and impact investing space.

Read more about how we manage our risks on pages 50-55

Our distinctive capabilities

We have a long history of adapting our offering to meet the needs of our clients in an ever-changing world. As society moves to recover from the effects of a global pandemic and a low rate environment continues to impact the search for income, our market proposition will allow us to meet the current challenges head on and provide positive outcomes for clients across both our asset and wealth management businesses.

A world in recovery

Thematics

At its simplest, successful investing is rooted in understanding how the world is changing. And so it is with thematics. The managers of these funds specialise in understanding the greatest issues of our age; climate change, energy transition and disruptive technology, to name a few.

As the world begins to recover from the social, health and economic impacts of the Covid-19 pandemic, and as the move towards net zero emissions increasingly comes into focus, these strategies are designed to offer clients access to some of the most powerful and persistent themes transforming our planet and our daily lives.

Our Global Transformation Range aims to uncover and invest in companies that are innovating and addressing the imbalances in our world, whether between populations and resources or supply and demand within individual markets. These funds seek out long-term opportunities and provide clients with a global and unconstrained opportunity set, which can form part of their core, active portfolios.

Emerging markets

High debt and poor demographics in a number of developed market economies pose a challenge to growth. In contrast, emerging markets are well-positioned to benefit from rapid industrialisation, urbanisation and the adoption of new technologies.

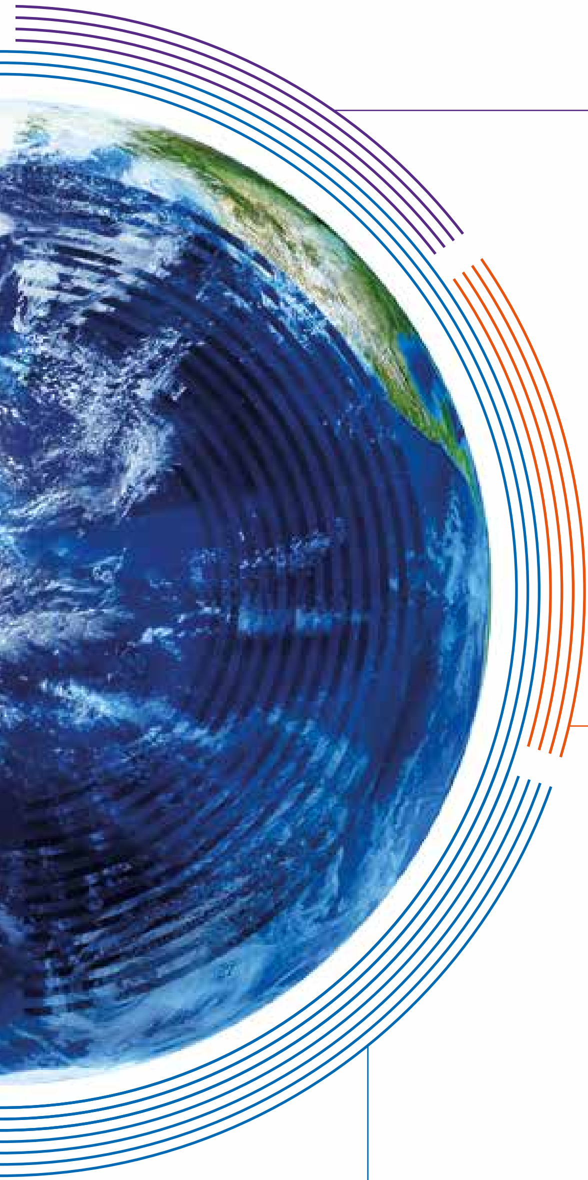
We have operated on the ground in emerging markets for more than 80 years and are one of the top five global leaders in the asset class. Our established capabilities in emerging markets span a range of asset classes.

In equities, the trends in our favour include further growth in demand for China-focused funds and increased attention on sustainability. On the fixed income side, we are continuing to build on our offering with strategies that focus on company bonds, local currency and hard-currency sovereigns.

Sustainability

As an active manager, we have to understand the effect each company has on the world. Not only do clients want to understand this impact, but it is essential to considered investment decision-making.

Accurate measurement of impact has therefore become a cornerstone of our approach, made possible by the development of our proprietary tools. With them we can understand the true costs of companies' activities and estimate their 'impact-adjusted profits'. Active management also means active ownership. We encourage the companies we invest in to adopt more sustainable business models, increasing their resilience and supporting future growth. In 2020, we conducted over 2,150 sustainability-focused engagements across 58 countries. We also voted on 99% of resolutions at over 6,500 company meetings around the world.



New drivers of growth

Private Assets & Alternatives

In an environment where a great deal of uncertainty and fragility in the system remains, private markets and alternative asset classes offer growth opportunities that can be difficult to find in more traditional markets.

We have expanded our private markets capabilities significantly in recent years, both organically and via bolt-on acquisitions. We now offer a broad range of private assets strategies and have launched a number of funds in response to increasing client demand in this area.

On the alternatives side, our GAIA platform is an example of industry innovation and allows us to move quickly with fewer resources by leveraging external managers in addition to our own investment teams. With Helix at its core, we will continue to develop the platform's offering in response to client demand.

Low rate environment

Income

The current low interest rate environment is not a new phenomenon, short-term rates have been low since the global financial crisis more than a decade ago. The Covid-19 pandemic has pushed them even lower, as central banks make every effort to support economic activity.

Investors are facing a considerable challenge in achieving sustainable income in this environment and are looking for income-generating funds to help address the issue. We offer one of the most comprehensive ranges of income strategies in the market, with products across all asset classes, yields and risk/liquidity levels.

Our existing, well-developed credit franchise also provides ample opportunity for meeting this demand on the fixed income side and extending our offering into newer areas, particularly in Asia.

ImpactIQ A sustainability lens on our investments

SustainEx™

Quantifies the hidden environmental and social costs and benefits created by companies, providing a forward-looking measure of their impact. This allows investors to better understand the risks that companies could face in the future.

ThemEx

Demonstrates alignment with the UN Sustainable Development Goals (SDGs) and allows us to create bespoke solutions for clients, which focus on the impact goals that matter most to them.

Market review

A year of unexpected change

It has been a remarkable year and one that will not easily be forgotten, however much we might wish it to be. Life as we know it was turned upside down by the Covid-19 virus towards the end of 2019. Countries locked down as unprecedented measures were brought in to contain the spread of the virus. Borders were closed, industrial activity was largely paused, social gatherings were banned and people were ordered to work from home where they could.

Extreme turbulence hit financial markets as investors became spooked by the pandemic's implications.

MSCI World (Total return)

— MSCI World U$ – Total Return Index

* Source: Schroders. Refinitiv, January 2021

Even the perceived safe havens of bonds and gold suffered as investors feared for the stability of the whole financial market system.

Nearly as rapidly as they crashed, markets recovered, buoyed by the aggressive and unparalleled levels of central bank- and government-enacted stimulus measures. This included very significant levels of government spending to prop up economies, but also lowering of interest rates around most of the world.

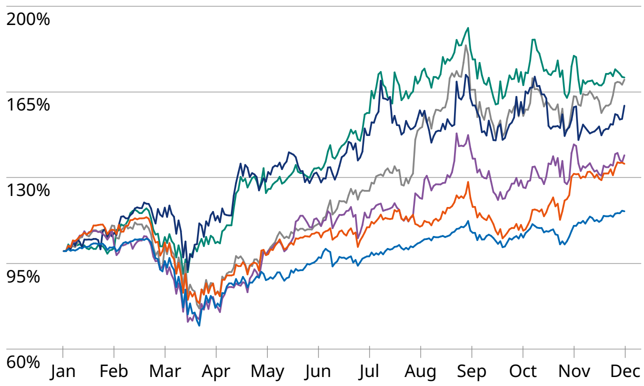
The developed world, where interest rates were already low to start off with, saw rates reach zero in many instances. This new era of #theZero, as Schroders has termed it, will have widespread consequences for economies and stock markets around the world.

We believe it will change the investment landscape meaningfully. In a world where bonds offer zero income, traditional asset allocation may not be able to deliver the benefits it has historically done.

Homebody economy

Another feature of the historical market crash and subsequent recovery was how those stocks related to the 'homebody economy' flourished. With everyone confined to the four walls of their homes, it became the norm for people to conduct their lives online to a greater extent than ever before. Existing trends like online shopping and remote working arrangements were accelerated, making years of progress in a few weeks. Companies providing internet infrastructure, support and entertainment naturally thrived.

FAANG performance 2020



— S&P 500
— Alphabet
— Facebook
— Netflix
— Apple
— Amazon

* Source: Schroders. Refinitiv, January 2021

The famous FAANG quintet of stocks (Facebook, Apple, Amazon, Netflix and Google) continued to power ahead, not to mention the seemingly inexorable performance of communications technology enablers like Zoom.

Zoom performance 2020

— Zoom

* Source: Schroders. Refinitiv, January 2021

Other areas of the market, some of them unexpected, took off too. Pet ownership, for example, boomed thanks to the likely new normal of owners working from home a few times a week. Many people took advantage of the time at home to renovate and refurbish, to the benefit of businesses such as home builders and DIY retail.

The role of the stock market

But many other companies did not find themselves in such a privileged position. Many had to close their doors permanently as global activity shut down and revenues dried up across the world, resulting in millions of job losses. Various governments made large sums of debt available to struggling companies through loan programmes and the deferral of certain tax payments, for example. This undoubtedly saved some businesses and jobs but more needed to be done given the scale of the crisis.

Equity markets stepped up to the plate. All over the world they provided funding to ailing corporates: an astonishing $3.6 trillion (The Economist, 9 December 2020) was raised over the year by non-financial firms. Record levels of corporate debt and secondary stock sales were issued.

Our analysis shows £31 billion was raised by more than 500 companies on the London Stock Exchange during 2020 (source: Bloomberg). This was more than in any year since companies scrambled to repair their balance sheets during the 2008-09 crisis.

The China story

China, once the epicentre of the virus, staged a remarkable recovery in 2020, both from an economic and a financial markets perspective. Its economy posted 2.3% GDP growth over 2020, the only major economy to expand over the year (source: National Bureau of Statistics of China). The economic recovery spurred equity markets onto new heights – the value of the stock market breached the $10 trillion mark in October for the first time since 2015 (Bloomberg, October 2020).

The rise of S in ESG

Companies did not only experience financial stresses and strains as a result of Covid-19. They also came under pressure from investors to demonstrate the strength of their social contract with stakeholders (employees, suppliers and customers). Since then we have seen numerous firms pay more attention to the interests of other stakeholders, beyond just shareholders. All over the world, executives and board members took pay cuts, albeit temporary, in response to the pandemic. While executive pay cuts might not do much to bolster a company's finances, they send a message of solidarity to employees and investors. Especially when companies are cutting dividends, investors prefer to see management 'sharing the pain'. In short, this crisis has actually increased the visibility and perceived importance of sustainable business practices.

US elections

The US presidential election also brought the topic of sustainability front and centre. The uncertainty about who would win was a theme that dominated markets and investor sentiment, and contributed to elevated market volatility in the run-up to November's ballot. A 'Biden bounce' in the stock markets followed the announcement of the Democratic Party's popular and electoral college vote victory over incumbent Donald Trump.

The ESG implications of Biden's presidency could be profound. We will likely see a change in US climate policy as Biden re-commits the country to the Paris Agreement and to a net zero emissions reduction target by 2050. Beyond the climate agenda, a Biden victory could have significant implications on consumer, healthcare and tech companies as Biden seeks to strengthen labour protection, improve access and affordability in healthcare and regulate big tech. It is hoped that Biden's presidency will also help thaw relations between the US and China, which became increasingly frosty during Trump's tenure.

Brexit impact

The uncertainty contributed to the UK stock market's relatively weak performance over the year. In currency markets the pound made gains against the dollar throughout the year, with the strongest rallies in the weeks before the UK parliament's approval of a post-Brexit trade deal.

Dollar vs basket of currencies

* Source: Schroders. Refinitiv, January 2021.

Looking ahead

Inflation remains, as ever, a key consideration for markets. Some fear that central banks may permit higher inflation to assist indebted companies and governments. However, the pandemic has had such an impact on demand that we see little inflationary pressure on a three-year view.

We think low interest rates are going to dominate investor sentiment. Income is going to become increasingly difficult to find with interest rates at such lows and investors are going to have to turn to places they might have overlooked in the past, in order to achieve growth. We believe this will provide further impetus to the increased demand we saw in 2020 for private assets.

This environment of low rates will also likely put pressure on the US dollar, which has already seen a 7% decline compared to a basket of peers over the course of 2020.

The use of big data will empower investors to be more specific about their impact. We also foresee growing demand from investors to back particular themes, seeking positive impact and sustainable and robust returns.

Investors are also likely to become increasingly concerned with the measurement of the impact their investments are having on society and the environment.

We expect strong interest in the biggest themes of our age – climate change, energy transition, healthcare advancements and accelerating urbanisation. This shift could be a distinguishing characteristic for markets in 2021 and beyond.

Key performance indicators

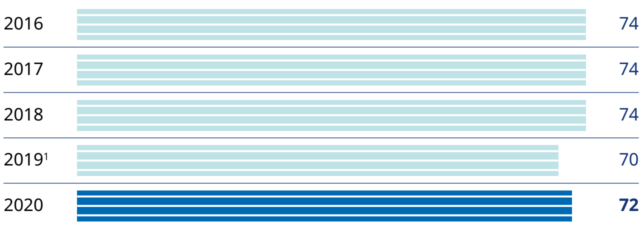
Tracking our strategic progress

To ensure that we are delivering against our strategy, we track progress against a number of key performance indicators.

Client investment performance (%)

72%

We target at least 60% of our AUM to outperform its stated comparator over rolling three-year periods.



Investment performance over a three-year period remained strong in 2020, with 72% of assets outperforming their stated comparator. We have been above this target for each of the past five years.

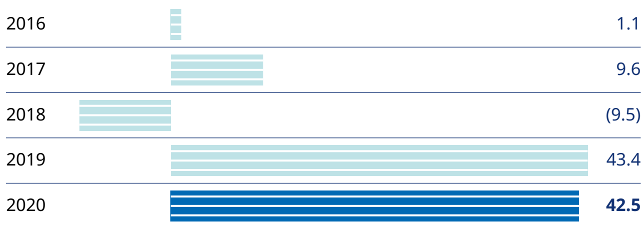
Five-year investment outperformance was 81% and the one-year figure was 75%.

More details on our performance reporting can be found on pages 189.

Net new business (£bn)

£42.5bn

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



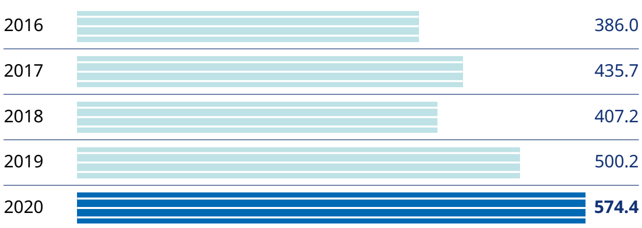
Overall, total net inflows reached £42.5 billion for the year, or £14.3 billion excluding the remaining tranches from the Scottish Widows mandate.

Overall, Solutions net new business reached £43.4 billion which was also supported by a mandate win in the US in the first half of the year. Wealth Management contributed £1.7 billion of net flows, while our Private Assets & Alternatives business contributed £0.5 billion.

Assets under management (£bn)

£574.4bn

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



AUM increased by 15% in 2020 to £574.4 billion.

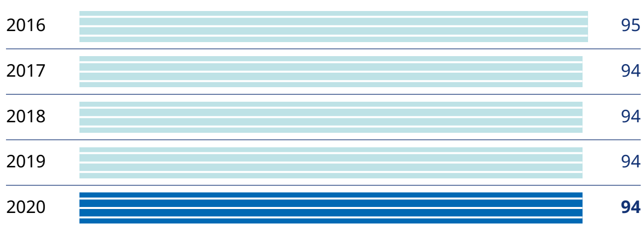
Rising markets and currency movements increased AUM by £28.4 billion.

We generated net new business of £42.5 billion and acquisitions added £3.3 billion of AUM.

Retention of key talent (%)

94%

Developing and retaining talented people is key to our ongoing success. We actively monitor our retention of those employees who have been rated as either outstanding or exceed expectations in their annual performance review.



Our retention of highly-rated employees has consistently been more than 90%. This represents a committed and engaged workforce, which is aligned with Schroders' values.

1. Restated to include additional Solutions and Wealth Management assets

Basic earnings per share* (p)

200.8p

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

2016	186.3
2017	226.9
2018	215.8
2019	201.6
2020	**200.8**

In 2020, basic earnings per share before exceptional items was 200.8 pence.

Ratio of total costs to net income* (%)

68%

We target a 65% ratio of total costs to net income through the market cycle, recognising that in weaker markets the ratio may be higher than our long-term target.

2016	64
2017	61
2018	64
2019	67
2020	**68**

In 2020, our ratio of total costs to net income was 68%. This ratio increased as we continued to strategically invest in the future growth of the business.

Net income* (£m)

£2,179.2m

Net income comprises net operating revenue, which is primarily revenues generated from AUM less cost of sales, net gains on financial instruments, share of profit of associates and joint ventures, and other income. We aim to grow net income over time.

2016	1,793.1
2017	2,068.9
2018	2,123.9
2019	2,124.8
2020	**2,179.2**

Net income increased £54.4 million from 2019 to £2,179.2 million. Changes in business mix offset higher average AUM, resulting in net operating revenue increasing marginally from £2,052.4 million in 2019 to £2,059.6 million in 2020. Net income was supported by an increased contribution from associates and joint ventures and net gains on financial instruments.

Dividend per share (p)

114p

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%. For more information, see page 24.

2016	93
2017	113
2018	114
2019	114
2020	**114**

The Board is recommending a final dividend of 79 pence per share, bringing the total dividend for the year to 114 pence per share. This represents a payout ratio of 57%.

* Before exceptional items

RESILIENCE IN A CHANGING WORLD

The events of 2020 were quite extraordinary. The global pandemic and ongoing political uncertainty impacted investor sentiment and led to market volatility. Against this backdrop, I am very pleased with not only the results we have delivered, but also the progress we have made in enhancing our operational capabilities and in making sure we continue to do the right thing for society.

Our diversified business model has again shown its benefits as we delivered pre-exceptional profit before tax of £702.3 million, a small increase on 2019 (2019: £701.2 million). Profit after tax and exceptional items decreased slightly to £486.0 million (2019: £495.7 million), principally due to higher acquisition related costs and other one-off items in our associates and joint ventures. Given this performance the Board is recommending a final dividend of 79 pence per share (2019: 79 pence per share). This means a total dividend for the year of 114 pence per share (2019: 114 pence per share) and represents a payout ratio of 57% (2019: 57%).

Resilient results in exceptional times

We have previously set out three strategic areas, which we believe will drive our future growth: the continued advancement of our global Asset Management business; the development of our Private Assets & Alternatives capabilities; and the expansion of our Wealth Management business through closer relationships with end clients. Although 2020 was not without its obstacles, we continued to make good progress in each of these areas.

In Asset Management, our focus on delivering investment outperformance, combined with ongoing innovation and product development, has enabled us to continue to attract positive net new business despite the market uncertainty.

We have also continued to build out our Private Assets & Alternatives capabilities, most notably through the purchase of a majority stake in a Hong Kong based real estate manager, Pamfleet, which extends our geographical real estate capabilities into Asia. This acquisition contributed £0.6 billion of additional AUM, which helped increase our Private Assets & Alternatives AUM to £46.1 billion.

Across our Asset Management segment we generated £40.8 billion of net new business, with particularly strong growth in our Solutions business. These developments, together with positive investment returns, enabled us to grow our Asset Management AUM to £502.4 billion (2019: £433.5 billion).

In Wealth Management, the acquisition of Sandaire, which completed late in the year, further strengthened our strong family office franchise and added to our capabilities in the UK ultra-high-net-worth sector. We also made progress in expanding our presence in Singapore and across the various regions in the UK as we made a number of key hires in both markets. Our joint venture with Lloyds Banking Group plc, Schroders Personal Wealth (SPW), which we launched in the second half of 2019, made positive progress despite the challenging market environment. Across our Wealth Management segment we generated £1.7 billion of net new business as we grew our AUM to £72.0 billion (2019: £66.7 billion).

These strategic developments helped us to grow our total AUM to a record high of £574.4 billion (2019: £500.2 billion), with total net new business of £42.5 billion. Our associates and joint ventures had a successful year and at 31 December, managed £88.6 billion of AUM, which is not currently included as part of our Group AUM. In 2020 these businesses generated £12.4 billion of additional net new business. Management fees were down slightly at £2,327.2 million (2019: £2,380.2 million). This was driven by a shift in the mix of our business as a result of the growth in our Solutions business and the impact of markets. We delivered strong investment performance for our clients, resulting in £95.7 million of performance fees and net carried interest, up from £73.1 million in 2019. This growth was partly offset by lower real estate transactional income, which was impacted by reduced deal volumes as a result of the global pandemic, and lower net banking interest in Wealth Management due to the low interest rate environment. Overall, net operating revenue was up slightly at £2,059.6 million (2019: £2,052.4 million).

"Our diversified business model has enabled us to deliver a robust set of results, as we continue to make progress against our strategic objectives."

As the Group Chief Executive's statement sets out, our global partnership network is a key component of our growth plans, and our interests in joint ventures and associates, particularly our long-standing venture with Bank of Communications in China, showed strong returns in 2020. As a result, income from joint ventures and associates increased to £64.1 million (2019: £30.5 million). Our proprietary investments, which comprise seed capital, co-investments and our investment capital portfolio also performed well, generating gains of £42.5 million (2019: £23.5 million), notwithstanding the fact that they are managed on a market neutral basis. These returns are included within net gains on financial instruments and other income and contributed to net income increasing to £2,179.2 million (2019: £2,124.8 million).

The increase in net income was largely offset by higher costs. We increased our Total compensation ratio from 44% to 45%. Non-compensation costs were slightly higher at £502.2 million (2019: £496.3 million), largely due to the impact of acquisitions, and as a result of the strategic investments we have been making in our technology and infrastructure. The cost increases were dampened by reductions in travel due to the impact of the global pandemic and other cost savings. This resulted in a total profit before tax and exceptional items of £702.3 million (2019: £701.2 million).

The investments we are making in the business are an important part of our growth strategy. They include strategic investments in China, where we have recently announced two new businesses. The first is an investment in a Wealth Management Company, a joint venture with the Bank of Communications. The second is a wholly owned Fund Management Company. Both provide a significant opportunity for us to bring more of our investment capability to the region by growing our onshore presence.

Changing working habits, which have been accelerated by the pandemic, have enabled us to review our office capacity needs. As a result, we took the decision to reduce our office space in London and Hong Kong. The costs associated with the changes to our property estate amounted to £16.3 million and have been presented as exceptional items within our Group segment. Other exceptional items are largely acquisition related, including the amortisation of intangible assets and one-off costs relating to the transformation and set up of SPW which is part of our Wealth Management segment. In total, exceptional items were £91.8 million (2019: £76.6 million), which meant a profit before tax of £610.5 million, down 2% on 2019. Profit after tax was £486.0 million (2019: £495.7 million).

Advancing our operational capabilities

The Group Chief Executive's statement refers to our operational resilience, in particular highlighting our successful onboarding of assets under the Scottish Widows' mandate which completed during the first UK lockdown. This was achieved as we benefited from the investments we have made in technology and infrastructure. These enabled us to make the switch to remote working efficiently across our global network with no impact on our ability to deliver for our clients.

The year also saw us advance our operational capabilities in a number of other ways. We relocated operational processes from Luxembourg and London to our site in Horsham, West Sussex, enhancing our efficiency and effectiveness. In the UK, we also changed our transfer agency provider to HSBC. This provides us with a competitive and innovative service in a market that had previously been dominated by a single player. Elsewhere, in Singapore, we significantly expanded our investment operations team in response to the increasing needs of our growing Asian business.

Contributing to society

Covid-19 has had an undeniably disruptive impact on society and we recognise that we have a responsibility not only to our clients and shareholders but also to wider society and the communities in which we operate. Our diversified business model and operational resilience meant that we were well placed to manage the challenges that it posed.

Recognising the important role we play, we have actively supported our suppliers, people and wider society. We were particularly mindful of the impact lower employee presence in our offices would have on our facilities team and service providers. We maintained all salaries, paying everyone in full throughout the year. We did not furlough any employees or make any redundancies as a result of the pandemic. Nor did we seek or accept any government support.

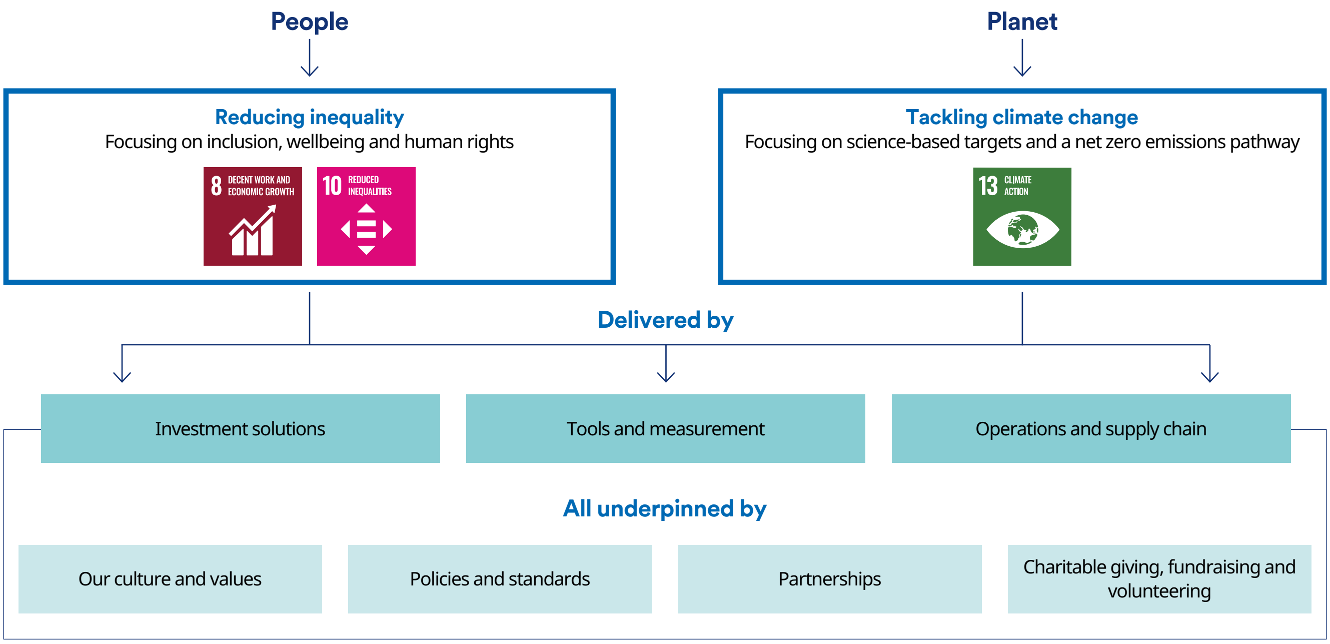
We also increased our wider support for charities and our total contribution to charities during the year was £4.9 million. A key element of this was the Group's contributions to our #CollectiveAction campaign, assisting those most impacted by Covid-19, as outlined on page 41.

As an active asset manager, investing across public and private markets, we have a fundamental role to play in encouraging the companies that we invest in to recognise their environmental and social responsibilities. This includes encouraging them to address the climate impact of their businesses. It is equally important that we lead by example, and we are committed to planning for, and executing on, the transition towards net zero emissions within our own operations. We continue to target significant reductions in our greenhouse gas emissions, and in 2020 our CO_2e emissions per employee reduced by 73% to 1.21 tonnes (2019: 4.49 tonnes). Notwithstanding the reductions that arose as a result of Covid-19, particularly from less travel, we made good progress in line with our plans. For more information see page 42.

Reflecting our ambition to demonstrate leading practice when it comes to minimising the negative impact of our business on the environment, we have taken a number of other significant steps in 2020. We became a founding member of the Net Zero Asset Managers initiative and committed to setting a science-based emissions target by the end of 2021. As part of these commitments, we will be publishing our climate action plan later this year. This plan will outline how we intend to transition towards net zero emissions across our own operations and wider value chain by 2050 or sooner, as well as highlighting interim targets in this area.

This aligns with our increased focus on climate change within our broader corporate responsibility (CR) strategy, which focuses on our impact on people and the planet. In particular, we are looking at how our activities as a business can play a role in reducing inequalities and tackling climate change. More information on our approach to CR can be found from page 30.

Corporate Responsibility Strategy



Business areas

In 2019, we presented our AUM across our five business areas of Private Assets & Alternatives, Solutions, Mutual Funds, Institutional and Wealth Management for the first time. This presentation better aligns with the way we manage our business and the shift in client demands.

Both Private Assets & Alternatives and Wealth Management are explicitly linked to two of our strategic objectives. The three other areas are a key part of our strategy to grow Asset Management. Solutions in particular is a key area of growth where we are able to use our active investment expertise to differentiate ourselves and help meet the increasing demand from clients for the management of balance sheet risk.

Providing high quality active management to Institutional clients remains a core part of our business. Whilst our Mutual Funds business faces wider market pressures, it remains an important component of our overall Asset Management segment. We continue to innovate in this area, for example through the development of our Global Transformation Range of funds.

Movements in AUM

£bn	Private Assets & Alternatives	Solutions	Mutual Funds	Institutional	**Asset Management**	**Wealth Management**	**Group Total**	Associates	**Total Including Associates**
	AUM								
1 January 2020	**44.2**	**142.8**	**102.4**	**144.1**	**433.5**	**66.7**	**500.2**	**69.2**	**569.4**
Gross inflows	7.7	68.8	39.0	24.4	139.9	8.6	148.5	173.4	321.9
Gross outflows	(7.2)	(25.4)	(42.1)	(24.4)	(99.1)	(6.9)	(106.0)	(161.0)	(267.0)
Net flows	**0.5**	**43.4**	**(3.1)**	**–**	**40.8**	**1.7**	**42.5**	**12.4**	**54.9**
Acquisitions	0.6	–	–	–	0.6	2.7	3.3	–	3.3
Investment returns[1]	0.8	4.9	4.9	15.7	26.3	2.1	28.4	7.0	35.4
Transfers	–	1.2	–	–	1.2	(1.2)	–	–	–
31 December 2020	**46.1**	**192.3**	**104.2**	**159.8**	**502.4**	**72.0**	**574.4**	**88.6**	**663.0**

1. Includes currency movements which increased AUM by around £5.8 billion.

The following commentary provides a more detailed review of our financial results and the development of our AUM, which is a key driver of our performance.

Assets under management

Our AUM increased by £74.2 billion, or 15%, to close 2020 at a record high of £574.4 billion (2019: £500.2 billion).

In 2020, we generated £42.5 billion of net inflows from clients (2019: £43.4 billion), including £28.2 billion of assets from the Scottish Widows mandate into our Solutions business. Acquisitions added £3.3 billion of assets across Private Assets & Alternatives and Wealth Management and we generated investment returns, after foreign exchange, of £28.4 billion for our clients.

The composition of our AUM and the nature of the movements is an important driver of our results. The impact of the risk-off environment at the start of the year and the growth in our Solutions business impacted the mix of our AUM by increasing the weighting of lower margin products.

In the Asset Management segment, AUM increased by £68.9 billion, or 16%, to £502.4 billion at 31 December 2020 (2019: £433.5 billion). We generated £40.8 billion of net new business from clients in 2020 and the acquisition of a majority stake in Pamfleet contributed £0.6 billion.

Within Private Assets & Alternatives, we saw encouraging demand in our Private Assets business with net inflows of £1.7 billion principally across real estate, infrastructure finance and private equity. These strong flows were partially offset by outflows from our liquid alternatives range, which was more impacted by the market environment and experienced net outflows of £1.2 billion.

Our Solutions business generated £43.4 billion of net inflows, with several notable wins in addition to the latest tranche of the Scottish Widows mandate. Solutions strategies are designed to provide clients with an outcome over the life of the product and whilst they attract lower fee margins than more traditional products, they typically have greater longevity.

Our Institutional AUM grew 11%, driven by £15.7 billion of investment returns we generated for our clients, net of currency movements. We also saw an increase in client demand in this business area as gross inflows increased by £7.7 billion.

Our Mutual Funds business was impacted by the risk-off environment at the start of the year, with net outflows of £4.8 billion in the first six months. This sentiment changed in the second half of the year, as we generated net inflows of £1.7 billion.

In the Wealth Management segment, we achieved £1.7 billion of net new business in 2020. Net inflows of £1.2 billion from our Schroders Wealth business and £0.7 billion through Benchmark Capital were partially offset by £0.2 billion of outflows from SPW. The performance of SPW was impacted by Covid-19 related Lloyds branch closures which led to lower client referrals.

Asset Management results

Asset Management net income was slightly higher than the prior year at £1,786.9 million (2019: £1,781.2 million), although net operating revenue decreased 1% to £1,747.2 million (2019: £1,763.1 million). This decrease was principally due to lower revenue margins as the mix of business was impacted by markets and the strong flows we generated in our Solutions business. Despite the challenging market conditions, particularly in the first half of the year, our investment performance was strong with 72% of assets outperforming over three years. As a result, performance fees increased to £85.8 million (2019: £42.9 million). We also benefited from £8.8 million of net carried interest (2019: £29.3 million) despite Covid-19 impacting private asset transactions. Real estate transaction fees were particularly impacted, reducing by £16.0 million to £3.4 million as the number of new property transactions fell.

As a result, Private Assets & Alternatives net operating revenue reduced by £6.9 million to £293.3 million (2019: £300.2 million). The reduction in performance related fees and transaction fees more than offset the acquisition of BlueOrchard which completed in October 2019 and contributed £30.2 million of additional revenues in 2020. The net operating revenue margin, excluding performance and transaction related fees, was 62 basis points (2019: 63 basis points).

Net operating revenue in our Solutions business increased 12% to £253.0 million (2019: £226.1 million) reflecting the strong net new business we generated. The net operating revenue margin fell in line with our expectations to 15 basis points (2019: 21 basis points). This decrease reflects the impact of lower fee rates on more recent mandates that are individually significant in size.

In our Mutual Funds business, net operating revenue decreased by 7% to £686.4 million (2019: £734.8 million), although an increase in performance fees of £7.4 million partly offset the impact of lower average AUM. Excluding performance fees, the net operating revenue margin fell to 71 basis points (2019: 73 basis points) due to changes in mix as a result of the risk-off environment at the start of the year.

Performance fees in our Institutional business were also strong, up £34.8 million to £74.2 million (2019: £39.4 million). This increase more than offset the impact of lower management fees and resulted in net operating revenue of £514.5 million (2019: £502.0 million). The net operating revenue margin excluding performance fees fell to 31 basis points (2019: 32 basis points).

The decrease in overall Asset Management net operating revenue was partly offset by an increase in our share of profits from associates and joint ventures, which more than doubled to £49.5 million (2019: £23.5 million), with continued strong returns from our venture with Bank of Communications in China.

Operating expenses before exceptional items increased to £1,213.6 million (2019: £1,174.3 million) as the scale of our business grew, including through acquisitions. As a result, profit before tax and exceptional items decreased by 6% to £573.3 million (2019: £606.9 million).

Exceptional items reduced to £29.8 million (2019: £41.4 million), these costs principally relate to acquisitions, including amortisation of acquired intangible assets. After exceptional items, profit before tax decreased to £543.5 million (2019: £565.5 million).

Wealth Management results

Wealth Management net income increased by 24% to £382.7 million (2019: £309.6 million), driven by growth in management fees, which increased by £79.2 million to £332.4 million (2019: £253.2 million). This was mainly a result of the full year impact of SPW, which was acquired in October 2019 and contributed an increase in management fees of £49.9 million in 2020. The Wealth Management segment includes our proportional share of the income and expenses of SPW on an individual account line basis. The Consolidated income statement includes our share of the post-tax profits of SPW within Share of profit of associates and joint ventures. A reconciliation between the two different presentations is shown in the segmental note on page 112.

The remaining increase in management fees was principally due to a £15.7 million increase in Benchmark Capital due in part to the migration of SPW assets on to the Benchmark Capital platform. Net banking interest decreased to £14.1 million (2019: £24.0 million) as a result of the low interest rate environment. The net operating revenue margin excluding performance fees, fell from 59 basis points to 56 basis points due to lower net interest margins and changes in asset mix. Other income increased £8.3 million to £15.8 million (2019: £7.5 million), primarily due to an increased contribution from SPW of £7.5 million.

Operating expenses before exceptional items were £272.2 million, up 23% (2019: £222.1 million), including the proportional share of SPW costs. Profit before tax and exceptional items increased 26% to £110.5 million (2019: £87.5 million). Exceptional items within Wealth Management increased £11.1 million to £45.7 million mainly due to implementation and other costs in relation to the transformation and set-up of SPW. The remaining exceptional items mainly comprise costs incurred in relation to acquisitions, including amortisation of acquired intangible assets. After exceptional items, profit before tax increased to £64.8 million (2019: £52.9 million).

Group segment results

The Group segment comprises central management costs and returns on investment and seed capital. Net income for the Group segment increased by £13.2 million to £58.1 million (2019: £44.9 million). Gains on financial instruments increased by £29.3 million, including positive returns on seed capital. This more than offset lower interest income and lower income from associates, following the sale of our interest in RWC earlier in the year. Costs in the Group segment increased slightly to £39.6 million (2019: £38.1 million). This resulted in a profit before tax and exceptional items of £18.5 million (2019: £6.8 million). In 2020, we incurred exceptional items of £16.3 million (2019: £0.6 million). These expenses predominantly comprise real estate related costs, following our decision to reduce office space reflecting increased flexible working habits. After exceptional items, there was a profit before tax of £2.2 million (2019: £6.2 million).

Financial strength and liquidity

The Group's net assets increased by £238.4 million during 2020 to £4,085.9 million (2019: £3,847.5 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.

	Statement of financial position £bn	Not recorded in the Statement of financial position £bn	Total £bn
Life Company	12.1	–	12.1
Other Asset Management	–	490.3	490.3
Total Asset Management	12.1	490.3	502.4
Wealth Management	3.6	68.4	72.0
Total AUM	15.7	558.7	574.4
Investment capital	0.4		
Seed and co-investment capital	0.6		
Other assets	5.0		
Total Group assets excluding clients' investments	6.0		
Total Group assets	21.7		

Within Asset Management, assets that are managed for clients are not generally owned by the Group and are not recorded in the Consolidated 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. Those 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. These assets are not made available for wider corporate purposes.

Reflecting these structures, the Group's total assets increased to £21.7 billion at 31 December 2020 (2019: £21.3 billion). Excluding those assets that form part of AUM, the Group's total assets increased to £6.0 billion (2019: £5.9 billion), principally as a result of retained profits being held to meet increased working capital requirements.

Investment capital represents surplus assets held in excess of operating requirements. It is managed in accordance with limits set by the Board, with the aim of making a low volatility return. The Group Capital Committee supports the Chief Financial Officer in managing the investment capital portfolio with consideration of potential capital and liquidity demands, including dividend distributions.

Investment capital is mainly comprised of investment-grade corporate bonds and investments in our own pooled funds. During 2020, investment capital reduced by £139 million to £417 million (2019: £556 million), primarily as we used capital to fund acquisitions, and seed new investment strategies and co-invest alongside our clients. Our seed and co-investment capital increased from £578 million at 31 December 2019 to £612 million at the end of 2020.

Other assets increased by £343 million to £5,008 million (2019: £4,665 million). This represents assets that support our ongoing operating activities in the form of working capital, including assets that are inadmissible for regulatory purposes.

In 2020, we continued to invest in the future growth of the business with several acquisitions, the most significant of which was the purchase of Sandaire. Acquisitions increased goodwill and intangible assets by £62 million, before amortisation and foreign exchange movements. We advanced our operational capabilities by investing further in our technology, resulting in additions to software assets of £74 million.

The Group's liquidity and regulatory capital position remains strong. Further information on this is set out in note 20 of the financial statements.

Dividends

It is our policy to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%. The payout ratio is determined as the total dividend per share in respect of the year, divided by the Group's pre-exceptional basic earnings per share. In line with this policy, the Board is recommending a final dividend of 79 pence per share (2019: 79 pence per share). It means a total dividend for the year of 114 pence per share (2019: 114 pence per share) and represents a payout ratio of 57% (2019: 57%).

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

The distributable profits of Schroders plc are £2.9 billion (2019: £2.9 billion). The Group's ability to pay dividends is, however, restricted by the need to hold regulatory capital and to maintain sufficient operating capital to support its ongoing business activities. Operating capital requirements include co-investments with clients and seed capital investments in our funds to support new investment strategies.

Circumstances that could adversely impact the Group's ability to pay dividends in line with the policy include a combination of significantly increased costs and a prolonged deterioration in markets or performance leading to reduced revenues and a consequential increase in the ratio of total costs to net income. After deducting the regulatory capital requirement and regulatory capital buffer, there continues to be sufficient capital to maintain our current dividend level for at least three years before taking account of any future profits.

Overall, I am pleased with the results which demonstrate continued resilience in the context of the global pandemic and further progress against our strategic priorities. We believe that this will enable future growth once broader conditions normalise.

Richard Keers
Chief Financial Officer

3 March 2021

Our approach to tax

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.

This means that we comply with our tax filing, reporting and payment obligations globally. We also seek to maintain good relationships with the tax authorities in the jurisdictions in which we operate. This may take the form of discussing key developments in our business and the potential impact of those developments on the amount of tax we pay. From time to time, our views on the appropriate tax treatment in any given situation may differ from those of the tax authorities. Where this occurs, we work constructively and proactively to achieve an early resolution. We comply with the UK's Code of Practice on Taxation for Banks and are treated as 'low risk' by HM Revenue & Customs.

We believe it is important that businesses behave responsibly and build trust within society regarding their role and contribution on tax. With this in mind, we support initiatives to improve international transparency on taxation matters, including the Organisation for Economic Co-operation and Development measures on country-by-country reporting and automatic exchange of information.

Our tax strategy, available at 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.

Taxes borne by the Group include corporate income tax on the profits arising in each country, indirect taxes such as value added tax on our expenses and payroll taxes on our employees' remuneration. The total tax borne by the Group in 2020 was £245.9 million (2019: £245.7 million).

Companies also have an important role to play in collecting and administering taxes on behalf of governments, where the cost of tax is borne by others. This includes income tax and social security payments deducted from our employees' remuneration and indirect taxes charged to our clients. These are taxes paid in addition to the taxes we bear as a business, which are referred to above. The total tax collected in 2020 was £240.7 million (2019: £244.4 million). The combined taxes borne by us as a business and the amounts collected by us on behalf of tax authorities in 2020 was £486.6 million (2019: £490.1 million).

Further information on taxes borne and collected can be found at https://www.schroders.com/en/about-us/corporate-responsibility/our-economic-contribution/

RESPONSIBILITY FOR ALL

We recognise that we have an important part to play in shaping the future of our stakeholders. It is a responsibility we take seriously. We apply the same core values and high standards to the activities we undertake as a business as we do when investing for our clients. Collaboration is key to this success and we work with a number of external partners and as a signatory to the UN Global Compact to help inform our approach as a responsible business, and to advance progress towards the UN Sustainable Development Goals (SDGs).

2020 highlighted the tremendous challenges that climate change and social inequalities continue to pose for all of our futures. The bushfires in Australia, the first 'gigafire' in California, destructive floods in China and the ongoing worldwide pandemic clearly demonstrate the acceleration of our impact on nature. In May, the shocking killing of George Floyd reignited the Black Lives Matter movement, sparking global protests against systemic racism. Covid-19 has also exacerbated social inequalities and accelerated changes to all of our lives. The opportunity for society to step up and respond has never been more apparent.

Since becoming a signatory to the UN Global Compact initiative, we have reviewed our Corporate Responsibility (CR) approach and aligned it against the ten principles, relating to four key areas of human rights, people (labour), environment and anti-corruption. The ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

Respect for human rights is fundamental to contributing to society. Our Group Human Rights Statement describes the governance, policies and processes we have in place to actively manage our human rights risks as an employer, as a buyer of goods and services, and as a provider of financial services and an investor in companies. Our Slavery and Human Trafficking Statement details how we assess and manage modern slavery risks within our business operations and supply chain, including company engagement activities.

An approach to corporate responsibility driven by leadership and governance

Our CR strategy is governed by the CR Committee, chaired by the Group Chief Executive and made up of senior representatives from across the business. The Committee is responsible for reviewing and agreeing new CR commitments and policies as well as monitoring progress against targets. It meets at least quarterly and reports to the Group Management Committee (GMC) and the Board on an annual basis.

We also have a global Employee Forum to enable the voices of our people to be heard directly by the Board. It comprises 12 appointed representatives from across Asia, Europe and the Americas and meets twice a year with Ian King, the Senior Independent Director and chair. For more information on the Employee Forum, please see page 65. The Forum covers topics such as Group strategy, financial performance, diversity and inclusion and employee engagement.

Looking forward

It is important that we build leadership in key areas that are important to our stakeholders, reflect important social priorities and in which we are able to make a meaningful contribution. In 2020, we analysed the results of a number of surveys, including our annual Global Investor

We use the same values and principles in how we operate as a company as we do in our investment activities.

Study, Institutional Investor Study, Cazenove Capital client service survey and our Employee Opinion Survey, as well as industry reports, to assess the sustainability topics that are of material importance to our key stakeholders, and build a global strategy in response. We will continue to build on our values, culture and progress to date, focusing on advancing progress on diversity and inclusion, creating a lasting positive impact on society, and improving our impact on the environment. We are also developing our leadership ambitions around two specific areas, which will allow us to leverage the full capabilities of the business and create lasting impact. These two areas are reducing inequalities and climate change, focusing on three SDGs and touching many others.

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

We will continue to build on existing programmes of work covering workforce wellbeing, human rights and social mobility to support resilience and social cohesion within organisations and society. We also want to help lead the transition to a low-carbon economy and have committed to setting a science-based target in line with a 1.5°C emissions reduction pathway and reaching net zero by 2050 or sooner.

The CR strategy will be developed and delivered in collaboration with our stakeholders and partners. Not only do they provide a critical perspective on how we run our business, but they are also integral to its success.

Key awards in 2020

Diamond award for payroll giving	Peter Harrison, Garth Taljard and Amy Cho — Top 100 LGBT+ Executive Allies	Employer of the Year, Singapore office
Susan Soh CEO of the Year	Best Employee Engagement Programme	Rated 1st for digital engagement with clients

Pledges and partnerships

Social Mobility Pledge

Change the Race Ratio

PRI Principles for Responsible Investment

The Valuable 500

100 Women in Finance

The Global Compact – We Support

Our key stakeholders

Delivering positive outcomes for all

A vital aspect of our strategy is to identify, understand and engage with our key stakeholders. We see our relationships with all our stakeholders as inter-linked and interdependent.

For more information on how the Board engages with and considers the interests of stakeholders in order to fully understand their views and take them into account in our decision-making, see pages 65 and 66.

Clients

Actively helping our clients achieve their long-term financial goals

Clients are the central focus of our business. The Group's resilience and ongoing success are built upon our ability to understand clients' needs and respond to them. We work to anticipate how client needs 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.

A strategic goal of the Group is to get closer to the end clients investing in our products, which was a key consideration in the acquisition of Sandaire.

Another key strategic goal is to expand capabilities in Private Assets & Alternatives in response to increased demand from clients, which was a consideration during the Pamfleet acquisition.

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.

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.

How do we engage with them and consider their interests?

The Board engages with shareholders at the AGM, which gives shareholders the opportunity to ask questions and engage with the Board. As we were unable to hold a physical AGM in 2020 we organised it virtually which enabled any shareholder to join and ask questions of the Board. To help the Board maintain an understanding of the views of our major shareholders, we again commissioned an independent investor perception study, covering views on strategy, results and competitive position.

During 2020, we continued to operate a complete investor programme, adapting to the external environment by meeting investors virtually.

Regulators

Building respectful relationships

As a global business, we build positive relationships with our regulators around the world. Regulators provide key oversight of how we run our business. Our clients' best interests are served by us working constructively with regulators.

How do we engage with them and consider their interests?

We regularly engage with regulators and policymakers so that our business understands and contributes to evolving regulatory requirements. Senior management hold regular meetings with our regulators to foster good working relationships. The frequency of these meetings and communication increased during the pandemic.

The Audit and Risk Committee receives regular reports on engagement with regulators, including how changes in regulatory regimes may impact our business.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this s.172 requires a Director to have regard, amongst other matters, to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

Our people

Offering fulfilling work and shared values to our people

Our people are central to the ongoing success of the business and our culture is one of our greatest assets. 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, most recently, weekly updates from the Group Chief Executive. We have dedicated teams and activities in every region that ensure 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 employee opinion 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, and chairs the global Employee Forum to hear directly from employees on issues that concern them, and report back to the Board. See page 65 for more details.

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.

We launched two investment trusts, the Schroder British Opportunities Trust, which invests in a diversified public equity and private equity portfolio of predominantly UK companies, and Schroder BSC Social Impact Trust, which invests with a focus on delivering a positive social impact in the UK.

Morningstar, a leading provider of independent investment research, has awarded Schroders with 'Advanced' recognition in its first assessment report following the introduction of the Morningstar ESG Commitment level.

The Board receives an annual update on the Group's corporate responsibility activities.

External suppliers

Working with trusted partners

We have established a global network of external service partners to supplement our own infrastructure, benefiting from the expertise and specialised skills our partners provide.

How do we engage with them and consider their interests?

We engage proactively with our external service providers through regular communication from employees and have an established framework that governs our approach to selection, on-boarding, management, oversight and reporting across our supply chain.

Our Supplier Code of Conduct sets out the high standards and behaviours we expect from them, covering human rights, 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 material outsource providers annually to ensure that the strategy for their use remains consistent with our strategy to use service partners as a way to add value to our infrastructure.

SHAPING OUR CULTURE

Our people

Our people are integral to how we deliver value for our clients and other stakeholders. They have a key role to play in shaping our culture, which has been amplified this year as we have engaged and collaborated in new ways and under different circumstances, whilst remaining focused on wellbeing and development.

Our values underpin our culture

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

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

Our people around the world

- UK
- Europe, Middle East and Africa
- Americas
- Asia

Responding to Covid-19

Engaging with employees

The global pandemic has undoubtedly had a profound impact on our employees and the way that they work, condensing years of change into a matter of months. It has highlighted the strength of our culture and the agility of our organisation. The majority of our employees have successfully worked from home during the crisis, and we have reaped the benefits of investing in our technology and embracing more flexible ways of working in recent years. We have not taken any government support or had to make any redundancies as a result of Covid-19.

In order to maintain connectivity, our leadership team globally has taken a proactive role in running more frequent all-employee meetings to ensure continued collaboration and understanding of priorities.

Employees worked remotely at various times during the year
99%

Government support and number of redundancies resulting from the pandemic
0

Adapting to a virtual environment

Our digital learning platform, Spark, allowed us to respond quickly, providing our people with support in key areas such as adapting to remote working, building resilience and coping with stress, as well as continuing to provide other relevant training

2020 employee survey results*

I am proud to be associated with Schroders	Schroders is interested in the wellbeing of its employees	The organisation is doing an excellent job of keeping employees informed about matters affecting us during this time	I have access to the training I need to help me adapt and be resilient at work
98%	96%	96%	88%

digitally. We have also adapted our approach to enable virtual interviews and on-boarding sessions, and have received positive feedback on this. More than 270 people have accessed the new joiner curriculum since it launched at the end of March. During this period, we have also seen the number of new users accessing Spark grow by 27%, to more than 3,400 users. This provides scale to our learning range and a more consistent approach to training for our people, allowing us to directly engage with employees and address skill gaps.

The shift towards remote working brought with it a broad range of new challenges for our people. We were able to recognise this and quickly respond to requests for additional training and toolkits in areas such as virtual communication skills, mental wellbeing and managing remote and hybrid teams. We ran virtual sessions for around 700 employees to help them adjust to this adapted way of working.

Continuing our commitment to early careers talent

To honour our commitment to developing early careers talent we provided our usual internship programme in a new, virtual format last summer. For six weeks, students joined the programme in roles across the business, gaining valuable experience and further understanding of the industry. Our online recruitment tool won an award for 'Excellence in Applying Innovative Technology in Business Psychology' at the Association of Business Psychology Workforce Experience Awards 2020. The award was for our technology-driven, diversity-enabling, innovative approach to assessment.

In September, 61 graduates, trainees and apprentices joined the business in London, Singapore, Hong Kong, Taiwan, Luxembourg and the US. The five-week induction phase of the programme was delivered virtually in half-day modules to accommodate a range of international time zones.

New users accessing Spark for online learning
+27%

Number of new graduates, trainees and apprentices
61

Providing remote support

Our people have truly risen to the challenge throughout 2020 and the strong collaborative culture we are all proud of has shone through. Our communications have centred around creating a sense of belonging and giving people a direct flow of information from senior leaders, emphasising the human side: this has included weekly podcasts from the Group Chief Executive, as well as a regular blog by our Global Head of Human Resources on topics such as juggling home schooling with a demanding role. It has also given us a chance to share stories from our people around the world, highlighting activities that they are undertaking at home to keep fit and healthy, blending our work and home lives.

Listening to our employees

Given the shift to remote working, we ran a number of more regular pulse surveys in place of our annual Employee Opinion Survey to maintain a clear understanding of the issues affecting our people. This has allowed us to gather feedback at specific moments in time, and to understand and respond to any concerns quickly. This has been critical in considering our approach to an eventual return to some office-based working, and the support our people require from a mental health and wellbeing perspective.

* Data from June 2020 Pulse Survey

Mental health & wellbeing

The safety and wellbeing of our employees and their families has been at the forefront of our decision-making process throughout the pandemic. We held a number of global wellbeing events and have offered the Covid-19 antibody and antigen testing to employees in many locations. Wherever possible we have continued to give employees access to professional support during lockdown, using secure digital communications tools to deliver services remotely. In Hong Kong, we launched a virtual doctor service to provide support during their local lockdown. We have promoted alternative ways to travel, such as cycling or walking, for those who have wanted to attend the office where and when it was safe to do so without using public transport.

Inclusion month: Each one, reach one

Throughout October we ran a series of accessible challenges to help colleagues around the world embrace and share inclusion. Our engagement opportunities ranged from digital workout training sessions, panel discussions with external leaders, to podcasts with senior colleagues and Q&A sessions. Almost 600 of our colleagues joined one or more of our learning sessions and over 580 completed the inclusion digital workout, aimed to help us learn how to be more inclusive of different people. The month was celebrated around the world from World Mental Health Day in Hong Kong, to self-care and connection in Singapore, to taking a stand for racial justice in the US. Our internal webinars were hosted by our Group Chief Executive and Group Chief Investment Officer on our key initiatives and our Head of Talent & Inclusion and Chair of the Schroders Black Professionals Network on exploring the role of race and representation when it comes to inclusive leadership. Over 2,700 employees completed our first inclusion pulse survey giving us further data to continue to develop our inclusion strategy into 2021. The statements below show how our approach to inclusion is yielding results.

At Schroders people are treated with fairness and respect

85%
up 2% from 2019

My manager supports flexible working in my team

93%
up 10% from 2019

Sufficient effort is made to get the opinions and thinking of employees

84%
up 14% from 2019

Schroders recognises and values diversity amongst its employees

86%
up 4% from 2019

My team has a climate in which diverse perspectives are valued

82%
up 3% from 2019

Breaking taboos

During Mental Health Awareness Week in May, our senior leaders shared their experiences of dealing with their mental health to encourage open, honest conversations across the organisation. We also ran a series of wellbeing events in collaboration with the Really Helpful Club to help normalise conversations about female-specific health conditions.

Career & performance

We have continued to focus on supporting our employees' careers and cultivating a strong culture of feedback at Schroders. As part of our shift to remote working we introduced changes to performance management, incorporating quarterly employee led 'check-ins' instead of a formal mid-year review. This approach, along with a greater focus on feedback, fosters a greater sense of accountability and adaptability to change.

Aligning reward to our values and our clients

Competitive benefits and remuneration that reflect each employee's individual performance as well as that of the business are important as we prioritise retaining our people and maintaining our ongoing success. Our approach is explained in the Remuneration report on pages 75-104.

Opportunities to grow & develop

We continue to invest and nurture our workforce whilst appreciating that our ways of working are changing. Our annual learning event 'Learnfest' was fully virtual for the first time, with more than 950 employees attending. The most popular sessions included sustainability, AI, know your strengths, thriving under pressure, and business story telling. A digital skills programme was rolled out in Asia to build capabilities, and a new external provider for internal data apprenticeships has been brought on board.

Continuing to invest in our managers

Our foundational programmes for new and experienced managers moved online in 2020. In recognition of the challenges our managers might be facing we created specific toolkits focused on resilience and wellbeing, working remotely, being an inclusive manager and our year end performance reviews in light of Covid-19, which were delivered alongside training sessions to support them in these areas.

Our future leadership pipeline

Our succession plans for leadership and critical roles are reviewed on an annual basis to ensure we have the right people in place for the future success of the business. Whilst we look to bring in external talent where necessary to build new unique skills, our culture is such that we look to develop internal successors wherever possible. We filled over 100 roles with internal candidates in 2020.

Leading with inclusion

Our commitment to creating a truly inclusive culture at Schroders is at the centre of our people strategy, and is led by our Group Chief Executive, along with executive sponsorship from our GMC members. We are committed to providing equal employment opportunities and combating all forms of discrimination. In keeping with our equal opportunities policy, we give fair consideration to all employment applications, including from disabled people, considering particular aptitudes and abilities. If employees become disabled, employment continues wherever possible, with retraining if necessary. For the purposes of training, career development and progression, all employees are treated equally as part of our commitment to making Schroders an inclusive place to work. Where possible, we monitor the ethnicity, age, disability and gender composition of our workforce and those applying for jobs. Our strategy and decisions are informed by the data we collect from our employees and the benchmarking initiatives we are involved in.

Monitoring our progress

We strive to make well-informed, data-driven decisions when it comes to diversity and inclusion and we continue to encourage our employees to share relevant information with us via our HR systems. In 2020, we added questions to provide additional insights on the socio-economic background of our employees. We also capture data about those applying for roles within the business to confirm that we are attracting a diverse range of candidates. This data is used to inform our on-boarding processes, and is also incorporated into pulse and exit surveys.

We achieved our target of 33% female representation in senior management in 2020. Diversity and inclusion remains a priority for the Board in 2021 and we will publish new targets later this year.

Our innovative digital approach to early careers recruiting has now been expanded to our experienced hiring processes. We also offered two 'returnships' (those returning to industry after a career break) in our ESG business to encourage a more diverse pipeline of talent in our investment business. Our involvement in the #100blackinterns campaign and a new inclusive mentoring programme for ethnic minorities also forms part of our strategy to build a more diverse workforce.

A robust framework

Our 13 Employee Resource Groups (ERGs) have continued to support our grass roots approach to driving awareness and building an inclusive culture: our Black Professionals Network expanded to New York in 2020, our millennial network ran a reverse mentoring programme in Asia and over 200 people signed up to this year's virtual Diwali events. Despite the challenges of Covid-19, online events have continued throughout the year and have been supplemented with multimedia digital content on key topics like mental health and race. Our executive sponsors have been able to participate in events, sharing their own stories with employees.

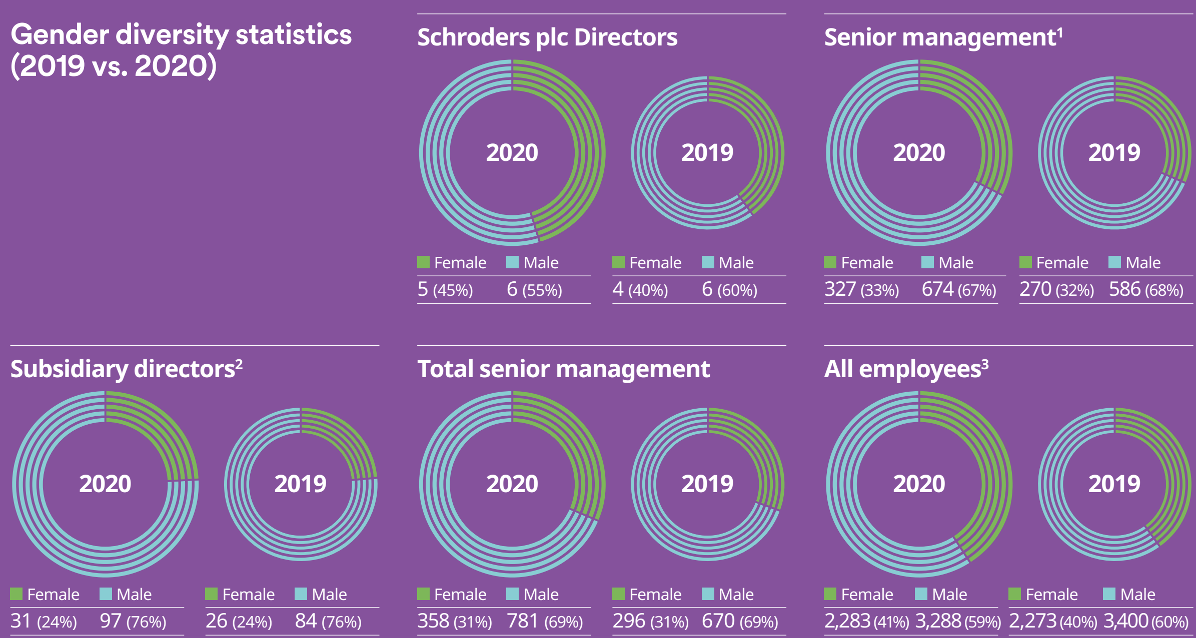
A new approach to flexibility

In response to feedback from our employees, we were able to introduce a new set of principles, which govern our approach to flexible working. Our industry leading flexible working charter is central to our inclusion strategy, particularly following the increase in remote working as a result of the Covid-19 pandemic, opening an opportunity for all employees to work more flexibly going forward.

Driving change in our industry

We firmly believe that the need to address representation in the workforce is a challenge affecting our whole industry, and is not just an organisational one. As such, we endeavour to participate in initiatives focused on driving change as well as benchmarking our efforts as a company. As part of our commitment to the UN Global Compact, we participated in the Women's Empowerment Principles benchmark for the first time. We also engaged with over 180 companies during 2020 on employee and board diversity issues.

In 2020, we have purposefully broadened our pledges to reflect our wider commitment to ethnicity and disability as well as being a more gender balanced organisation. This has included becoming a signatory to the Race at Work Charter, the Valuable500, and Change the Race Ratio as well as supporting the #FlexUK campaign and continuing to meet the Board diversity targets set by the Parker Review. As part of our being Disability Confident Level 1 (committed) we are able to respond and make adjustments to those who flag a disability during the interview process. We were listed in the top 75 employers in the Social Mobility Foundation's benchmark and participated in new research around social mobility, sponsored by the Diversity Project. We have worked closely with the Diversity Project and the Investment Association on initiatives to position investment management as an attractive industry for diverse talent. This includes programmes like i2020 and a recent research report on socio-economic barriers to entry to the financial services industry.



1. 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.
2. Other subsidiary directors comprises directors of subsidiaries who are not classified as Senior management.
3. All employees includes permanent and temporary staff.

CREATING POSITIVE IMPACT

Society and communities

We remain committed to our strategy of driving progress and improving futures. 2020 quickly became the year when this mattered more than ever. Supporting the communities around us is a vital role we were proudly able to fulfil. Our people led the way with many forms of direct support right across the business.

Looking after our communities

Covid-19 thrust the 'S' of ESG (environmental, social and governance) into the spotlight and amplified existing inequalities across many areas, including income, health, education and ethnicity. Our communities have never needed our support more and we are proud that our people have taken action together, contributing to our response to the pandemic. In March, we reallocated £500,000 of our charitable funds towards an emergency grants programme, which targeted those most affected by the crisis. Our approach was focused on charities that supported: children in need; those struggling with their mental health; food banks; helping the helpers; and supporting the elderly. A month later, we launched our global Schroders Giving campaign called #CollectiveAction. Through donations and fundraising challenges, our people collectively raised £3.8 million in 16 weeks for 95 charities around the world, totalling £4.3 million for the overall campaign. More about the campaign can be found on pages 40-41 of this report.

Alongside our #CollectiveAction campaign, we have continued to work with our existing community partners to have a positive impact in the societies in which we live and work. Our focus remains on inclusion, as we tackle social mobility and support mental health. We continue to make progress towards the UN Sustainable Development Goals through our partnerships, with a particular focus on: reduced inequalities, quality education, decent work and economic growth, and reduced inequalities.

We also regularly engage with the companies in which we invest on community-related issues. For example, in 2020 we collaborated with other investors to write to leading mining companies about their indigenous communities practices. The letter requested further information on actions companies have undertaken to manage risks in light of the destruction of the Juukan caves in Australia. While this example arose in Australia and aimed to prevent future loss of indigenous heritage, the principles apply to projects globally.

Improving futures with Schroders Giving

Our Schroders Giving partnerships underpin our ambition to improve futures and we remain committed to supporting them during these difficult times. We fast tracked eight grants in 2020, paying them early to help charities carry on their vital work and deliver many of their programmes online.

Empowering our people to improve futures across the globe

This year we ran our second annual charity competition. This opportunity allowed our employees around the globe to propose charities of their choice, under two categories, people and the planet. Fifty charity submissions were made and over 1,100 employees around the world engaged with the platform either through voting or submitting their own choice of charities. The winners were Action Against Hunger and the Marine Conservation Society, who were each awarded £50,000.

ACTION AGAINST HUNGER

marine conservation society

Supporting good mental health

The pandemic has had a major impact on mental health and wellbeing across the world. Good mental health is vital to the success and productivity of our people and we have worked closely with our partner, Samaritans, to run a number of mental health workshops for our UK employees this year.

We are also supporting their work to be there for people who need someone to listen, with both funding and time. Despite lockdown, 91 employees in the UK have registered to become a Samaritan at the new City Hub in London Bridge, which launched in September.

We worked with a number of other investors to encourage other FTSE 100 companies to put measures in place to help support employees' mental health during the Covid-19 pandemic. In line with our own actions, we asked companies to consider training for line managers, increased flexibility in both working patterns and performance appraisals and provide appropriate support systems.

Inclusion

We partner with a number of leading organisations to tackle social mobility in the UK and despite the challenges lockdown has brought, each partnership has continued to work effectively to support students across multi-channel communication platforms. The Sutton Trust, who champion social mobility from birth to workplace, launched their new online platform which has supported 7,600 students this summer. We support their Pathways to Banking and Finance programme which supports a cohort of about 100 students. They have worked with 13 of their university partners to deliver their UK Summer Schools online and have delivered six new pieces of research which aim to keep the social mobility consequences of the pandemic front and centre.

We have continued to run our own virtual engagement opportunities with our UK partners, including virtual work placements and moving our annual 'Futures Day' event online, which was joined by over 100 students from social mobility cold spots across the country. Our mentoring programmes with the Social Mobility Foundation, which supports high-achieving students from low-income backgrounds, reached capacity this year. We have also worked with Key4Life to run similar programmes which are dedicated to supporting some of the most marginalised members of our society.

IntoUniversity aims to address the problem of educational inequality and social exclusion by supporting young people from disadvantaged backgrounds to aspire and achieve their full potential. As a partner, we sponsor their Kennington branch in South London. The centre team were able to engage with more than 1,000 students across their programmes of academic and pastoral support between September 2019 and March 2020. Following the lockdown they provided remote services to continue student support and made over 1,200 calls to their families.

Our partner Enactus UK, a charity that supports young people in the UK to engage in youth social action and enterprise, ran their National Competition virtually. Our partnership supports the delivery of their school and university 'youth social action' and 'youth social programme', including the funding for training of their coaches and teachers. The Enactus programme works in 60 universities, engaging up to 3,000 students a year. At their National Competition this year, the University of Nottingham won for their social enterprises which tackle food waste and their project to combat malnutrition in Ugandan school children. We are proud to work with the Amos Bursary who work to reduce the opportunity gap for young black men. We sponsor three students on the programme over five years which offers support at university, opportunities to participate in overseas internships as well as increased networking opportunities. We have also worked with the Snowdon Trust to reduce the barriers for disabled students, supporting seven talented students to fulfil their potential.

Launch of Improving Futures: virtual series

Despite lockdown and an inability to run in-person events we wanted students to continue the conversation with our employees and break down the barriers to our industry. In September, we launched an 'Improving Futures: virtual series'. The series created an opportunity for students from low socio-economic backgrounds to meet experts from across our business. We worked with seven of our strategic partners to run the workshops and choose the topics. Our pilot series ran for nine weeks and 80 students either joined the sessions or watched the recorded sessions. The sessions covered both practical skills such as application writing tips, as well as insights into the career journeys of our people, our culture and values, and day-to-day roles.

In the US, we have continued our longtime partnership with READ Alliance, which works to improve the educational trajectory of early elementary students by providing one-to-one foundational reading skills from older students. During Covid-19, they moved their dual-impact programme online and in their five-week pilot served 106 children, employing 74 teens to continue supporting students.

In Singapore, we launched an inaugural SchAuction, raising employee donations (with company matching) for our long-term partner Beyond Social Services and its Family Assistance Fund. This helped support over 1,200 low-income families affected by the crisis and allowed them to continue running their youth programmes.

In Hong Kong, our partner Music Children Foundation provide music education to underprivileged children, which helps to build their skills and values. They moved their programmes online and continued their annual concert, allowing hundreds of children to continue showcasing their musical talents.

Charitable giving

We have always supported our people in their own charitable efforts and it is part of our strategy to be an employer of choice. We commit to empowering our employees to support the causes that matter to them by running a number of charitable schemes that enable them to make monetary contributions and donate their time. In 2020, we donated £4.9 million to charitable causes around the world (2019: £2.1 million), £821,000 of which was outside of the UK (2019: £569,000). Alongside our Schroders Giving partnerships, we continue to run our employee-led charitable giving schemes, which will match internal and external employee fundraising. This year we were awarded the Diamond Payroll Giving award by the Charities Aid Foundation: 28% of our UK employees used the Give As You Earn scheme (2019: 29%), which saw £1,098,408 (2019: £855,350) donated by employees before the contributions were matched by Schroders.

In addition to financial donations, we have provided gifts in kind, organised charitable collections and supported our employees in giving back to the community through volunteering. In 2020, Australia fought one of its worst bushfire seasons, fuelled by record-breaking temperatures and months of drought. We ran an emergency appeal to support our Australian colleagues' fundraising efforts. Over £4,000 was raised for the Australian Red Cross.

We offer a time matching scheme for volunteering outside office hours and up to 15 hours of volunteer leave per year. This year we doubled our volunteer leave to empower colleagues to support their communities. Employees around the world contributed over 1,675 hours of volunteer work, inside and outside of office hours. We have continued to work with Governors for Schools and Reach Volunteering to develop, build and use our people's skills for good causes in the charity sector. We recognise volunteering as a fundamental development tool to progress our people's professional and personal skills and will build on this next year.

Amount employees in the UK donated through the payroll giving scheme before matching

£1,098,408

#COLLECTIVE ACTION

Driving progress and improving futures is at the heart of what we want to achieve through Schroders Giving. We maintained this ethos during the pandemic, while pivoting our efforts to meet the needs of communities made vulnerable around the world. With the aim of helping people most affected by the pandemic, £4.3 million was donated to over 90 charities through our charitable campaign.

In April, we launched our charitable response to Covid-19 and asked our people to unite in #CollectiveAction to support our local communities. Our people helped us to choose the focus of our charitable giving and the three themes that mattered most to them:

- Providing food and essentials
- Helping the helpers
- Supporting vulnerable people

Our donations went towards many causes, here are just three impact stories from our #CollectiveAction campaign:

National Emergencies Trust (NET), UK

Helping the helpers

£261,000

Towards their Coronavirus Appeal which distributes funds to frontline charities and groups all over the UK helping the most vulnerable in their communities. Since March 2020 the Appeal has supported more than 12,000 local projects. Seven million people expect to seek charitable support in the coming year; nearly two-thirds for the first time ever.

New York Cares, US

Providing food and essentials

£74,000

Towards providing meals for homebound and food-insecure elderly people, and transitioning 15% of their programming to virtual and phone banking.

Beyond Social Services, Singapore

Supporting vulnerable people

£171,00

Towards the Covid-19 Family Assistance Fund, which at the end of June has supported 1,155 families. The funds are distributed to families whose income is now further reduced because of Covid-19; each family receives between £170-£290 for a period of three months.

> **“It is testament to the incredible spirit of generosity and kindness within Schroders that we have been able to raise this much in such a short space of time.”**
>
> **Peter Harrison,** Group Chief Executive

Collective Action
The power of together

Money raised for charities supporting vulnerable people	Money raised for charities providing food and essentials	Money raised for charities helping the helpers	Money raised for other charities affected by Covid-19
£821,000	**£578,000**	**£1,460,000**	**£1,444,000**

Watch our #CollectiveAction impact video and read our full impact report at schroders.com/collectiveaction-impactreport

Campaign summary

- Directors donated 25% of pay for three months
- Executive Directors gave up their long term incentive plan awards granted in March 2020 in favour of a corporate charity donation
- Payroll scheme allowed our people to donate up to 25% of salary for three months – with matching by Schroders
- A doubling of volunteer leave and ‘mapathon’ events launched with the Missing Maps Project to map developing countries such as Peru and Botswana
- Our #WeAre5110 and #34Together fundraising challenges raised £30,000 for Médecins Sans Frontières – with matching by Schroders

PROTECTING OUR ENVIRONMENT

The environment

We recognise that environmental issues, including climate change, present some of the most significant challenges facing the world. We anticipate that these challenges will be a defining driver of the global economy and financial markets over the coming years, as well as having a significant impact for wider society.

Significant and disruptive changes are needed to decarbonise the global economy quickly enough to achieve targets set by world leaders in Paris in 2015. By early 2021, countries representing around two-thirds of global GDP have committed to carbon neutrality, with a growing list of policy initiatives to underpin those goals. The entire global economy and every industry and company that forms part of it will be affected to some extent.

As an active investment manager and a responsible business, we have an important role to play in managing the impact that our business and wider value chain has on the world around us. As part of our commitment to responsible consumption and production, we aim to minimise the impact that our own business has on the environment and actively engage and work with those that we invest in to encourage them to do the same.

Following analysis of stakeholder surveys and feedback, we have recently developed our CR strategy to focus on two core areas – reducing inequalities and climate change. This highlights our ambition to lead the transition to a low carbon economy through our investment activities and the action that we take within our own operations. As part of this, we have committed to setting a science-based target in 2021, which will be in line with a 1.5°C emissions reduction pathway and reaching net zero across our value chain by 2050, or sooner.

Within our investment business, we achieved full ESG integration in 2020. We intend to migrate our assets under management to align with a net zero pathway, mindful of the fiduciary duty that we have to our clients. As part of this goal, we have joined the Net Zero Asset Managers initiative, signalling our intention to achieve net zero emissions in our managed assets by 2050, with interim targets set along the way. We firmly believe that companies that demonstrate good governance and sustainability practices will be more likely to deliver returns to investors, and that integrating ESG factors into our investment process will result in positive outcomes for our clients.

Our path to net zero

Committed to setting a science-based target by the end of 2021

Operating on a carbon neutral basis within our own operations since 2019		Targeting transition of managed assets in line with a net zero pathway by 2050 or sooner
Scope 1 (direct emissions)	Scope 2 (indirect emissions from electricity)	Scope 3 (all other indirect emissions in our value chain)

Key actions and commitments

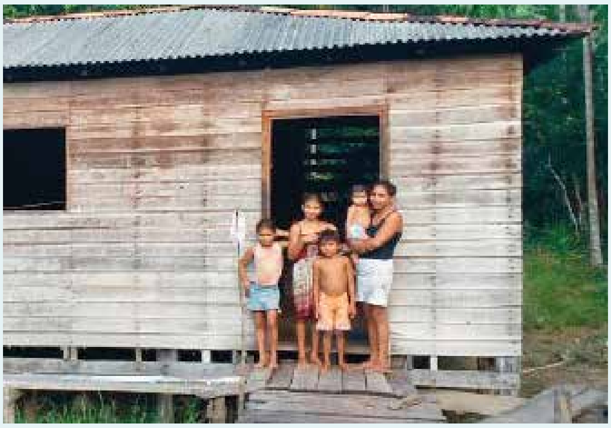
Commitment to use 100% renewable electricity by 2025	Signatory to Net Zero Asset Managers initiative
ISO 14001 accreditation	Letter to FTSE 350 calling for transparency on climate action

Ongoing disclosure via CDP and TCFD frameworks

Carbon offsetting with ClimateCare

Since 2019, we have been operating our business on a carbon neutral basis. We have partnered with ClimateCare to develop an environmentally credible carbon offset programme that will predominantly support the protection and generation of natural carbon sinks. Our employees selected three projects in Brazil, Uganda and Sierra Leone.

The clear winner in our employee vote was a forest protection project in the Amazon. The Climate, Community and Biodiversity Standards double gold project located in the micro region of Portel, Para, protects 180,000 hectares of unique biome. To prevent deforestation and degradation, the project actively engages with local residents, training them in forest management and monitoring techniques. The project will save 22 million tonnes of CO_2e over the project's 40-year lifespan.



Our operational greenhouse gas footprint reduced significantly in 2020 compared to 2019, mainly due to reduced business travel. For more information on our greenhouse gas footprint, please see page 46. We remain committed to our carbon offsetting programme and have chosen to retire the same amount of verified carbon credits for 2020 as we did in 2019.

Sustainability and environmental rankings

CDP	MSCI ESG Ratings	Sustainalytics
A-	AAA	18.8/low risk

We have been a supporter of the Financial Stability Board's Task Force for Climate-related Financial Disclosures (TCFD) since its launch in June 2017 and are committed to aligning our reporting with its recommendations. TCFD seeks to provide investors with increased awareness of climate-related risks and opportunities, and we support this objective.

Climate-related financial disclosures

Governance

Our response to climate-related issues forms an integral part of our business strategy, with overall responsibility for the delivery of that strategy sitting with the Group Chief Executive. The business has an established risk management framework to identify risks and opportunities. The governance mechanism for reviewing the potential impacts of these is through the Audit and Risk Committee, which receives quarterly reports on key risks impacting the business, once of which is climate change. The Committee provides an update to the Board after each meeting on matters discussed.

The Group Risk Committee (GRC), chaired by the Chief Financial Officer, works to assess and manage climate-related risks and opportunities, both in our own operations and investing activities. The GRC is made up of senior stakeholders across our business globally and normally meets ten times per year.

The management of climate-related risks and opportunities in our investments is the responsibility of the Global Head of Investment, who is supported by a number of committees, including the ESG Steering Committee. He is also a member of the GMC. Our fund managers work closely with the Global Head of Investment to ensure they are effectively identifying climate-related risks in their portfolios. Our own business operations are managed as part of our physical infrastructure and supply chain management functions, reporting to the Chief Financial Officer.

We have a Corporate Responsibility (CR) Committee, which is chaired by the Group Chief Executive and includes management representatives from across the business. It meets at least quarterly and is responsible for assessing and managing our CR strategy, which includes our approach to climate-related issues. The CR Committee reports at least annually to the GMC and the Board. In November 2020, the Group Chief Executive presented to the Board on corporate purpose, which included an update on CR and covered climate-related risks and opportunities. This discussion helped guide our ambition in this area and focus on climate-related issues.

Members of the GMC have specific objectives relating to sustainability and the management of climate-related issues, with a proportion of their variable remuneration dependent on progress against these objectives.

Strategy

The decarbonisation of the global economy as we transition towards net zero poses a number of risks and opportunities to our business and those that we invest in. We consider these over the following time horizons:

0-5 years: Short term | 5-10 years: Medium term | 10 years +: Long term

Risk	Description	Timeframe	Impact
Market	Changing client behaviour impacting demand for our products	Medium term	Decreased revenue
Physical	The impact on physical operations of extreme weather events or changes in temperature	Long term	Increased capital expenditure
Regulatory and legal	Changes to current/emerging climate-related regulation that impact how companies operate	Long term	Decreased profitability
Reputation	Perception of not having responded appropriately to climate challenges	Medium term	Decreased revenue
Technology	The need to keep up with technological advancements to examine and manage climate risks and opportunities	Medium term	Impact on fund performance and revenue

Opportunity	Description	Timeframe	Impact
Products and services	Evolution of product range in response to opportunities	Medium term	Increased revenue
Market	Adapting investment proposition to reflect client preferences	Medium term	Better competitive position and increased revenue
Resilience	Providing products to manage the impacts of climate change	Short term	Increased revenues
Energy source	Use of new technology and lower emission sources to reduce our environmental impact	Medium term	Reduced indirect costs

The impact of these risks and opportunities, and our ability to continue operating, is monitored on an ongoing basis by business areas across the organisation. This is supplemented with at least annual assessments of our business continuity arrangements and operational resilience.

The process of assessing and measuring climate risk and opportunities in client portfolios is undertaken via a number of proprietary tools, which provide a forward-looking measure of the impact of businesses. This covers their impact from both a climate and broader sustainability perspective, as well as looking at the financial risks and opportunities they face. We also make use of external measures, such as MSCI Carbon Emissions and MSCI ESG scores.

Scenario analysis is a vital element of our ability to assess the implications of different climate pathways for our business and those businesses that we invest in, and helps us prepare for the potential impacts. We have reviewed many of the emissions scenarios published by various organisations. However, we have primarily focused on those produced by the International Energy Agency (IEA), which are widely used by policy makers and other stakeholders. In particular, we have focused on the Sustainable Development Scenario (SDS) analysis in our assessment of a more rapid climate transition.

The SDS analysis plots the trajectory of emissions over the coming decades, globally and in specific economic sectors, needed to limit long term temperature rises to 1.6-1.8°C above pre-industrial levels. Rather than aiming to restate or refine that analysis, we focus on building an understanding of the implications of that transition for the value drivers that will impact our business, both through their effects on our own operations and the investments we manage. In particular, we have focused on five dimensions of impact:

- The effects of the higher carbon prices that will be needed to incentivise a transition away from carbon intensive activities
- Stranded assets, leaving identified fossil reserves undeveloped
- The impact on growth and value of the capital reallocation needed to reshape economies and industries
- The credit risks posed to financial institutions
- The impacts of rising risks to companies' physical assets

In each case, we assess the changes required to cut emissions sufficiently to meet that scenario pathway. We have developed models to assess the impacts of those changes on the investments we manage and on our own operations, where material. To date, the analysis of our investments has focused predominantly on public equity and credit markets, and sovereign bonds.

We have used our proprietary tools to assess investment risks and opportunities on our own business. Our model implies that there would not be a material impact on our profitability as a result of carbon prices rising to USD 100/t, or as a consequence of other physical risks. This reflects the progress we have made to incorporate ESG factors into our investment decisions processes, and the limited exposure of our operational activities.

All of our analysis suggests that risks are significant for markets more broadly, which is why climate change has been a major strand of our engagement with investee companies and our clients. We continue to increase and evolve this engagement, participating in initiatives such as CDP's non-disclosure campaign and sharing research on the subject on our website.

Understanding our stakeholders' views on climate change is also key to effectively managing risks and opportunities. We actively monitor client views via surveys including our annual Global Investor Study and engage with policymakers and many other stakeholders to ensure we can meet their expectations and provide effective solutions in this area. More information on our industry involvement and advocacy in this area can be found in our 2020 Sustainable Investment Report.

Risk management

Climate change is recognised as a key risk within our risk management framework, which can be seen on pages 53-55. This incorporates both physical risks from extreme weather events and transition risks as the global economy decarbonises.

Individual business areas are responsible for identifying, assessing and responding to the climate-related risks and opportunities within their specific activities, with oversight carried out by the Group Risk function and risks reported to the GRC, the Audit and Risk Committee, and the Board.

A climate lens on the impact of our investments

Climate Progress Dashboard

An objective, transparent and comprehensive view of the pace and scale of global climate action. Tracks the pace of change across a range of measures required to meet long-term emissions reduction targets.

Physical Risk

Estimates the cost of protecting assets against extreme weather events as a percentage of a company's total value. Incorporates data on location of assets to drive engagement with most exposed companies.

Carbon VaR

Measures the extent to which higher carbon prices could put profits and returns at risk as we transition to a lower-carbon economy.

SustainEx™

Quantifies the environmental and social benefits and impacts created by companies. Uses academic research to analyse more than 9,000 companies.

Business areas carry out impact assessments and develop plans to ensure continued operation in the case of a climate change event, overseen by business continuity specialists in the organisation. In addition, we carry out regular reviews on our properties, which include a detailed assessment of risks and opportunities. Where opportunities for enhancements are identified, recommendations are escalated to the GRC and GMC for discussion and agreement.

From an investment perspective, we need to ensure that our fund managers are able to identify and assess climate-related risks and opportunities. Research teams include physical and transition risks and opportunities as part of the company analysis that fund managers use.

To standardise and streamline this research process, the Sustainable Investment team has developed proprietary tools, designed to support understanding of the sustainability of a company's business model. This allows for easier sharing of information between teams and allows us to identify market-wide trends and insights.

Metrics and targets

We use a number of metrics and targets to track progress against our strategy on climate change and ensure that we are responding appropriately to risks and opportunities facing our business.

Our greenhouse gas footprint

As part of our commitment to increasing transparency and reducing our impact on the environment, we have enhanced our emissions disclosure for 2020, providing a more detailed breakdown and reporting additional Scope 1 and 3 emissions, including company-owned vehicles, transmission and distribution of purchased energy, and waste.

We have also decided to include the radiative forcing index to our air travel emissions from 2020 and have restated our 2019 greenhouse gas footprint figures accordingly. This takes into consideration the impacts of non-CO_2 aircraft emissions at high altitudes, such as water vapour, aerosols and nitrogen oxides.

Our greenhouse gas footprint

	2020 (tCO_2e)	2019 (tCO_2e)
Scope 1 – gas (fuel building-related)	381	520
Scope 1 – company-owned vehicles	123	280
Total Scope 1 emissions	**504**	**800**
Scope 2 – purchased electricity (location-based)	3,202	4,184
Scope 2 – purchased electricity (market-based)	1,503	Data not collected
Scope 2 – purchased heat (location-based)	397	608
Total Scope 2 emissions (location-based)	**3,599**	**4,792**
Scope 3 – fuel-and-energy-related activities (not included in Scope 1 or 2)	262	Data not collected
Scope 3 – waste generated in operations	150	Data not collected
Scope 3 – business travel	2,209	18,485
Total Scope 3 emissions (transmission, waste & travel)	**2,621**	**18,485**
Total Scope 1, 2, and selected 3 emissions (location-based)	**6,724**	**24,077**
CO_2e emissions per employee	**1.21**	**4.49**

Streamlined energy and carbon reporting

		2020	**2019**
Energy consumed (kWh)	UK operations	10,575,897	14,124,439
	Outside UK operations	5,459,453	7,024,828
Scope 1 and 2 (location-based) emissions (tCO_2e)	UK operations	2,311	3,330
	Outside UK operations	1,792	2,262
Scope 1 and 2 (market-based) emissions (tCO_2e)	UK operations	258	Data not collected
	Outside UK operations	1,749	Data not collected

The following footnotes apply to both tables above. Emissions and energy data disclosed is from 1 January to 31 December inclusive. The financial control boundary approach has been applied to our greenhouse gas inventory. Entities excluded from this reporting boundary are Pamfleet and Sandaire.

We report our global emissions inventory using the GHG Protocol Corporate Standard as our framework for calculations and disclosure. In line with GHG Protocol guidance, a market-based emissions methodology is used to calculate Scope 2 emissions, using information from the specific energy source or supplier. This reflects our emissions from purchased energy and includes details of renewable energy usage, which reduces overall emissions. It represents the active choices that we have made in our energy consumption decisions. So that comparisons can be made where a market-based system is not available, companies also report a location-based emissions figure. This reflects average emissions intensity and is based on information captured at a national or regional level. Our Scope 3 emissions reported have been calculated in accordance with the GHG Protocol Scope 3 Calculation Guidance.

In the streamlined energy and carbon reporting table, energy consumed is presented in kWh and the information presented correlates to Scope 1 and 2 emissions totals in the greenhouse gas footprint table.

We have used the UK Government GHG Conversion Factors for Company Reporting 2020, EPA and other internationally recognised sources.

Our Scope 1, 2 and reported Scope 3 emission data points have been independently reviewed by Incendium Consulting and assured for accuracy. BlueOrchard figures for 2019 have been assured by South Pole.

For our own business operations, business travel has historically been the highest contributor. As part of our 2020 budget, we committed to reducing this by 30% in 2020. Given the impact of the Covid-19 pandemic, we have seen an even more significant reduction in business travel with international travel reducing by 88%. Once travel restrictions are lifted we will be able to evaluate the impact of flexible working and improved conferencing technology on maintaining a reduction in business travel to below our 2019 emissions levels.

The lockdown measures imposed across many of the countries that we operate in throughout 2020 have also had a knock-on effect for a number of our other emissions figures across Scope 1 and 2. While several of our larger offices remained open as usual (with additional hygiene protocols in place) in order to maintain critical processes, which could not be conducted virtually, there were various points in the year where a number of our offices were closed. This has reduced our overall consumption of electricity and heat, as well as gas and vehicle emissions, over the course of the year. We also looked at ways to save energy, for example, our Global Technology team in our London and Horsham offices changed the power settings on monitors in the new Covid-safe set up, saving 8,700 kWh of electricity each week.

Due to more people working remotely in 2020, both as a result of Covid-19 response measures and our new Flexible Working Charter, we conducted a global employee survey to estimate additional emissions from remote working. Homeworking emissions have been calculated using the whitepaper from EcoAct. We undertook a survey of our employees to understand working practices before and during the pandemic, and have used various industry sources to capture the impact of our employees working at home including heating and cooling requirements, lighting, and use of technology. Based on a sample size of 974 employees across 23 countries, we estimate that the global emissions associated with home working was 1,838 tCO_2e in 2020. We also estimate the emissions associated with employee commuting was 1,047 tCO_2e. We will continue to review and develop the accuracy of the data points used in this pilot methodology for future reporting years.

In 2019, we committed to targeting year-on-year reductions in gross greenhouse gas emissions, measured in tonnes of CO_2e per employee. In 2020, we achieved a 73% reduction in CO_2e emissions with a decrease to 1.21 tonnes per employee (2019: 4.49 tonnes per employee).

Our total carbon output has reduced by 72% in 2020, despite the increase in size and scale of our business, as we increased our AUM to £574.4 billion and grew our average headcount by 4%.

In 2019, we committed to using 100% renewable electricity across all operational properties by 2025 and have achieved 67% to date. This has decreased by 1% from 2019 as our property estate has increased in 2020. This is also below our 2020 interim target of 75%. In 2021, we will develop a global energy procurement strategy to increase our focus on achieving this target.

Our data has been verified and further information is disclosed in our CDP submission, publicly available on the CDP website. This is our method of comprehensive climate change disclosure and where we have achieved a leadership level score of A- for the first time in 2020.

In order to make continuous improvements to our performance across various environmental metrics, we made a number of changes to our operational tools and processes in 2020. We rolled out an environmental accounting tool to improve the measurement and transparency of our environmental impact across energy, transport, waste, water and paper.

Our global headquarters in London was awarded ISO 14001 accreditation, an international environmental standard that helps businesses to minimise their environmental impact, and we began the process of seeking the same accreditation for our offices in New York and Hong Kong.

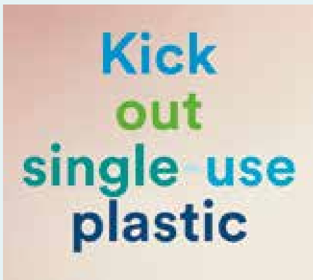
We also plan to pursue the EP100 Net Zero Carbon Buildings pathway in the UK, meaning that we will only own and occupy assets that are net zero emissions by 2030. We have set an interim target to reduce our emissions by 10% per square foot by 2025, focusing primarily on our London headquarters, which currently accounts for approximately half of our building-related global emissions.

This is the first year that we have gathered data on a global basis for waste and recycling. We plan to further develop waste targets for all of our sites and prioritise awareness raising to drive behavioural change, which is key to achieving our ambitions. We achieved a rate of 72% recycling in our London headquarters and have increased this target to 80% by 2022.

Within our investment business, we achieved the full integration of ESG factors into the investment analysis of all managed assets in 2020, verified by the Sustainable Investment team. Our fund managers use ESG risk dashboards to monitor climate and sustainability risk within their portfolios, with a number of our proprietary tools providing key metrics within those dashboards.

Employees championing positive environmental impact

Plastic Free July
Be part of the solution



The battle against plastic pollution has been constrained by Covid-19, following increased demand for single-use items such as personal protective equipment and a spike in the use of online retail and food packaging. Reducing our single-use plastic consumption is important to us, that is why we joined millions of people around the world to take part in the Plastic Free July movement, aiming to raise awareness and tackle the issue. We hosted an Investor Download podcast with our Head of ESG Engagement and Senior Corporate Responsibility Executive on 'How do we tackle plastics at Schroders?', highlighting the important role we play in engaging with companies on plastics and looking at our own operations. Colleagues across the business took part in a short film called 'Time to kick our throwaway culture' and joined a 'zero-waste mindset' workshop to challenge our own individual habits. We also caught up with our partner Hannah Mills, British Olympic Sailor, on the Big Plastic Pledge which aims to eradicate single-use plastics in sport. After competing in the 2016 Rio Olympic Games, Hannah's eyes were opened to the plastics crisis we face, and she set up the Big Plastic Pledge to unite athletes and sports fans alike to kick the plastic problem.

Earth Day 2020

In April, Schroders joined a billion people around the world to take part in Earth Day – the world's largest environmental movement. This year's theme was 'climate action' and we worked with colleagues across the business to create a video. Colleagues from around the world shared what they do in their day-to-day lives to have a positive impact on the environment, from minimising their meat consumption to cycling to work. We also heard from experts in our Sustainable Investment team highlighting how we are integrating climate change considerations, using our Climate Progress Dashboard, and broader ESG into our investment processes and client conversations.

Non-financial Reporting Directive

The table below sets out where stakeholders can find more information that relates to non-financial matters, as required under the new Non-financial Reporting Directive.

Reporting requirements	Policies and standards which govern our approach[1]	Due diligence, outcomes and additional information	Page
Environmental matters	Environmental, social and governance policy Statement of compliance with UN Principles for Responsible Investment Group Environment Statement	Our approach to corporate responsibility ESG engagements Climate change and the environment	30 18 42
Employees	Guiding principles and values Directors' remuneration policy Policy on Board diversity Group health and safety policy Group malus and clawback policy Internal HR policies including equal opportunities policy, flexible working policy, parents and family leave policy, mental health and wellbeing policy, trans-inclusion policy	Retention of key talent Creating a place where people want to work Gender diversity Employee opinion survey highlights Policy on Board diversity Remuneration report	24 34 37 35 67 75
Human rights	Slavery and human trafficking statement Supplier Code of Conduct Personal data policy Environmental, social and governance policy UN Guiding Principles on Business and Human Rights Group Human Rights Statement	Our approach to corporate responsibility Human rights Our suppliers Our clients Human rights	30 30 33 32 30
Social matters	Volunteering policy Supplier Code of Conduct Environmental, social and governance policy Statement of compliance with the UK Stewardship Code Statement of compliance with UN Principles for Responsible Investment	Our approach to corporate responsibility Our communities Charitable giving Our clients The environment Our approach to tax	30 38 40 32 42 29
Anti-bribery and anti-corruption	Financial Crime policies (covering anti-money laundering, counter-terrorist financing, anti-bribery, sanctions and tax evasion) Inducements policy Whistleblowing policy Conflicts of Interest policy Group Tax Strategy	Key risks and mitigations Process risk Creating a place people want to work	50 55 34

1. Certain policies, standards and guidelines are not published externally.
2. Certain policies, standards and guidelines are available at www.schroders.com

Additional information	
Key risks and mitigations Description of key risks	50 53-55
Business model	14
Non-financial indicators	2

Our approach to risk management supports our strategic priorities

We are exposed to a variety of risks as a result of our global business activities. Effective risk management is a core competence and we actively monitor the potential impact of current and emerging risks. This was particularly important in 2020 given the market turbulence caused by Covid-19. We place significant focus on the integrity and good conduct of employees and doing the right thing for our stakeholders. Our risk management framework is underpinned by a strong control culture with clear oversight responsibilities.

Managing risk

The Board is accountable for risk and oversight of the risk management process. 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 on pages 69-74. We embed risk management within all areas of the business at a Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as the principal advisory committee to the Group Chief Executive, have responsibility for regularly reviewing the key risks we face. This includes their respective business areas identifying, monitoring and reporting in all legal entities on relevant risks and controls. They are also responsible for monitoring that individual behaviours reflect the culture and core values of the business. It is the responsibility of all employees to uphold the control culture of Schroders.

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. Independent monitoring and reporting of risks and controls across the Group and at a legal entity level is undertaken by the second line. The Chief Financial Officer chairs the Group Risk Committee (GRC), which normally meets ten times a year. The GRC supports the Chief Financial Officer and GMC in discharging their risk management responsibilities. The committee is attended by the heads of Group Risk, Compliance, Legal and Internal Audit, chief operating officers and chief administrative officers from across the business, and senior management from Distribution, Investment, Product and Wealth Management. Other GMC members regularly attend. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews trends and current exposures to our key risks and considers issues as they arise. The GRC is supported by a number of sub-committees, including the Conflicts of Interest committee and the Group Regulatory Oversight committee, which review and challenge risks and report significant risk matters to the GRC.

Lines of defence

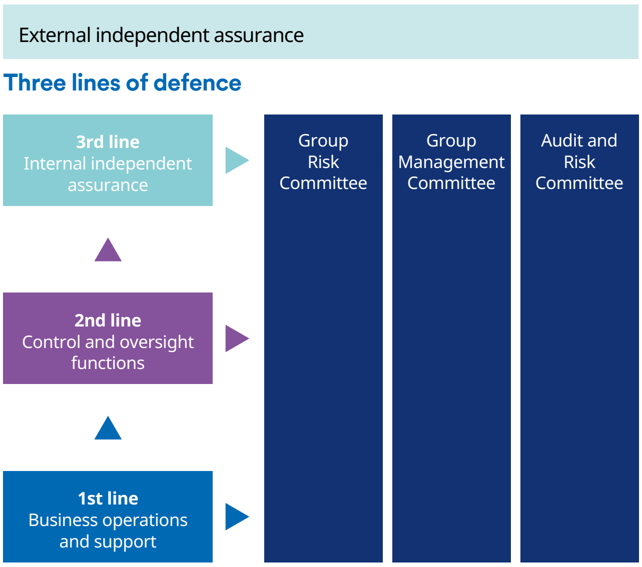
The first line of defence against undesirable outcomes is the business functions themselves and the line managers across the Group. Heads of each business area take the lead role with respect to identifying potential risks in their area and implementing and maintaining appropriate controls to manage these risks, including through the Risk and Control Assessment 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 auditors. 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.

Lines of defence overview



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). They apply to Asset Management, Wealth Management and the Group itself. Tailored versions of the risk appetite statements have been created for some of our legal entities.

Each risk appetite statement is supported by a number of metrics and tolerances to quantify risk appetite and to enable us to provide an assessment of risk position against risk appetite. Risk position versus appetite is formally assessed on an annual basis and is reviewed and challenged by the GRC, GMC and Audit and Risk Committee prior to the Board.

The risk appetite statements and their supporting metrics and tolerances were reviewed in 2020 and a number of improvements were made. New metrics were added to reflect the changing business environment and to allow a more quantified assessment of risk.

Covid-19 response

Our response to the pandemic demonstrated the resilience of our employees and the strength of the infrastructure supporting our business processes. Our people worked extremely hard to meet our clients' needs and our systems coped well. There was no significant impact on business operations despite a significant number of staff working remotely at various times over the year. Prior to 2020, we had already evolved our Business Continuity Strategy primarily to a work from home model, with an initial focus on our London office. As changes to our infrastructure had already been made, we were very well positioned to switch to working from home with minimal disruption.

Key highlights

Our response was governed by the Crisis Management Team (CMT) which met regularly from January to May. A key focus of the CMT was protecting the welfare of our employees and ensuring we could continue to deliver the standard of service our clients expect. The central co-ordination of the response by the CMT, combined with the response of regional Incident Management Teams and a level of office autonomy, meant we were able to flex our approach at a regional and office level dependent on government guidance and level of infection.

The delivery of the annual business continuity programme is reliant on a framework of business continuity co-ordinators and plan owners across the business. They played a key role in our response by ensuring effective co-ordination of activities across the business, which included capturing any additional technology requirements for home working and delivering our minimum viable presence approach (i.e. ensuring those staff who performed critical activities which could not be undertaken from home were in the office).

Our systems performed well and our IT environment remained stable throughout the pandemic. In order to further support colleagues who were working from home, we increased our internet capacity from 2GB to 10GB. We also enhanced our remote working capabilities through upgrading our virtual conferencing capabilities and rolling out a collaboration platform.

We quickly identified key suppliers who, if impacted by Covid-19, could potentially have the most significant impact upon our own operations. For a six-week period, we implemented daily reporting from key suppliers. Once it was established that service performance was being maintained and any potential significant risks had been mitigated, the reporting moved to weekly and then monthly.

Our Risk and Control Assessments, already a core part of our operational risk framework, were key in enabling us to quickly assess the extent to which business processes and controls were impacted by the need to work from home, and therefore required additional or amended controls.

We supported our employees by sending approximately 900 laptops, monitors and other hardware to their homes, allowing them to maintain productivity.

Elevated liquidity risks, particularly during March 2020, highlighted the importance of our robust fund liquidity risk management framework. We were able to promptly identify, report and escalate areas where liquidity risk was heightened. We operated a cross-functional Liquidity Management Oversight meeting for information sharing, escalation of concerns and resolution of issues.

In consideration of the heightened market volatility we moved to more frequent monitoring of certain investment risk metrics and held more regular oversight meetings to review the risk and performance of portfolios. In addition, our Group Pricing Committee met regularly to consider pricing and valuation issues caused by the volatility.

We strengthened our communications to employees to help them feel supported and engaged. Our internal communications and employee interactions remained a key focus throughout 2020.

Our global offices were reconfigured to meet local government guidelines thereby allowing staff to safely return when and where this was permitted and appropriate.

Group policies

Our control framework is underpinned by a set of Group policies, which are reviewed annually to ensure they remain relevant. Our approach is to have simple, principles-based policies that are adopted across the Group. This means our employees are supported with clear guidance on what they should and should not do, while similarly our service providers are briefed on the standards we expect them to adhere to. The Group policy framework helps our newly acquired businesses understand the culture of the Group and the parameters within which we expect them to operate.

2020 Developments

Whilst Covid-19 dominated much of the year (and is covered in more detail on page 51), a number of other initiatives were undertaken during 2020 by Group Risk. Some of these are summarised below:

- A formal Operational Resilience Programme was established to build on our existing resilience capabilities. As part of this our key business processes are reassessed and stress tested to ensure we can continue to operate during extreme events.
- Alongside Information Security, we enhanced our data loss prevention approach through improvements to controls and data surveillance capabilities.
- The Risk and Control Assessment Process (summarised in the diagram on the right) continues to be a key part of our operational risk framework and assisted with our response to Covid-19 (further details are on page 51). We improved the alignment of the Risk Event process and our Risk and Control Assessment Process to update the documentation of controls with the goal of minimising the re-occurrence of Risk Events.
- The Asset Class Risk & Performance Committees were enhanced by improving processes to review performance and by applying a broader range of methods for overseeing exposure concentrations. These committees are the primary venue for the first and second line functions to review and challenge risk and performance.
- We developed ESG risk toolkits for the investment risk assessment of portfolios. These are used for day-to-day risk oversight and formal review and challenge at the Asset Class Risk & Performance Committees.
- We conducted thematic investment risk reviews including active risk taking in portfolios and liquidity risk management.
- Our credit risk monitoring processes were enhanced with the addition of a new external provider that aggregates internal credit ratings from large banks and produces consensus ratings.
- A portal for identifying and monitoring negative news relating to counterparties was implemented to strengthen our credit risk management processes.
- We developed a dashboard for monitoring the governance arrangements associated with User Defined Tools. A User Defined Tool is a technology application created or modified outside the core Technology function.

Risk and Control Assessment Process

Key risks

Assessment of key risks

We periodically assess the risks faced by our business and update the detail of the Group's key risks. This provides us with a good understanding of the risk profile of the Group, enabling our risks to be managed effectively. We have 19 key risks across Strategic, Business and Operational risk categories, as shown in the table on the right and on pages 53-55.

These risks have been assessed in light of the current environment (including Covid-19), geopolitical factors, market conditions, changing client demand and regulatory sentiment. We have taken into consideration the views of subject matter experts and risk owners within the business, and the working environments faced by our employees around the world. We monitor internal and external environments to identify new and emerging risks. We then analyse each risk and assess how this can be managed and mitigated.

The Group determines which key risks it considers to be heightened, for example those that are more costly if they materialised, and we then undertake further work to manage these actively. When considering these risks, we take into account the objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry.

The following Key Risks are ranked within each category based on our combined assessment of the impact and likelihood of each occurring after our controls are applied.

Strategic risks

1	Changing investor requirements
2	Fee attrition
3	Market returns
4	Business model disruption

Business risks

5	Reputational
6	Investment performance
7	Climate change
8	Financial instrument
9	Product
10	Business concentration

Operational risks

11	Conduct and regulatory
12	Process
13	Business services resilience
14	Information security
15	Fraud
16	Legal
17	Technology
18	Tax
19	People and employment practices

Key risks

Strategic risks

Impact for Schroders: These risks relate to our strategy and the environment in which we operate. If these risks are not carefully managed, our AUM and the income we therefore receive may be lowered. Our business plans seek to address these risks by responding to the challenges faced and growing our assets and earnings.

Description	How we manage this
1 Changing investor requirements (Remained the same) Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a drop in AUM. This is notable in the Solvency II driven investment requirements of clients and the move from Defined Benefit to Defined Contribution pensions for example. ESG is a material part of our client considerations and we expect climate change risks to feature more heavily in future investment requirements and offerings.	We have intensified our focus on ESG by ensuring our investment criteria includes integration of ESG into the decision process, subject to local requirements, and we have launched thematic products related to Climate and Energy Transition. We continue to expand our capabilities in Private Assets & Alternatives, including a majority interest in an Asian-based Real Estate business, Pamfleet. Seed capital has been deployed in 22 new funds during 2020. We carefully manage our cost base to reflect our clients' changing asset allocation requirements, investing in new products where client demand exists.
2 Fee attrition (Increased) Fee attrition caused by clients allocating more of their assets to passive products and a lower allocation to public markets, and a smaller pool of capital allocated to active fund managers resulting in increased competition on price. A move towards vertical integration can also impact revenues of investment managers as the pricing power may reside with the organisations that have the end client relationship.	We have continued to focus on Solutions and outcome-oriented strategies, and Private Assets & Alternatives, which diversify our fee income, increasing our AUM by £51 billion in these areas over the year. We are also increasingly diversifying our product offering, supporting long-term profitability.
3 Market returns (Remained the same) 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 and the currency in which the AUM is denominated. Current economic uncertainty with slowing global economies may also impact markets. The response of central banks may have a dependency on fiscal measures which could impact market returns. Greater co-operation across central banks may be required, at a time when economies are becoming more inward looking. Capital investment may be targeted at domestic growth rather than being allocated to cross border initiatives.	We have diversified income streams across a range of markets to mitigate falling markets in any one area. We now have 54% of AUM from Solutions, Private Assets & Alternatives and Wealth Management, up from 51% in 2019. Our focus on growing our Private Assets & Alternatives product range allows us to have a broader range of income streams which are less directly linked to markets. We have made key hires and management appointments in this part of the business to strengthen our leadership and drive growth in our product offering. The further development of our Wealth Management business, including the acquisition of Sandaire, a London-based multi-family office, enables us to leverage the greater longevity and higher, more sustainable margins that come with this business.
4 Business model disruption (Remained the same) Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. We see mass customisation of products coupled with changes in regulation such as the value assessment, requiring a response from asset managers, in addition to an increasing move to private markets.	We continue to deliver efficiencies and insights through technology. Digital initiatives are in progress to improve client experience, engagement and servicing. We are investing in our technology platform to support scalability, agility in our product offering and our expanding Private Assets & Alternatives business. A key focus on leveraging data by our Data Insights Unit has supported this.

Movement during the year

- Increased
- Decreased
- Remained the same

Business risks

Impact for Schroders: In executing our strategy, a number of key risks arise that could impact our ability to attract and retain clients. By evolving our product offering and delivering investment performance, we have the best opportunity to be selected by clients when allocating assets. A failure to achieve this could lead to a decrease in AUM.

	Description	How we manage this
5	**Reputational risk** This may arise from poor conduct, judgement or risk events due to weaknesses in systems or controls. The reputation of Schroders can be impacted by any of our key risks.	We consider reputational risks when initiating changes to our strategy or operating model and maintain high standards of conduct.
6	**Investment performance risk** There is a risk that portfolios may not meet their investment objectives or that there is a failure to deliver consistent performance.	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.
7	**Climate change risk** A failure to understand the pricing of assets affected by climate change due to declining cash flows from industries or a lower demand for impacted assets. This may lead to poor investment decisions, more volatile pricing as asset prices adjust to reflect the increasing regulation of carbon emissions and a failure to offer climate positive products impacting our performance, brand and reputation.	We have developed a range of proprietary tools to better understand the impacts of climate change on the portfolios we manage including a physical risk model and a transition risk model. We assess our corporate exposure to physical climate change risks and that of our supply chain and we actively monitor our emissions and have adopted targets to reduce our carbon footprint.
8	**Financial instrument risk** We face market, credit, liquidity and capital risks from the instruments we use when managing AUM, as well as those arising from holding investments where we act as principal. The impact of financial instrument risks on our business may negatively affect our earnings (due to market, credit or liquidity risk) or ability to invest in our business (due to insufficient capital).	We manage capital, liquidity and the Group's own investments through Board-set limits and in the Group Capital Committee. Equity market risk in seed capital is 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.
9	**Product risk** There is a risk that our product offering is not suitably diversified, 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, or that they do not perform in alignment with their investment objective(s) for a sustained period. There is also the risk that product liquidity is not consistent with the product description, or the redemption requirements of investors.	Our dedicated Product and Solutions function focuses on strategy, innovation and changing investor requirements. In the first instance, identified 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.
10	**Business concentration risk** Insufficient diversification in distribution channels, products, clients, markets, or income streams could pose a risk to our business.	We have a broad range and scale of products, distribution and investment channels and our development of strategic relationships and acquisitions enables further diversification of income streams.

Operational risks

Impact for Schroders: Operational risks are inherent in all activities and processes. They exist in the normal course of business and are heightened when we undertake changes to our organisation. When operational risk events occur, this may affect our clients and our ability to serve them. We may be liable for financial losses or fines, which could affect our business performance and may weaken our standing with stakeholders.

	Description	How we manage this
11	**Conduct and regulatory risk** The risk of inappropriate conduct, conflicts management practices or behaviours negatively impacting on client outcomes or markets and participants, or of failing to comply with existing or new regulations. This includes financial crime requirements.	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 compliance assurance programmes.
12	**Process risk** The risk of failure of significant business processes, such as mandate compliance, trade execution for investment portfolios, client suitability checks, financial crime risk management and asset pricing.	Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment Process. When we undertake change, such as acquisitions, we assess new processes that may arise.
13	**Business services resilience risk** The risk that we are unable to operate critical business services.	Our crisis management, business continuity and disaster recovery processes are tested regularly to ensure that we can respond and recover from extreme events.
14	**Information security risk** The risk that our technology is compromised or inadequate, resulting in the confidentiality, integrity or availability of our data or Schroders' services being negatively impacted.	We have a dedicated Information Security function responsible for the design and operation of our information security risk framework. Information security risk is overseen by specialists within both the second and third line of defence and is monitored by the Information Security Risk Oversight Committee.
15	**Fraud risk** Fraud could arise from any attempt to defraud the firm or our clients by circumventing our processes and controls.	Controls are in place, which are assessed as part of the Risk and Control Assessment Process. We continue to apply particular focus to our payment processes.
16	**Legal risk** The risk that we, our clients, suppliers or other third parties fail to meet or record legal or regulatory obligations.	Our policies and procedures consider legal risk as part of their design. We have an escalation process for areas of material risk and our Legal function supports our employees and the business.
17	**Technology risk** A change or failure in technology could pose a risk to the integrity or availability of the services we offer.	Policies and technical standards are deployed, together with robust project and change management processes, which cover the assessment of business requirements, risk and scalability.
18	**Tax risk** We and the funds we manage are exposed to tax compliance, reporting and transactional risks, which include the submission of late or inaccurate tax returns.	Our tax strategy sets out our approach to managing our tax affairs, underpinned by a governance framework and supported by the Tax function, which works with management and advisers to monitor our position and relevant tax changes. See page 29 for further details.
19	**People and employment practices risk** The inability to attract, retain or develop key employees to support our business or maintain high standards in employment practices.	We have competitive remuneration and retention plans and build depth and strength in our workforce. We have sustainable succession and employee development processes and recruit selectively through our entry-level and experienced hire programmes.

Viability statement

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

Assessment of prospects

A five-year period to December 2025 is in line 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 planning assumptions. It is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams, with the one-year outlook most recently updated in March 2021. 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, which is summarised on pages 16-17.

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 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 the previous pages. 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 is sustained.

Stress testing is performed on the Group's business plan, which 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 the following factors which, where relevant, use assumptions more severe than the regulatory stress scenario required by the Prudential Regulation Authority:
- Outflows of our AUM, or deterioration in the value of our AUM, as a result of, for example, a market downturn, foreign exchange movements, climate change risks or poor investment performance;
- a significant decline in net operating revenue margins reducing projected revenues, together with an increase in the ratio of total costs to net income;
- the impact of a material operational risk event which could lead to reputational damage and outflows of our AUM.

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, the Directors have concluded that the Group would have sufficient capital and liquid resources in the respective scenarios and that the Group's ongoing viability would be sustained. In drawing this conclusion, the Directors have regard to business model changes that may be required given the new environments in which the Group would be operating. The stress scenario assumptions include maintaining the Group's dividend policy but this and other assumptions would be reassessed if the circumstances determined this to be necessary over the longer term.

It is possible that a stress event could be more severe and have a greater impact than we have determined plausible. Actions are available that may reduce the impact of more severe scenarios, but these have not been considered in this viability statement.

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.

NAVIGATING THE FUTURE

The UK left the European Union on 31 January 2020 and entered a 'transition period' while the UK Government negotiated its future relationship with the EU. On 24 December 2020, both parties announced that they had reached agreement on a free trade agreement, the UK-EU Trade and Cooperation Agreement, with its terms taking effect immediately after the transition period concluded on 31 December 2020. As widely anticipated, the trade agreement does not make specific provision for financial services firms in the UK to continue to access the EU single market and, as a result, those firms lost those passporting rights.

Schroders was well positioned for such a no deal scenario for financial services. Our diversified business model and significant presence in the EU mean that we have been well placed without making significant changes to our operating models. We had obtained additional investment management permissions in Luxembourg to ensure that we can continue to offer the full range of investment services to our clients. We had also made some structural changes to enable us to continue to service our clients regardless of their geographic location. Our aim throughout has been to ensure that our clients receive a seamless service.

We will continue to closely monitor future negotiations and regulatory developments with respect to financial services, including any frameworks for regulatory cooperation between the UK and the EU that might affect our business and our clients.

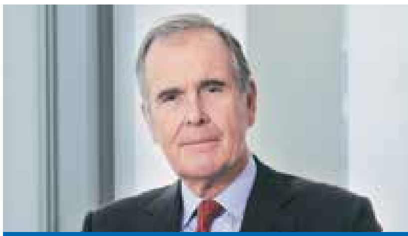
We have registered our Luxembourg fund ranges under the UK Financial Conduct Authority's temporary permissions regime to allow our EU based funds to continue to be offered to clients based in the UK for the foreseeable future.

Pages 1 to 57 constitute the Strategic report, which was approved by the Board on 3 March 2021 and signed on its behalf by:

Peter Harrison
Group Chief Executive

3 March 2021

Leading a world class business



Michael Dobson
Chairman

Appointed Chairman in April 2016, having been Chief Executive since November 2001. He first joined the Board as a non-executive Director in April 2001.

Experience: Prior to joining Schroders he was Chief Executive of Morgan Grenfell Group and a member of the Board of Managing Directors of Deutsche Bank AG.

External appointments: Member of the President's Committee of the Confederation of British Industry, Advisor to G3 Group.

Committee membership: Chairman of the Nominations Committee.

Peter Harrison
Group Chief Executive

Appointed Group Chief Executive in April 2016. He was an executive Director and Head of Investment from May 2014.

Experience: He began his career at Schroders and subsequently held roles at Newton Investment Management, J.P. Morgan Asset Management as Head of Global Equities and Multi-Asset and at Deutsche Asset Management as Global Chief Investment Officer. He was Chairman and Chief Executive of RWC Partners before re-joining Schroders as Global Head of Equities in March 2013.

External appointments: Member of the Investment Association Advisory Council and the Impact-Weighted Accounts Initiative Leadership Council. He is a Director of FCLT Global and a member of the Advisory Board of Antler Global.

Richard Keers
Chief Financial Officer

Appointed a Director and Chief Financial Officer in May 2013.

Experience: He is a chartered accountant and was a senior audit partner at PricewaterhouseCoopers LLP (PwC) until May 2013. He became a partner at PwC in 1997 and has 25 years' experience in the audits of global financial services groups. His experience includes time spent in PwC's New York, Sydney, Edinburgh and London offices.

External appointments: None.

Ian King
Senior Independent Director

Appointed Senior Independent Director in April 2018 having been a non-executive Director since January 2017.

Experience: He was Chief Executive of BAE Systems plc from 2008 to 2017 having been originally appointed to the BAE board as Chief Operating Officer, UK and Rest of the World. Prior to this, he was Chief Executive of Alenia Marconi Systems. He also served as a non-executive Director and Senior Independent Director of Rotork plc until June 2014.

External appointments: Senior Adviser to the Board of Gleacher Shacklock LLP, Chairman of Senior plc, Director of High Speed Two (HS2) Limited and lead non-executive Director for the Department of Transport.

Committee membership: Member of the Nominations and Remuneration Committees.

Sir Damon Buffini
Independent non-executive Director

Appointed in February 2018.

Experience: He has over 25 years' experience in private equity, joining Schroder Ventures in 1988. He was Managing Partner of Permira from 1997 to 2007 before becoming Chairman. He retired in 2015 and remains a Senior Adviser.

External appointments: Chair of the National Theatre and Chair of Royal Anniversary Trust UK.

Committee membership: Chairman of the Remuneration Committee and a member of the Nominations Committee.

Rhian Davies
Independent non-executive Director

Appointed in July 2015.

Experience: She is a chartered accountant and was a partner at Electra Partners, an independent private equity fund manager, until June 2015, and then a Senior Adviser until March 2017. She previously worked in PwC's audit and insolvency practice before joining Electra in 1992.

Committee membership: Chairman of the Audit and Risk Committee. Member of the Nominations and Remuneration Committees.

Claire Fitzalan Howard
Non-executive Director

Appointed in April 2020.

Experience: She began her career at Kleinwort Benson, where she worked from 1982 to 1987. She subsequently joined Gauntlet Insurance Services, insurance brokers specialising in high net worth clients, where she had an executive role until 1996 and was a non-executive Director from 2004 until 2019. She is a descendant of John Henry Schroder, co-founder of the Schroders business in 1804.

External appointments: Non-executive Director of Caledonia Investments plc, Director of the Schroder Charity Trust and a trustee of a number of other charitable foundations.

Committee membership: Member of the Nominations Committee.

Rakhi Goss-Custard
Independent non-executive Director

Appointed in January 2017.

Experience: She is an experienced executive in digital retailing, having spent 11 years at Amazon. Prior to joining Amazon, she held roles at TomTom and in management consultancy in the US.

External appointments: Non-executive Director of Kingfisher plc and Rightmove plc.

Committee membership: Member of the Nominations and Audit and Risk Committees.

Leonie Schroder
Non-executive Director

Appointed in March 2019.

Experience: She has held a number of roles in the charity sector and is currently a director of the Schroder Charity Trust and a number of private limited companies. She is a descendant of John Henry Schroder, co-founder of the Schroders business in 1804.

External appointments: Schroder Charity Trust and a number of private limited companies.

Committee membership: Member of the Nominations Committee.

Deborah Waterhouse
Independent non-executive Director

Appointed in March 2019.

Experience: She has been the CEO of ViiV Healthcare, a major international business, since 2017. ViiV Healthcare is a leading global company, majority owned by GlaxoSmithKline (GSK) and focused on advancing science into HIV treatment, prevention and care. She is a member of the GSK Corporate Executive Team.

External appointments: Private limited companies relating to ViiV Healthcare.

Committee membership: Member of the Nominations and Audit and Risk Committees.

Matthew Westerman
Independent non-executive Director

Appointed in March 2020.

Experience: He started his career in 1986 at Credit Suisse First Boston. He subsequently worked at Rothschild & Co where he became Managing Director and Joint Chief Executive of ABN AMRO Rothschild. He joined Goldman Sachs in 2000 where he was a Partner for 14 years. Between 2016 and 2017 he was Co-Head of Global Banking at HSBC.

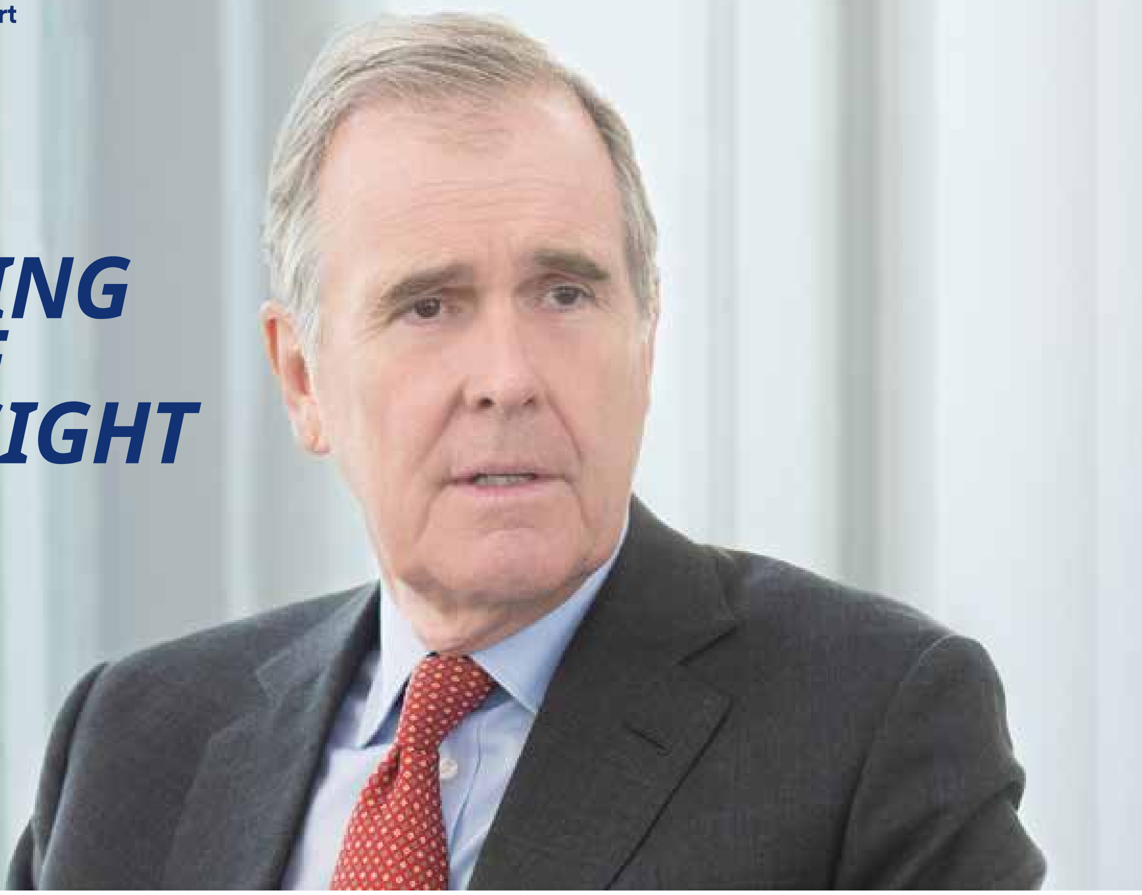
External appointments: MW&L Capital Partners, Chairman of the Board of Trustees of the Imperial War Museum and a Foundation Fellow of Balliol College, Oxford, Trustee of the UK Holocaust Memorial Foundation.

Committee membership: Member of the Nominations, Audit and Risk, and Remuneration Committees.

Graham Staples
Group Company Secretary

He joined Schroders in 2004. Previously, he held senior company secretarial, compliance and business development roles at NatWest, Barclays, TSB and Computershare.

He is responsible for the Group's governance framework and advising the Board and GMC on all governance matters.



ENSURING EFFECTIVE OVERSIGHT

I am pleased to introduce our corporate governance report for 2020 in which we describe our governance arrangements, the operation of the Board and its Committees and how the Board discharged its responsibilities during the year.

2020 was a year of unprecedented challenges. The speed with which the Covid-19 crisis took hold, and its impact on the macro economy and financial markets, was extraordinary and required a swift response to ensure that our business was able to continue to operate effectively. Throughout this Annual Report we have illustrated some of the steps we took to protect clients, our employees and the interests of our wider stakeholders.

The Board quickly recognised that we needed to change our approach to ensure that we could continue to maintain effective oversight. We implemented regular business updates from management in addition to our normal board agenda and met as a Board 19 times during the year, in person or virtually. Standing items on our agenda included a report from the Chief Executive on how the business was operating; an update on financial markets and their impact on clients and the funds we manage on their behalf; the impact on our workforce and the steps we were taking to facilitate working from home and protect our employees' wellbeing generally; and the financial impact on the Company's profits and capital position.

Due to Government restrictions, shareholders were unable to attend our Annual General Meeting in person. We nevertheless wanted to enable shareholders to participate as fully as possible, so we facilitated live attendance by telephone and gave shareholders the opportunity to ask questions of the Board. All presentation materials and shareholder questions were shown on our website.

Although the pandemic was naturally a major focus of the Board's discussions, we continued to focus on the long term opportunities and challenges. These strategic discussions were best held face to face so we delayed our annual strategy meeting from May until July, with further meetings held in the Autumn.

We welcomed Matthew Westerman and Claire Fitzalan Howard to the Board in early 2020, both of whom are making a valuable contribution.

The challenges posed by the pandemic have required, and continue to require, Non-executive colleagues to commit significantly more of their time than usual to the Company and I would like to thank them for that commitment. I would also like to pay tribute to the hard work of our two Executive Directors, and senior management generally, in steering the Company so well through these difficult times.

Michael Dobson
Chairman

3 March 2021

Directors are expected to attend all meetings of the Board and Committees on which they serve. Details of Board and Committee attendance are included in the table below. Where a Director is unable to attend a meeting their views are sought in advance and shared with the Board.

2020 Board and Committee meeting attendance

	Board[1]	Audit and Risk Committee	Remuneration Committee[2]	Nominations Committee
Michael Dobson[3]	19/19			4/6
Executive Directors				
Peter Harrison	19/19			
Richard Keers	19/19			
Non-executive Directors				
Ian King	19/19		9/9	6/6
Sir Damon Buffini[4]	19/19		9/9	3/6
Rhian Davies	19/19	5/5	9/9	6/6
Rakhi Goss-Custard	19/19	5/5		6/6
Claire Fitzalan Howard[5]	13/13			4/4
Philip Mallinckrodt[6]	5/6			1/2
Leonie Schroder	19/19			6/6
Deborah Waterhouse	19/19	5/5		6/6
Matthew Westerman[7]	17/17	4/4	1/1	4/4

1. There were five scheduled Board meetings held during the year and 14 additional meetings to consider the impact of the Covid-19 pandemic, business strategy and specific acquisition opportunities.
2. There were four scheduled Remuneration Committee meetings held during the year and five additional meetings outlined on page 90.
3. Michael Dobson did not attend Nominations Committee meetings that discussed the Chairman's succession.
4. Damon Buffini was unable to attend three meetings of the Nominations Committee.
5. Claire Fitzalan Howard was appointed to the Board and as a member of the Nominations Committee on 30 April 2020.
6. Philip Mallinckrodt retired from the Board on 30 April 2020. He did not attend the Nominations Committee or the Board meeting that discussed his retirement.
7. Matthew Westerman was appointed to the Board and as a member of the Nominations and Audit and Risk Committees on 9 March 2020. He joined the Remuneration Committee on 19 November 2020.

Compliance with the 2018 UK Corporate Governance Code (Code)

Throughout 2020, the Company has applied the main principles and provisions of the Code with the exception of Provisions 9, 19 and 32. Michael Dobson was not independent on appointment as Chairman in April 2016, and has served on the Board for more than nine years since he was first appointed. The Chairman's appointment was fully explained in the 2015 Annual Report and Accounts and the Board confirms its view that the Chairman's continued service is in the best interests of the Company and its stakeholders. Sir Damon Buffini was appointed as Chair of the Remuneration Committee on 6 November 2019, having served on the Committee for marginally less than the 12 months required under Provision 32. This was fully explained in the 2019 Annual Report and Accounts.

Copies of the Code can be obtained from the FRC's website at frc.org.uk.

The Board and its committees

The Board decided it needed to meet more frequently than usual during the year in order to be able to discharge its duties, due to the fast pace of change and disruption caused by the Covid-19 pandemic.

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

Board composition at 31 December 2020

Executive Directors	18%
Non-independent non-executive directors	27%
Independent non-executive directors	55%

Length of tenure at 31 December 2020

0-3 years	46%
3-6 years	27%
6-9 years	18%
9+ years	9%

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

There is also a Chairman's Committee whose membership is comprised of the non-executive Directors. The Chairman's Committee is not a committee of the Board and serves as an informal forum for the discussion of such matters as the Chairman considers appropriate. In 2020, the Chairman's Committee discussed the results of the external Board evaluation, the performance of the Group Chief Executive, acquisition opportunities and talent and succession planning.

There was one Board call during the year in January. Board calls are used as an additional avenue for communication that supplements the formal Board meeting programme. At each call, the Group Chief Executive and Chief Financial Officer provide updates on the Group's financial performance, and an update on business issues. Due to the frequency of Board meetings from March onwards as a result of the pandemic, there were no further calls as the Board was being updated on key issues regularly through those meetings.

Governance framework

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

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

Group Chief Executive
The Group Chief Executive is responsible for the executive management of the Company and its subsidiaries. He is responsible for proposing the strategy for the Group and for its execution. He is assisted by members of the GMC in the delivery of his and the Board's objectives for the business.

Senior Independent Director (SID)
The SID's role is to act as a sounding board for the Chairman, oversee the evaluation of the Chairman's performance and serve as an intermediary for the other Directors if necessary. He is also available as an additional point of contact for shareholders and other stakeholders should they wish to raise matters with him rather than the Chairman or Group Chief Executive. He is the designated non-executive Director responsible for engagement with the workforce as key stakeholders in the Company, in accordance with the Code.

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

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

Chairman: Michael Dobson

See page 67 for the Committee Report.

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

Chairman: Rhian Davies

See page 69 for the Committee Report.

Remuneration Committee
Responsible for the remuneration strategy for the Group, the remuneration policy for Directors and overseeing remuneration firm-wide.

Chairman: Sir Damon Buffini

See page 75 for the Committee Report.

Group Management Committee (GMC)
The GMC comprises the senior management team and is the principal advisory committee to the Group Chief Executive.

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

Group Risk Committee (GRC)
Assists the Chief Financial Officer in discharging his responsibilities in respect of risk and controls. The GRC has a number of sub-committees, which look at specific areas of risk including conflicts of interest.

The Board believes that it operates most effectively with an appropriate balance of executive Directors, independent non-executive Directors and Directors who have a connection with the Company's principal shareholder group. No individual or group of individuals is in a position to dominate the Board's decision-making.

The Nominations Committee report contains more detail on our approach to Board composition. Biographies of each of the Directors are set out on pages 58 to 59.

Independence

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

Michael Dobson, as former Chief Executive and having served more than nine years since his first appointment, is not considered independent under the Code. Claire Fitzalan Howard and Leonie Schroder are not considered independent as they are members of the principal shareholder group. The Nominations Committee believes the judgement and experience of Michael Dobson, Claire Fitzalan Howard and Leonie Schroder continue to add value to the Board and the Group. The Board will therefore recommend their re-election at the 2021 AGM.

Director appointments and time commitment

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

The Company has decided that all Directors should retire and stand for re-election annually, unless they are retiring from the Board. Details of the Directors' length of tenure are set out on page 61.

Non-executive Directors' letters of appointment stipulate that they are expected to commit sufficient time to discharge their duties. The Board has adopted a policy that allows executive Directors to take up one external non-executive directorship. Non-executive Directors are required to notify the Chairman before taking on any additional appointments. The Board is satisfied that all Directors standing for re-election at the 2021 AGM continue to be effective and demonstrate commitment to their respective roles.

For details of executive Directors' service contracts, termination arrangements and non-executive Directors' letters of appointment, please refer to our Directors' Remuneration report from page 75.

Key areas of focus during the year

At each scheduled Board meeting the Board discusses reports from the Group Chief Executive on the performance of the business, the Chief Financial Officer on financial performance, the Company Secretary on governance developments, and, where relevant, a report from each of the Board Committees. Due to the Covid-19 pandemic, the Board made the decision to postpone the review of the Group's strategy originally scheduled for May to July, in order that the Board could debate in person. In addition to these regular matters, specific areas of focus by the Board during 2020 included:

Meeting dates	Key areas considered
March	– Wealth Management strategy – Slavery and Human Trafficking statement – Annual Report and Accounts 2019 and dividend proposal – Board priorities 2020
July (rescheduled from May)	– Group strategy update – Financial forecasts, including capital – Investment performance review – People strategy, diversity and inclusion – Acquisition proposal
July	– Half-year results and dividend proposal – China strategy – Technology strategy – ICAAP and ILAAP
October	– North America strategy – Culture, Conduct and Controls – Resolution and wind-down plan
November	– Product strategy – Corporate purpose, corporate and social responsibility including climate change – Recovery plan – 2021 budget

Throughout the year, the Board has considered workforce welfare, external markets, the impact on our clients, the Group's capital position, business operations and the need to keep the market updated on key developments. The Board also continued to focus on the development of our overall strategy for the Group and the key individual drivers of growth over the next five years. Particular focus was given to the competitive environment, our clients, the evolution of our core business and investing for growth opportunities, including the consideration of potential acquisitions. The Board considered the Group's approach to diversity and inclusion and how it impacts our business.

There were 14 additional Board meetings in 2020 to ensure the Board maintained effective oversight of the business during the pandemic, to consider the Group's strategy and to consider specific acquisition opportunities.

Board induction and training

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

Following the appointment of Matthew Westerman in March and Claire Fitzalan Howard in April, a comprehensive and tailored induction programme was provided on a virtual basis and is ongoing.

The induction process involved:

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

The induction process is reviewed on a regular basis and is updated and tailored to ensure it remains appropriate for the needs of newly appointed Directors.

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

Induction and briefing meetings are generally opened up to all Directors to attend on an optional basis.

The Board believes that the ongoing development and briefing of Directors is an important aspect of the Board's agenda. Briefing sessions are arranged each year which, during 2020, included presentations on Schroders Personal Wealth, our joint venture with Lloyds Banking Group, Group Capital Management and Data Insights on how data can drive alpha. Members of the Board Committees also receive regular updates on technical developments at scheduled Committee meetings.

2019 Board evaluation

The 2019 Board evaluation was facilitated externally by Independent Board Evaluation (IBE). They have no other connection with the Company.

A number of recommendations were put forward by IBE and the following were agreed by the Board.

- Reviewing the induction programme for new Directors, aligning it to the forward calendar of Board topics wherever possible and incorporating other suggestions to help them get up to speed on Board culture and practices as soon as possible.
- Increasing the amount of informal time the Board spends together to help new members to get to know their colleagues.
- Developing a programme of informal meetings with key high-potential executives in tandem with the succession plan, to get to know them better over time.
- Including more competitor information and a stronger customer lens in Board discussions.
- Updating the Board skills matrix to guide future appointments, with the focus on creating alignment between the skills of the Board and the strategy.
- Prioritising asset management and breadth of plc experience in any forthcoming non-executive recruitment processes and encouraging executive Directors to find appropriate and non-conflicting non-executive board roles with another listed company.

These recommendations were followed through during the course of 2020 or plans were put in place where not completed due to the pandemic.

2020 Board evaluation (internal)

The 2020 evaluation was undertaken internally. The Chairman asked each Director to provide a written evaluation focusing specifically on five key areas:

- To what extent we had achieved the priorities we set ourselves at the start of 2020, recognising that Covid-19 had impacted a number of our plans.
- How the Board and the management team performed in light of the pressures brought on by the Covid-19 crisis.
- Whether the Committees had discharged their responsibilities effectively and the quality of the reporting to the Board.
- The induction process for new Directors.
- The areas of focus for the Board in 2021.

Directors were also asked to provide any further comments they wished to on any aspect of Board, Committee and Director performance.

The overall conclusion was that the Board and Committees performed well in 2020. The regular meetings held throughout the year contributed to the Board working effectively together. Most of the priorities set for 2020 had been achieved despite the Covid crisis, although there was a recognition that the Board should revisit some of the areas reviewed in 2020 to gain a broader and deeper understanding of them. The key area of focus for all Directors was the Group's strategy. There was a clear feeling that the Board and the executives had responded well to the Covid crisis. The Company's performance at an extremely challenging time was seen as vindicating the work of the Board and the Committees in 2020 and in previous years. There was a high degree of confidence in the work of the Remuneration Committee and the Audit and Risk Committee and the reporting to the Board was of high quality. The Nominations Committee was seen to have performed well in bringing on the new Directors in 2020. In terms of the induction process, this had had to be undertaken remotely rather than face to face as normal, which was clearly sub-optimal.

Priorities for 2021

In light of the findings of the 2020 evaluation and the conclusions of a Chairman's Committee discussion on priorities, the Board agreed a set of high level objectives for 2021 and these include:

- Establishing clear KPIs for the most important financial and strategic measures of performance and reviewing them regularly against budget and five year plans.
- Agreeing a five year strategic plan with a particular focus on organic growth opportunities and a detailed review of inorganic opportunities.
- Focusing on senior management talent and succession planning.
- Reviewing all key business areas.
- Reviewing investment performance in key asset classes.
- Reviewing all acquisitions made in the past five years.

Group Company Secretary

All Directors have access to the advice and support of the Group Company Secretary and his team. Through him Directors can arrange to receive additional briefings on the business, external development and professional advice independent of the Company, at the Company's expense.

Stakeholder interests and engagement

In discharging their section 172 duties the Directors have regard to the factors set out on page 33 and any other factors considered relevant to the decision being made, such as the interests of employees and the views of regulators. The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, the Board does, however, aim to make sure that its approach to decision-making and consideration of stakeholder interests is consistent.

The examples provided below and on page 66 show how the Board considered the matters set out in section 172 in respect of some of the key decisions made during 2020. More information on our methods of engagement with our key stakeholders and further information on how their interests have been considered during the year are set on pages 32 to 33.

Engagement through our Investor Relations programme

We continued to operate a complete Investor Relations programme during 2020, even though much of our activity had to adapt to an online environment. The Group Chief Executive and Chief Financial Officer met with a number of our major shareholders to discuss our results and strategy for driving future growth. Investor Relations also led meetings with continental European investors and Schroders was represented at a number of industry conferences.

To ensure that the Board maintained an understanding of the views of our major shareholders, we again commissioned an independent investor perception study, following the last investor study in 2018. A third party provider conducted in-depth interviews with 12 of the Company's largest shareholders in the UK and North America. These interviews covered shareholder views on the Group's results, strategy, future prospects, competitive positioning and quality of senior management. The findings were then presented to the GMC and the Board.

The Group is also planning two capital markets days for the investor community in 2021, following the last event in 2019. The event will look to provide the investment community with a deeper understanding of our strategic objectives, as well as access to senior management responsible for delivering them.

Engagement and communication at the AGM

The primary means of communicating with shareholders is through the AGM, the Annual Report and Accounts, full-year and half-year results and related presentations. All of these are available on the Company's website and the Annual Report and Accounts is posted to all shareholders who elect to receive it. The Group's website also contains information on the business of the Company, corporate governance, all regulatory announcements, key dates in the financial calendar and other important shareholder information.

We consider the AGM as an important opportunity to meet with shareholders, hear their views and answer their questions about the Group and its business. As we were unable to hold a physical AGM in 2020, we organised a conference call which enabled any shareholder to join and ask questions of the Board. For shareholders who wished to ask a question but were unable to join us on the day, we offered the option to send questions in advance. After the meeting the website was updated with a summary of the presentations and the question and answer session.

Remuneration policy

We consulted with our major shareholders ahead of proposing a new remuneration policy at the AGM in 2020. The engagement process enabled the Board and senior management to understand concerns and create alignment across stakeholder groups. Our remuneration principles are designed to promote the long-term sustainable success of the Group in the interests of all stakeholders, and following our consultation process we received a vote of 97.89% in favour of the revised policy at the AGM.

Communication and engagement with employees

Ian King, the Senior Independent Director, is the designated non-executive Director responsible for gathering workforce feedback.

Ian chairs the Global Employee Forum meetings to discuss directly with employees key issues relating to the business and our employees and to report views back to the Board. The Forum met twice in 2020, in April and October.

From the April meeting feedback from the Forum was that the Company's actions in the Covid-19 crisis showed that staff were valued and that the Company was taking a very positive stance on corporate responsibility issues. The various communications, including the weekly podcasts, had been well received in particular. The Forum had been interested in how the Board had been operating during the crisis and how we would be getting back to a 'business as usual' status. The Forum had also asked about Board succession, the AGM in the lockdown and remuneration and in particular whether we would be able to retain talent should results be depressed by the impact of Covid. Ian had given insights into how the Board addressed all of these issues and the information had been well received by Forum members.

At the October meeting the focus remained on the impact of the pandemic. The Forum felt that the Company had responded well, was communicating with and was compassionate towards employees. There remained a very positive view of the Company. There was significant discussion on the blurring of home and business boundaries during the crisis and a strong recognition that everyone was dealing with different challenges. The major change since the last Forum was one of increased fatigue across the workforce and uncertainty over the future, especially regarding returning to the office. The provision of a safe working environment was something that the Company took very seriously because we recognised that not all our people felt comfortable or could work from home. The Forum also discussed many of the issues the Board was considering, including our investment in technology which enabled effective working in the pandemic; the resilience of our business model and the benefits of diversity; the increasing importance of Environmental, Social and Governance (ESG) issues and how these contribute to our wider purpose, including the decision not to take any government assistance or make any redundancies resulting from the pandemic; and the rationale for continuing to pay dividends during the pandemic.

The Board has found this additional feedback from our employees extremely valuable in terms of its own consideration of the issues facing the business and will continue to engage via the Forum in 2021.

Stakeholder interests and engagement

Acquisitions

The Board believes that, in line with strategy, investing for growth is in the best interest of all stakeholders and has continued to examine potential acquisitions as one avenue in pursuit of this goal.

Sandaire

The Board considered the acquisition of Sandaire, a London based multi-family office with £2.4 billion of discretionary assets under management, as part of the strategy of expansion by the Group's Wealth Management business. The Board agreed this acquisition would contribute towards Schroders' strategic priorities of expanding the Wealth Management business, providing closer relationships with end clients, targeting markets with greater longevity and establishing Cazenove Capital as a leader in the UK's multi-family office space.

When deciding to proceed with the acquisition the Board considered the interests of a number of key stakeholders. In addition senior management held engagement meetings with key stakeholders. The subsequent review of that engagement by the Board confirmed that there was both a good cultural fit for employees and that the acquisition would promote the Group's strategy. The impact of the transaction on Sandaire's clients was considered, including the Group's ability to design future products to meet their requirements, by utilising the expertise of the wider Group in Private Assets & Alternatives. Sandaire's clients will also benefit from the integration of the business into Schroders' operational platform and wider range of investment capabilities. The interests of Sandaire's employees were also of key importance as upon completion, a number of employees from Sandaire joined our Wealth Management business and will be key to driving the integration, future growth and success of the business.

The acquisition was subject to approval by the FCA, therefore engagement with them was paramount. In addition, there was engagement with LBG who hold a minority stake in our UK Wealth Management business.

Pamfleet

The other major acquisition undertaken during 2020 was the acquisition of a majority stake in Pamfleet, an independent, employee owned Asian real estate manager with focus in Hong Kong, Shanghai and Singapore.

The Board is aware of the appetite of our clients for Private Assets & Alternatives products, therefore growing our capability in that area was a key consideration. The acquisition offered the opportunity for continued growth of the Group's Private Assets & Alternatives business and achieving access to the Asian real estate market where the Group historically had little penetration. Stakeholder engagement was carried out by senior management from our Private Assets & Alternatives business, and this included discussions with Pamfleet's management to assess their cultural fit with Schroders. The engagement showed that cultural alignment was strong, with Pamfleet having a hands-on approach, which added value to their investments, generating performance in excess of their peer group. Following that engagement the structure of the deal was geared to incentivise growth, with Pamfleet's owners retaining a 49% stake in the business.

Response to the Covid-19 pandemic

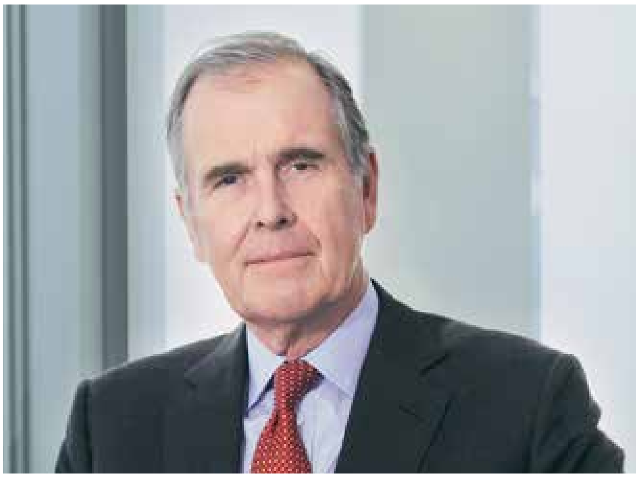
The Board met 19 times in 2020, 14 of which were additional meetings to consider, amongst other matters, the Group's response to the challenges posed by the Covid-19 pandemic, and how best to meet these challenges in the interests of stakeholders. The Board identified a number of key priorities, including the welfare of our workforce, the impact on our clients of a volatile external market and the performance of our funds, alongside the Group's capital position, business operations and the need to keep the market updated of any key developments.

The Board reviewed the impact of our workforce transitioning to working from home, the resilience of our technology platforms and key counterparty risk. It was agreed that an increased programme of communication was essential, both to the workforce and our regulators, and that the welfare of the workforce was paramount to business performance. The Board considered the payment of the 2019 final dividend, taking into account the Group's financial position and an external environment of approximately one third of the FTSE 100 companies announcing they would defer, cut or cancel their dividends in light of the crisis. The Board concluded that the dividend should be paid in full and that this decision was supported by the Group's financial position. The executive Directors and senior management engaged with the PRA and FCA to demonstrate the resilience of the Group and its ability to pay the final dividend. The Board also considered the interests of shareholders and pension funds, who would likely experience a fall in dividend income from their other investments. This decision was in line with the Board's policy of providing shareholders with a progressive and sustainable dividend.

During the early stages of the pandemic, the Board considered the impact of the Group's charitable giving, and agreed it was appropriate to increase matched giving significantly to support a range of Covid-19 related charitable causes. In addition, the Board unanimously agreed to donate 25% of their fees and salaries to charity for a period of three months. The executive Directors volunteered to waive the value of their 2020 LTIP awards.

In November 2020, the Board unanimously agreed a 50% increase in the budget for charitable giving. This allows us to sustain employee matched giving and develop long-term partnerships with charities around the world. The Board agreed that this was an important step given the global impact of Covid-19 on charities and society as a whole.

Benefitting from diversity



I am pleased to present the Nominations Committee report for 2020.

Two new non-executive Directors joined the Board in 2020. Matthew Westerman was appointed on 9 March and Claire Fitzalan Howard was appointed on 30 April at the conclusion of the Annual General Meeting. We continue to maintain a majority of independent Directors in line with our policy, and we now have an almost equal balance between men and women on the Board.

We benefit from the diverse experience of our non-executive Directors, the Board is well positioned to take the business forward and all Directors are making a significant contribution to our deliberations.

In November, Matthew Westerman joined the Remuneration Committee bringing the membership of the Committee to four. His long experience in financial services is particularly relevant to that Committee.

We continue to review succession in relation to senior management and non-executives. In that context, having overseen significant changes to the Board over the last few years in terms of its composition and how it operates, I asked Ian King last year, in his capacity as Senior Independent Director, to lead the Committee in taking forward plans for my own succession as Chairman. Ian's update on the process is included in this report.

Directors standing for re-election

The Committee agreed that all Directors standing for re-election continue to make a valuable contribution to the Board's deliberations and recommends their re-election.

As required by the UK Listing Rules, the appointment of independent Directors must be approved by a simple majority of all shareholders and by a simple majority of the independent shareholders. Further details are set out in the 2021 Notice of AGM.

Committee membership

- Michael Dobson (Chairman)
- Sir Damon Buffini
- Rhian Davies
- Claire Fitzalan Howard (from 30 April 2020)
- Rakhi Goss-Custard
- Ian King
- Philip Mallinckrodt (until 30 April 2020)
- Leonie Schroder
- Deborah Waterhouse
- Matthew Westerman (from 9 March 2020)

See page 61 for meeting attendance.

Responsibilities of the Nominations Committee

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

The Committee's terms of reference are available on the Company's Investor Relations website at schroders.com/ir.

Biographical details and experience of the Committee members are set out on pages 58 and 59.

Policy on Board Diversity

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

We look for diversity of skills, experience and background, which is important for an effective Board and management team, and this will continue to be the primary criterion by which we select candidates.

The Board fully understands the importance of increasing gender diversity and committed to having a minimum of 33% of Board positions held by women by 2020. Currently women comprise 45% of the Board. We intend only to use the services of executive search firms which have signed up to the Voluntary Code of Conduct on Gender Diversity.

Additional information on diversity and inclusion within the business can be found in our strategic report.

Evaluating the performance of the Committee
The internal evaluation process for 2020 is set out in detail on page 64.

Priorities for 2021
During 2021, we will continue to review Board composition and succession planning for senior management and non-executive Directors. Ian King will continue the process of finding my successor as Chairman.

Michael Dobson
Chairman of the Nominations Committee

3 March 2021

The process of succession to the Chairman
In the 2019 Annual Report, Michael Dobson said that, having overseen significant change to the composition of the Board and how it operates, he thought the time was right to ask me to begin the process of identifying his successor as Chairman.

In May, I agreed with the Nominations Committee a process for identifying Michael's successor. The first step was selecting and appointing an external search firm to assist in identifying potential candidates. Following a competitive selection process we appointed Russell Reynolds Associates. A formal candidate profile was drawn up and agreed with the Nominations Committee and Russell Reynolds produced a long list of potential candidates which we subsequently narrowed down to a high quality shortlist. I met all of those on the shortlist, but only virtually as a result of the restrictions imposed by the Covid-19 pandemic.

At our meeting in November, the Nominations Committee, chaired by me and without Michael being present, discussed the succession process in detail. Whilst good progress had been made, critical factors such as the current availability of candidates as well as restrictions on our ability to engage with them in person because of the pandemic, have impacted timelines. We therefore decided to extend the process.

The Nominations Committee is grateful that Michael has agreed to defer his retirement from the Board until a successor is in place, particularly given the importance of maintaining stability as we manage the impact of the pandemic on the Company. We will continue the process and make an announcement in due course, with the candidate succeeding Michael once an orderly handover has been completed.

Ian King
Senior Independent Director

3 March 2021

Adapting and evolving to meet new challenges

I am pleased to present the Committee's report for the year ended 31 December 2020. The Committee plays a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's systems of internal control and financial and risk management.

The Committee is grateful for the support of management and Ernst & Young (EY) as external auditor in promoting the integrity of the Group's financial results. We welcome the FRC's discussion paper on the future of corporate reporting, with which we have engaged and will continue to do so as the conversation evolves.

During 2020, the Committee continued to focus on its responsibility for the monitoring and oversight of the Group's control environment and system of internal controls and the Group's management of risk and compliance related activities particularly in light of the stresses placed on the business by the Covid-19 pandemic. As part of this work, the Committee considered the Group's operational resilience and risk and control assessments, in addition to the ICAAP, ILAAP, wind down plan, and various operational stress scenarios which had been updated to take into account the impact of the pandemic to support the Board's conclusions on the viability statement set out on page 56.

The Committee continues to review culture and conduct risk in the Group and assesses the ongoing development of Schroders' conduct programme designed to identify emerging trends and heightened risk issues. Culture and conduct risk is informed by a number of metrics, including conduct risk reports, employee opinion surveys and oversight by the second and third line of defence functions. The Committee also received an update on people and employment practices risk and we believe that Schroders' conduct risk framework is well placed against regulatory standards.

The Committee received briefings on business topics during the year including Liability Driven Investment risk management and an update on operational risk capital modelling in support of the Group ICAAP.

I am grateful to all members of the Committee for their support in 2020 and I look forward to continuing our work in 2021.

Rhian Davies
Chairman of the Audit and Risk Committee

3 March 2021

Committee membership

- Rhian Davies (Chairman)
- Rakhi Goss-Custard
- Deborah Waterhouse
- Matthew Westerman (from 9 March 2020)

See page 61 for meeting attendance.

Responsibilities of the Audit and Risk Committee

The principal role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting, financial controls and audit, risk and internal controls.

All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on pages 58 and 59. The Board has determined that, by virtue of their previous experience gained in other organisations, members collectively have the competence relevant to the sector in which the Group operates. In addition, the Board considers that Rhian Davies, a chartered accountant, has the recent and relevant financial experience required to chair the Committee.

The Group Chief Executive and Chief Financial Officer attended all meetings at the invitation of the Chairman of the Committee. Other regular attendees who advised the Committee were the Group Financial Controller, the heads of Compliance, Risk and Internal Audit and the General Counsel. Other members of senior management were also invited to attend as appropriate. The Chairman of the Wealth Management Audit and Risk Committee (WMARC), who is an independent non-executive Director of Schroder & Co. Limited, attended one meeting of the Committee and provided an update to each meeting on matters related to the Wealth Management business.

Representatives from EY, including Julian Young, lead audit partner for the 2020 financial year, attended all of the Committee's scheduled meetings. During 2020, two private meetings were held with the external auditor without management present. Private meetings were also held with the Chief Financial Officer and the heads of the Compliance, Risk and Internal Audit functions. These meetings provided an opportunity for any matters to be raised confidentially.

The Committee's responsibilities include reviewing the half-year and full-year results and the Annual Report and Accounts before recommending them to the Board for approval. The Committee's responsibilities also include oversight of the effectiveness of the external audit, the independence of the external auditor and recommending to the Board the appointment of the external auditor. Providing oversight of the external auditor also supports the Committee's responsibilities with respect to the content and integrity of financial reporting, the appropriateness of accounting estimates and judgements, and the effectiveness of the financial control framework.

The Committee's primary activities are the oversight of:

Financial reporting, financial controls and audit	Risk and internal controls
– The content and integrity of financial and Pillar 3 reporting – The appropriateness of accounting estimates and judgements – The effectiveness of the financial control framework – The effectiveness of the external auditor – The independence of the external auditor – The recommendation to the Board of the appointment of the external auditor	– The Group's risk and control framework and whistleblowing procedures and the financial crime framework – The Group's ICAAP, ILAAP, wind down plan, risk appetite and the recovery plan and resolution pack – The Group's regulatory compliance processes and procedures and its relationships with regulators and compliance monitoring – The Group's Internal Audit function – The Group's legal risk profile and disputes – Emerging and thematic risks that may have a material impact on the Group's operations in the future

Key areas of focus during the year

The table below summarises the key issues that the Committee considered at each of its meetings during 2020. At each quarterly meeting, the Committee receives updates from Internal Audit, Compliance, Risk, Legal and External Audit covering ongoing projects, the key issues that have arisen since the prior meeting and reviews a dashboard of metrics in place for monitoring key risks.

Meeting	Financial reporting, financial controls and audit	Risk and internal controls
March	– 2019 Annual Report and Accounts, including financial estimates and judgements, oversight of the external auditor and audit effectiveness and governance considerations – Going concern and viability statement – Pillar 3 regulatory disclosures – Internal controls update	– Report from the WMARC Chairman – Key risks and risk management framework – Internal Audit control framework review – Contingency planning for Covid-19
May	– External audit plan, including key audit matters – Quality and effectiveness of EY's 2019 audit	– Business services resilience – Outsourced providers – Financial crime and anti-money laundering review – MiFID II transaction reporting – Multi-asset update – Management response to Covid-19
July	– Half-year results, including the impact of Covid-19 on the financial results and control environment and consideration of significant accounting estimates and judgements – Other accounting and governance considerations	– ICAAP and ILAAP – Key risks – Risk and control assessments – Review of client on-boarding processes and ongoing client procedures
September	– Tax strategy	– Business integration review – Group resolution process – Group wind down plan – Whistleblowing – Culture and conduct risk oversight – LIBOR transition review
November	– Internal controls update – Accounting policies and key areas of judgement – Policies for safeguarding the independence of the external auditor	– Information and cyber security review – Technology risk – Key risk review – Insurance review – Group Recovery Plan – Conflicts of interest update – 2021 Internal Audit and Compliance testing plans – Global operating strategy update

Significant accounting estimates and judgements

The preparation of the financial statements requires the application of certain estimates and judgements. The material areas of either estimation or judgement are set out in the note on the presentation of the financial statements on pages 161 and 162. Each of these areas is considered by the Committee based on reports prepared by Finance. EY consider each estimate and judgement and present their conclusions to the Committee. The significant estimates and judgements considered in respect of the 2020 financial statements and the agreed action by the Committee are summarised below.

Significant estimates and judgements	Action and conclusion
Carried interest	
The Group recognises carried interest from its Private Assets & Alternatives business area. This revenue stream is dependent on the future value of certain investments that may not crystallise until an uncertain date in the future. The Group is contractually committed to make payments based on a relevant proportion of carried interest received to various parties, including as part of deferred consideration arrangements. For financial reporting purposes, the Group is required to estimate the value of carried interest receivable, in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers; and the fair value of related amounts payable based on the requirements of IFRS 9 Financial Instruments. The key inputs used in determining carried interest comprised the fair value of the relevant assets on which carried interest may be earned, future growth rates, the expected realisation dates and the discount rates.	The Committee received a report from Finance, which reviewed the inputs for estimating the amounts receivable and payable in respect of carried interest. The Committee considered the judgement applied in determining the principal assumptions and the sensitivity of the relevant balances to those assumptions. The Committee discussed the accounting for carried interest with EY and considered the findings from their audit work. Once the Committee was satisfied with the estimates and judgements applied, the estimated carrying values were approved. The Committee considered the disclosures presented in respect of 2020 and concluded that they were appropriate.
Please refer to note 2 for the estimates and judgements made in respect of carried interest receivable and amounts payable in respect of carried interest	
Pension schemes	
The Group's principal defined benefit pension scheme is in respect of certain UK employees and former employees (the Scheme). The Scheme was closed to future accrual on 30 April 2011 and, as at 31 December 2020, had a funding surplus. The pension obligation, which was valued as £909.0 million at the year end, is estimated based on a number of assumptions, including mortality rates, future investment returns, interest rates and inflation. The Scheme's assets are invested in a portfolio designed to generate returns that closely align with known cash flow requirements and to hedge the interest rate and inflation risks.	Finance provided the Committee with a report that included the key financial assumptions, which had been applied by the independent qualified actuaries, Aon Hewitt Limited, to determine the Scheme surplus. EY's report set out their conclusions on the pensions surplus. The Committee considered the proposed assumptions and was satisfied that the estimates were appropriate.
Please refer to note 25 for more information on the estimates and judgements made in respect of the Scheme	
Presentation of profits	
The Consolidated income statement separately presents exceptional items. This presentation is permitted by accounting rules for specific items of income or expense that are considered material. This presentation involves judgement to identify the items that warrant specific disclosure in accordance with accounting standards.	The Committee considered, and was satisfied with, the continued presentation of exceptional items within a separate column in the Consolidated income statement. This presentation is considered appropriate as it provides a transparent view of certain items and the underlying performance of the business. EY's report set out their conclusions on the presentation of profits. For 2020, exceptional items principally comprised costs associated with acquisitions including amortisation of acquired intangible assets and certain one-off costs relating to the Group's property estate.
Please refer to note 1b for more information on exceptional items	

Financial reporting and financial controls

The Committee reviews whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements, including those summarised on page 71. The Committee is also required to report to shareholders on the process it followed in its review of significant estimates and judgemental issues that it considered during the year, as set out on pages 161 and 162.

Financial reporting is reliant on there being an appropriate financial control environment. The Committee receives reports on the existing control environment as well as plans to enhance controls in the future, along with progress made against previous planned changes. The reports provide a comprehensive summary of the controls that exist across the Finance function globally and support the Group's Risk and Control assessments. For more details, see page 50. In 2020, the reports continued to focus on the integration of acquired businesses and included a review on the impact of Covid-19 and the revised working practices adopted by the Group to enable it to operate during the pandemic. In addition, the Committee reviews the Group's tax strategy annually, which is discussed with the external auditors. For more details see page 29.

The financial control environment is also subject to audit procedures by both the Group's internal and external auditors. The Committee considered that an effective system of internal controls had been in place during the course of 2020.

The Committee conducted an in-depth review of the Group's financial projections and the application of stress scenarios with particular attention paid to the impact of the Covid-19 pandemic, so that the Board can make the viability statement, as set out on page 56, and to support the going concern basis of preparation of the financial statements.

A key focus of the Committee is its work in assisting the Board in ensuring that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and assessing whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee considered the key messages communicated in the 2020 Annual Report and Accounts, as well as the information provided to the Committee and the Board as a whole during the year.

The Committee, having completed its review, recommended to the Board that, when taken as a whole, the 2020 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Oversight of the external auditor

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

The external audit was last put out to tender in 2016, with EY replacing PwC as the Group's auditor for the financial year commencing 1 January 2018. The next external audit tender will take place within 10 years of their appointment and the audit partner will be rotated within five years in line with requirements. The external auditor attends all the Committee's scheduled meetings and the Committee holds private meetings with the external auditor without management present. The Committee confirms that the Company has complied with the provisions of the Competition and Markets Authority Order 2014 relating to the UK audit market for large companies throughout the year under review and as at the date of this report.

Assessment of audit quality and effectiveness

The Committee is responsible for evaluating the performance of the external auditor. In March 2020, ahead of the consideration of the 2019 Annual Report and Accounts, the Committee received initial feedback on the conduct of the 2019 audit, which identified no significant areas of concern. A full assessment of the external auditor was carried out by way of a questionnaire prepared in accordance with the FRC's guidance and completed by key stakeholders. Interviews with senior managers and Group Finance were also held. The findings of the questionnaire were presented to the Committee in May 2020. EY generally scored highly in the auditor effectiveness questionnaire and were assessed to have improved in the second year of their audit. Areas of improvement were identified and discussed with EY in advance of the 2020 audit.

The Committee reviewed EY's transparency report and discussed the findings from the EY audit quality inspection report published by the FRC and the impact on the Schroders audit plan.

In March 2021, ahead of the consideration of the 2020 Annual Report and Accounts, the Committee received initial feedback on the conduct of EY's 2020 audit, which identified no significant areas of concern. The detailed assessment of EY's 2020 audit will be considered by the Committee at its May 2021 meeting with any findings implemented for the 2021 audit.

Independence and non-audit services

The Committee has responsibility for monitoring the independence and objectivity of the external auditor. Since their appointment, EY have continued to confirm their independence during 2020 and prior to issuing their opinion on the Annual Report and Accounts. No Committee member has a connection with the external auditor.

A key factor in ensuring auditor independence is the Committee's consideration of the provision of certain non-audit services by EY. The Committee maintains a policy on the engagement of the auditor for the provision of non-audit services to safeguard their independence and objectivity. This policy is reviewed annually and takes account of relevant regulatory restrictions and guidance in the jurisdictions in which the Group operates, including those in the UK. The policy prohibits the provision of certain non-audit services and contains rules regarding the Committee approving permitted non-audit services. In March 2020, the Committee considered the FRC's revisions to the Ethical Standard that governs auditor independence and approved changes to the policies regarding the provision of services by the external auditor.

Details of the total fees paid to EY are set out in note 4b to the accounts. The policy on non-audit services restricts the appointment of EY to the provision of services that are closely related to the audit. Other services, where they are not prohibited, may also be considered but these will not normally be approved by the Committee. Certain services that are provided to the Group are closely related to the audit but are not required by regulation. The Committee considers that these services are most appropriately performed by the Group's external auditor as they support the statutory audit as well as providing the external auditor with relevant insights on aspects of the business, although they are not necessarily directly related to the financial statements.

Non-audit fees, excluding audit-related assurance services required under regulation, equated to 15% of audit fees (2019: 16%).

During 2020, non-audit services mainly comprised assurance services in respect of controls reports and regulatory reporting normally conducted by the Group's external auditor. These services are assurance in nature and are not considered to present a risk to independence.

Auditor oversight conclusion
The Committee is satisfied with the work of EY and that they are objective and independent. Accordingly, the Committee has recommended to the Board that a resolution be put to the 2021 AGM for the reappointment of EY as external auditor, and the Board has accepted this recommendation.

Risk and internal controls

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

On behalf of the Board, the Committee carried out the annual assessment of the effectiveness of internal controls during 2020, including those related to the financial reporting process. The Committee also considered the adequacy of the Group's risk management arrangements in the context of the Group's business and strategy. In carrying out its assessment, the Committee considered reports from the Group Financial Controller, the heads of Compliance, Risk and Internal Audit, and EY. This enabled an evaluation of the effectiveness of the Group's internal control framework. The Group continually works to enhance systems to support and improve the control environment.

Risk

Risk reports set out changes in the level or nature of the risks faced by the Group, developments in risk management, and operational risk events, including significant errors and omissions. Separate reports allowed the Committee to consider a range of factors when determining the key risks and uncertainties faced by the Group. These included assessments of risk tolerance and stress testing of the Group's capital position, as well as the production of the Group's ICAAP, ILAAP, the wind down plan and the Group's Recovery Plan and Resolution process.

The Committee also considers emerging and thematic risks that may have a material impact on the Group. In 2020, the Committee considered the risks arising from the Covid-19 pandemic which had an impact on pricing, valuations, liquidity, market returns, business resilience and continuity and information security. Acquisition and integration risk was also reviewed to support the Group's strategy. Climate change risk was discussed at the Board meeting in November as part of our corporate purpose discussions. The Committee regularly reviews the Group's approach to the management of legal risks and risk events.

Further information can be found in the key risks and mitigations section of the Strategic report set out on pages 50 to 55 and 57.

Set out on this and the following page are summaries of the Committee's activity in four areas where members of the first line of defence attended and presented to the Committee in relation to emerging and thematic risks.

Information and cyber security

Information and cyber security has been a key area of focus for the Committee for a number of years but during 2020 the Covid-19 pandemic created an environment where there was increased opportunity for cyber attacks and fraud. The sophistication of attacks continues to increase with attackers using a wide variety of tactics to target the Group, therefore the Information Security and Cyber Security team have been vigilant in protecting the Group and its clients against these attacks.

A key focus during 2020 was the work undertaken to carry out the recommendations made by PricewaterhouseCoopers (PwC) in their external review carried out in 2019. The in-sourcing of the Security Operations Centre was completed and in addition management has focused on the enhancement of firewalls and rolling out additional training for employees in high risk roles.

The Committee recognises the need to constantly evolve the Group's information security defences in light of the pace of developments and threats in this area.

Operational resilience

The Committee continued to monitor the Group's operational resilience during 2020 particularly in the context of the disruption caused by the Covid-19 pandemic. Prior to 2020, the Group had invested in enhancing its technology capability and had revised its business continuity plans. These enhancements meant that the majority of the workforce around the world could work remotely and that the interests of clients could be safeguarded. The Committee was apprised of the work of the Crisis Management Team which met regularly during the early stages of the pandemic. The business updated risk and control assessments and regular dialogue has been maintained with the Group's regulators.

The Committee will continue to closely monitor the Group's operational resilience as the disruption from the Covid-19 pandemic continues in 2021.

Financial crime

Financial crime risk mitigation continues to be high on the Group's agenda and is a priority for all our key regulators globally. In Europe, higher standards imposed by the 5th EU Money Laundering Directive and the 6th EU Money Laundering Directive came into force in 2020. During the year, the Financial Crime team made enhancements to the Group's framework including updating procedures and policies to take into account the nature of the Private Assets & Alternatives business, which has exposure to higher risk countries for financial crime and more complex transactions, and the EU legislative requirements.

The Committee receives regular reports and recognises the importance of having a consistent global approach to managing financial crime risk and welcomed these enhancements in supporting the Group's strategy.

Business integration

The Group has made a number of acquisitions and entered into joint ventures and strategic partnerships in recent years in support of the Board's strategic aim of investing for growth. In 2020, the Committee reviewed the Group's approach to each acquisition which is determined on a case by case basis within an integration framework. The framework enables the business to balance the focus on growth alongside risk mitigation requirements, depending on the regulatory environment and the Group's risk appetite.

Elements of the Group's financial crime risk framework, information and data security procedures and the financial control environment are targeted for implementation from completion of an acquisition and the general practice is for Internal Audit to visit the acquired business within the first year. The Committee recognises that it can take time for acquired businesses to implement all of the Group's policies on a risk aware basis and there can be heightened reputational risk and risk to the internal control environment during the integration period.

The Committee recognises the importance of growing the business and will continue to have sight of the integration framework so that the risks arising from acquisitions, joint ventures and strategic partnerships are appropriately managed.

Compliance

Compliance reports describe the status of our relationships and dealings with our principal regulators and material changes in the regulatory environment in which the Group operates. The reports also outline key compliance issues, and the planning and execution of the compliance testing programme. Monitoring is carried out globally to assess the Group's compliance with local regulatory standards and requirements.

During 2020, the Group's engagement with regulators across the globe increased as we discussed key issues arising from the Covid-19 pandemic including operational resilience to safeguard the interests of clients. The Committee also considered the actions being taken to enhance MiFID II transaction reporting following a review by PwC.

Internal Audit

The Committee has authority to appoint or remove the Group Head of Internal Audit, who reports directly to the Chairman of the Committee. The Chairman of the Committee is accountable for setting the objectives of the Group Head of Internal Audit, appraising his performance against those objectives and for recommending his remuneration to the Remuneration Committee, with advice from the Group Chief Executive.

The Committee also has responsibility for approving the Internal Audit budget and being satisfied that the Internal Audit function has appropriate resources and continues to be an effective and valued assurance function within the Group. The Committee satisfies itself as to the quality, experience and expertise of the function through regular interaction with the Group Head of Internal Audit, both when the Committee meets and also through other regular meetings outside the formal meeting schedule. In addition there is an external review of the Internal Audit function every five years, which provides further assurance.

The Committee reviews Internal Audit reports on progress against a rolling plan of audits approved by the Committee on an annual basis. These reports include any significant findings from audits performed, including any observations on culture, recommendations to improve the control environment and their subsequent remediation. During 2020, the Committee agreed to proposed amendments to the Internal Audit plan as the Covid-19 pandemic led to audits taking longer to complete than would otherwise be the case with the team working remotely and unable to travel to all offices. The 2020 Internal Audit plan was continually reassessed by the Committee and Internal Audit to ensure that it remained focused on the areas of highest risk. The 2021 Internal Audit plan has been developed to take into account the impact of the pandemic.

The annual compliance testing and Internal Audit plans are developed using a risk-based approach to provide proportionate assurance together over the Group's controls for the key risks set out on pages 50 to 55 and 57.

Evaluating the performance of the Committee

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process. Reporting to the Board on the committee activities was felt to be comprehensive. The findings relating to the Committee were discussed with the Committee Chairman. Overall, the Committee is considered to be performing well and to be rigorous and effective in discharging its responsibilities and providing the Board with assurance.

Priorities for 2021

As well as considering the standing items of business, the Committee will also focus on the following areas during 2021:

- Information and cyber security
- Thematic risks
- Financial crime
- Operational resilience including outsourced services
- Audit and regulatory changes
- LIBOR replacement
- Global operating strategy

Committee's assessment of internal control and risk management arrangements

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

By order of the Board.

Rhian Davies
Chairman of the Audit and Risk Committee

3 March 2021

Paying for performance in a simple and transparent way

Structure of the Remuneration report

Committee membership

- Sir Damon Buffini (Chairman)
- Rhian Davies
- Ian King
- Matthew Westerman (from 19 November 2020)

See page 61 for meeting attendance and page 90 for a summary of the responsibilities of the Committee.

On behalf of the Board, I am pleased to present our 2020 Remuneration report. The report provides context and insight into our pay arrangements for Directors and other employees of the Group. In addition to meeting the statutory requirements, this year's report includes a particular focus on the impact of Covid-19 on remuneration, the assessment of 2020 performance and pay, and our focus on pay fairness across the workforce.

Acting as a responsible steward for all our stakeholders is at the core of our purpose. Our commitment to that purpose has not wavered during this challenging year, with Schroders being at the forefront of many corporate initiatives in response to the global pandemic, as described on pages 12-13. The Committee did not make any adjustment to the annual bonus scorecards for the executive Directors or the long term incentive plan (LTIP) performance conditions, despite these targets having been determined before the scale of the impact of the global pandemic began to be more fully understood.

We are proud of how our people responded when faced with these challenging circumstances, with our past investment in technology and our operating platform facilitating an efficient transition to remote working, helping to keep our people safe and maintain a high level of productivity. Our emphasis on supporting our employees during this period was reflected in our employee engagement scores being at a record high, with 98% of employees proud to be associated with Schroders in our 2020 employee survey. Our people's unwavering focus on our clients was reflected in our continued delivery of strong investment performance and our quick transition to digital engagement with our clients. Schroders did not furlough any employees, make any Covid-19 related redundancies or accept government assistance globally. From a shareholder perspective, the Group delivered a robust performance in 2020, maintaining our dividend in both 2019 and 2020 and delivering total shareholder returns in excess of the FTSE 100. AUM reached a record high, including significant investment returns, strong net sales and successful completion of two acquisitions.

Covid-19 impact on Directors' remuneration

The Committee and executive Directors took positive action in recognition of the societal impact of the global pandemic:

Action taken	
No adjustment to performance targets – for the annual bonus scorecard or LTIP vesting	– The Committee considered whether annual bonus scorecard or LTIP performance targets should be adjusted in light of the unforeseen pandemic and determined that no adjustment should be made to any targets set before the pandemic. – In assessing the non-financial metrics in the scorecard for the executive Directors, the Committee considered the impact of Covid-19 on the wider environment, and then further reduced their bonuses as outlined below.
Giving back to society – voluntary #CollectiveAction campaign	– The executive Directors each donated 25% of their salaries for three months. – The Group Chairman and non-executive Directors each donated 25% of their fees for three months. – Schroders matched these donations 1:1, resulting in total donations of £293,750.
LTIP awards waived – voluntary action by the executive Directors	– The executive Directors waived their 2020 LTIP awards, with a total grant date face value of £1 million. – The executive Directors intend to waive their 2021 LTIP awards, with a face value of a further £1 million. – Schroders made £2 million of charitable donations in 2020 and intends to make a further £1 million of charitable donation during 2021.
Reduction in bonuses for 2020 – with the full support of the executive Directors	– Despite strong personal performance by each executive Director, the Committee acknowledged the societal impact of Covid-19 and adjusted the non-financial element of the annual bonus scorecard accordingly. – The Committee then further reduced the 2020 bonus by £250,000 and £100,000 for the Group Chief Executive and Chief Financial Officer respectively, with the full support of each of the executive Directors. – The Group intends to make further charitable donations of £700,000.

The strong outcomes delivered in 2020 for shareholders, clients and our people, notwithstanding the extraordinary and unforeseen circumstances, were reflected in the outcomes for the financial metrics in the executive Directors' bonus scorecard for 2020. Each executive Director also performed strongly against the non-financial scorecard metrics. However, although these outcomes were reflective of performance delivered, the Committee wanted to recognise the challenging wider context and elected to reduce the non-financial scorecard outcomes below what they would have been based solely on an assessment of the pre-determined scorecard metrics. The Committee also exercised its discretion to further reduce the executive Directors' bonus outcomes, by a total of £350,000. The executive Directors fully supported these reductions, which are in addition to them voluntarily waiving their 2020 and 2021 LTIP awards, with a grant date face value totalling £1 million each year. More details can be found on pages 80-83.

Given the extensive impact of Covid-19, we felt that it was important to give back to society, as well as showing moderation as part of our remuneration decisions this year. The table on page 75 summarises the actions taken. Combining contributions from our people, including the Directors, and Schroders' matching donations, £4.3 million was raised for charities through our #CollectiveAction campaign last year, dedicated to supporting those most affected by Covid-19. The Group intends to donate a further £1.7 million following the executive Directors' decision to waive their 2021 LTIP awards and the reductions made to the executive Directors' annual bonus awards for 2020.

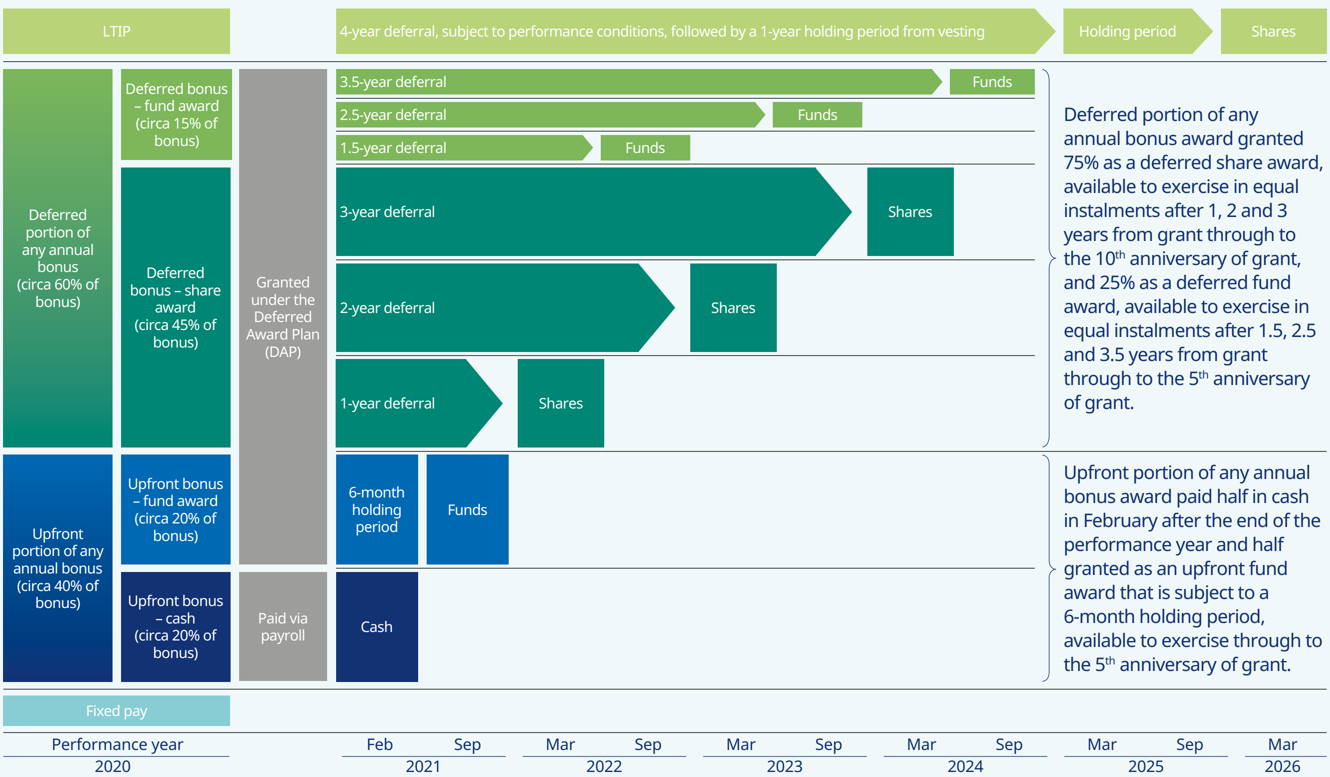
Remuneration approach for the executive Directors

Our Directors' remuneration policy was approved at our AGM in 2020 and I would like to thank our shareholders for their support, with 98% of votes cast to approve our policy (see page 78). Long-term thinking continues to govern our approach to remuneration. We pay for performance in a simple and transparent way, clearly aligned to shareholder and client interests, to the financial performance of the Group and to the progress made towards our strategic goals. Our remuneration strategy must reflect the global marketplace in which we operate, helping us to attract, motivate, reward and retain the talented individuals we need to maintain the Group's success. The diagram below illustrates the remuneration policy for the executive Directors while page 77 sets out more context on how our remuneration approach aligns with our purpose.

Executive Directors' remuneration policy illustration

The Directors' remuneration policy was approved by shareholders at our 2020 AGM and can be found on our website at www.schroders.com/directors-remuneration-policy.

The remuneration policy defines a maximum limit for the total remuneration of each executive Director each year, being £9 million for the Group Chief Executive and £4.5 million for the Chief Financial Officer. The diagram below illustrates the structure of the executive Directors' remuneration, including the timing of when they receive each component of remuneration, across the fixed components paid in the year (salary, benefits and allowances, contributions to retirement benefits or cash in lieu), any annual bonus award in respect of the year and the LTIP awards to be granted following the financial year-end.



How our remuneration aligns to our purpose:

To provide excellent investment performance to our clients through active management

How we create value for our stakeholders

Delivering returns for clients

Delivering returns for shareholders

Taking decisions to benefit our people

Taking decisions to benefit society

Our remuneration principles

Aligned with clients
A significant proportion of higher-earning employees' and material risk takers' variable remuneration is granted as fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients. This includes the executive Directors, other members of the GMC and other key employees such as senior fund managers.

Aligned with shareholders
A significant proportion of variable remuneration is granted in the form of deferred awards over Schroders shares, thereby aligning the interests of employees and shareholders. Executive Directors and other members of the GMC are required, over time, to acquire and retain a significant holding of Schroders shares or rights to shares.

Aligned with financial performance
We target a 65% ratio of total costs to net income through the market cycle. Within that, the total spend on remuneration is managed as a percentage of net income, the total compensation ratio. This ratio is recommended by the Committee to the Board. This approach aligns remuneration with financial performance.

Competitive
Employees receive a competitive remuneration package, which is reviewed annually and benchmarked by reference to the external market. This allows us to attract, retain and motivate highly talented people, who know that good performance will be rewarded.

Designed to encourage retention
Deferred variable remuneration does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.

Designed to promote the long-term, sustainable success of the Group
The Committee designed the overall remuneration policy with this in mind and it was this overarching objective that resulted in the remuneration principles outlined to the left.

Our executive Director remuneration approach

- ✓ 3 and 5-year client investment performance tested in the annual bonus scorecard
- ✓ Circa 35% of bonus paid in fund awards

- ✓ Circa 45% of bonus paid in shares
- ✓ Stretching shareholding requirements
- ✓ Requirement to maintain a level of shareholding for two years on stepping down

- ✓ Financial metrics comprise 70% of annual bonus scorecard
- ✓ LTIP awards based on long-term financial performance (earnings per share and net new business)

- ✓ Competitiveness considered by reference to total compensation for comparable roles at other large international asset management firms
- ✓ Used as a frame of reference, not as a starting point / primary factor in remuneration decisions

- ✓ Circa 60% of bonus deferred over a 3 to 3.5 year period
- ✓ LTIP subject to 4-year deferral and 1-year holding period

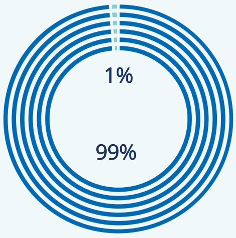
- ✓ Bonus scorecard 30% non-financial metrics, including strategic progress and sustainability
- ✓ Committee discretion to adjust scorecard outcomes, taking into account the wider social and economic context

For more detail on our purpose see page 1, and on our business model and how we create value for our stakeholders see pages 14-15.

Shareholder voting on remuneration

At the 2020 AGM, on 30 April 2020, shareholders approved the Remuneration report and Directors' remuneration policy that were published in the 2019 Annual Report and Accounts, both receiving strong votes in favour.

To approve the Remuneration report at the 2020 AGM

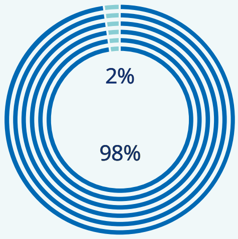


To approve the relevant Remuneration report	Votes for	Votes against
2017 AGM	95%	5%
2018 AGM	96%	4%
2019 AGM	88%	12%
2020 AGM	**99%**	**1%**

2020 AGM voting

Votes for	194,573,414		
Votes against	2,012,357	Votes withheld	3,871,165

To approve the Directors' remuneration policy at the 2020 AGM



To approve the relevant Directors' remuneration policy	Votes for	Votes against
2017 AGM	94%	6%
2020 AGM	**98%**	**2%**

2020 AGM voting

Votes for	192,427,541		
Votes against	4,157,537	Votes withheld	3,871,858

Future regulatory uncertainty

We expect to operate the current Directors' remuneration policy for three years from the 2020 AGM, though there remains the possibility that we could require a new Directors' remuneration policy sooner than we would otherwise intend to address future regulatory changes. During the latter part of 2020, we consulted with our largest shareholders on changes that we thought might have been necessary to comply with the UK's implementation of the fifth iteration of the Capital Requirements Directive (CRD V). At present Schroders is not required to comply with those parts of CRD V that would require the most fundamental policy changes and so we will continue to operate the policy that shareholders approved last year.

Regulatory uncertainty remains, particularly with the FCA and PRA due to finalise and implement the UK's new Investment Firms Prudential Regime and the bedding in of CRD V. We would consult with shareholders if regulatory changes were to mean a new policy is required.

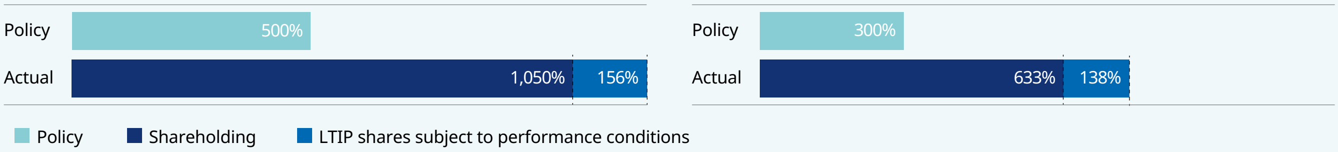
Shareholder alignment and Directors' shareholdings (audited)

Alignment with shareholders is one of the principles underpinning our Directors' remuneration policy, as outlined on page 77. Both Peter Harrison and Richard Keers have shareholdings well in excess of the level required under our personal shareholding policy. This ensures that their interests are aligned with those of our shareholders. As outlined on page 100, a 10% share price movement equates to a change in value of the shareholdings of Peter Harrison and Richard Keers of £525,000 and £237,000 respectively, not including the value of LTIP shares that are still subject to performance conditions and therefore do not count for the purposes of the shareholding policy.

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

Group Chief Executive
Peter Harrison

Chief Financial Officer
Richard Keers



For more detail on the personal shareholdings policy and the basis of the figures shown in this chart see page 100. For more detail on the Directors' rights to shares and shareholdings see pages 101 and 102.

2020 performance and pay outcomes

2020 was an extraordinary year that tested our operational resilience and the resilience of our people. Despite these challenges, we delivered strong investment performance for our clients and resilient results for our shareholders, made significant progress across a number of strategically important areas, continued to enhance our operational capabilities and made sure that we continue to do the right thing for society. More detail is set out in the Group Chief Executive's statement on pages 10-13, our Strategy on pages 16-17, our Key performance indicators on pages 22-23 and our Business and financial review on pages 24-29, and considering the perspectives of other key stakeholders on pages 30-49.

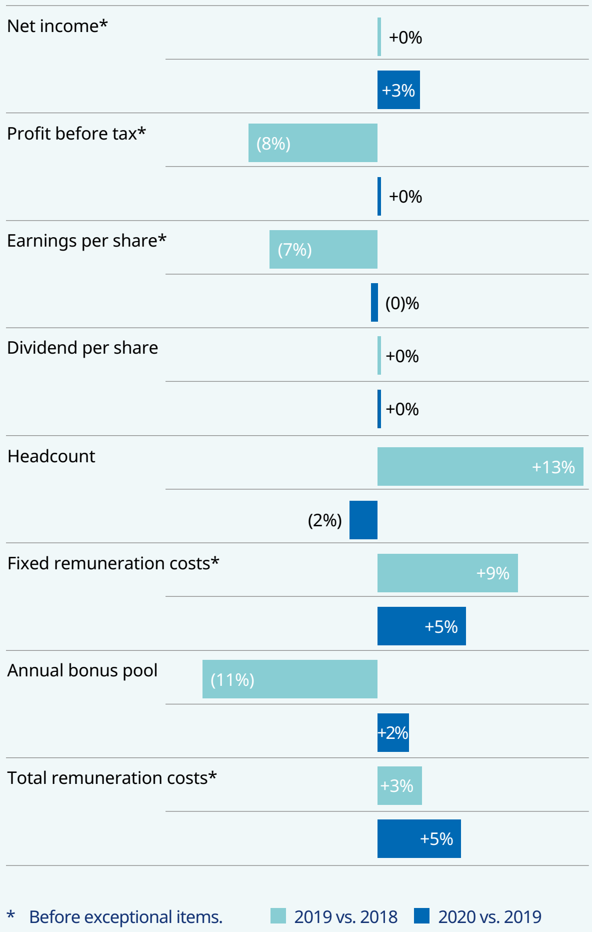
Our AUM closed 2020 at a record high of £574.4 billion (2019: £500.2 billion), through a combination of £42.5 billion of net flows, £28.4 billion of investment returns and £3.3 billion of acquisitions. We delivered strong investment performance for our clients, with 72% and 81% of assets outperforming their stated comparator over three and five years respectively (2019: 70% and 72% respectively), and with net carried interest and performance fees of £95.7 million (2019: £73.1 million). Overall, net income before exceptional items increased to £2,179.2 million (2019: £2,124.8 million). Our ratio of total costs to net income rose to 68% (2019: 67%), principally due to the impact of acquisitions, our investment in technology and infrastructure and the increase in our ratio of total compensation to net income. As a result we saw profit before tax and exceptional items of £702.3 million (2019: £701.2 million). Basic earnings per share before exceptional items was 200.8 pence (2019: 201.6 pence). The Board is recommending a final dividend of 79 pence per share, bringing the total dividend for the year to 114 pence, in line with the total dividend for 2019.

We considered the circumstances of the year and the ongoing economic and social uncertainty, and remain cognisant of the significant challenges that our industry faces. We recommended to the Board an increase in our total compensation ratio to 45% (2019: 44%), recognising the importance of sustaining the Group's success in attracting, motivating and retaining talent. This remains at the lower end of our target range of 45% to 49%, as we must manage our costs overall and continue to position the Group for the headwinds facing our industry. As a result, the annual bonus pool is up 2% on last year, following reductions in 2018 and 2019 of 7% and 11% respectively.

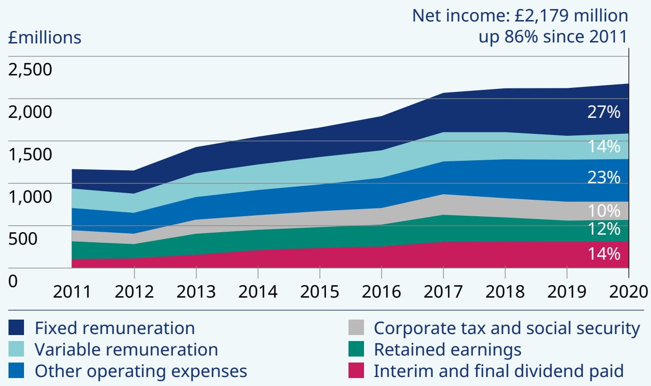
For more detail on the annual bonus pool see page 92.

The lower chart on the right shows how net income has been utilised over the 10 years ended 31 December 2020, as we have continued to invest in future growth. During that period, the percentage of net income distributed to shareholders via the interim and final dividend paid has increased by 61%, from 9% to 14%.

Key performance and remuneration metrics



Relative spend at a glance



For more detail on this chart please see page 92.

Determining the executive Directors' pay outcomes

During 2020 we managed the executive Directors' remuneration in line with the Directors' remuneration policy that shareholders approved at our 2020 AGM. This included the determination of their annual bonus awards in respect of performance during 2020, assessment of performance for the LTIP awards expected to vest on 4 March 2021 and agreeing the LTIP awards that we intend to grant to them in March 2021.

Determining the executive Directors' annual bonus awards in respect of 2020 performance

We determine the annual bonus awards for the executive Directors using a scorecard. At the beginning of the performance year, we determined the scorecard metrics, which for 2020 were weighted 70% to financial factors and 30% to non-financial factors. We also determined the level of performance required under each metric to trigger threshold, target and maximum payout, taking into account the recommendations of the Group Chairman and the Group Chief Executive, the Board-approved budget, market expectations, prior-year financial outcomes, strategic priorities and the wider economic landscape. Target payout is 65% of the maximum opportunity while for threshold performance 25% is payable, and no payment is triggered for performance below threshold. The performance metrics in the scorecard are consistent with those adopted for 2021 and are aligned to the Group's strategy, as outlined on page 88.

The Committee did not make any adjustment to the scorecard targets as a result of Covid-19, as set out on page 75. Having assessed performance against the scorecard, for the financial elements the performance achieved was sufficient to drive a 75.4% payout, as set out opposite. Profits were marginally ahead of prior year but marginally behind budget, leading to profit outcomes of 66% and 65% of maximum respectively. Client investment performance exceeded the maximum target over both 3 and 5 years, leading to a 100% payout in respect of this element. Net new business came in at £42.5 billion, which gives a 66% payout for this element; this excludes net flows from our joint ventures with the Bank of Communications in China and Axis Bank in India as these were not factored in when setting the targets.

To determine each Director's bonus, we then considered the non-financial elements of the scorecard. In doing so, the Committee assessed progress against pre-determined strategic goals, as well as achievement against sustainability goals, including targets relating to ESG, talent and governance. This was supplemented by an assessment of each individual's performance, including consideration of business performance within each individual's responsibilities and the extent to which they have met annual performance objectives. To ensure a balanced overall assessment of performance the scorecard does not have pre-determined weightings for each non-financial performance factor. Rather the Committee applied its judgement to determine an overall outcome for the non-financial aspects of the scorecard for each executive Director, taking into account performance against the relevant metrics and targets. The Group Chief Executive's recommendation was taken into account for the Chief Financial Officer.

Peter Harrison's performance in 2020 was strong, in particular the personal leadership he showed during the year in navigating the Group's response during the global pandemic. Strategic progress was also good despite the difficult economic and political background. Wealth Management, Private Assets & Alternatives and Solutions now constitute 54% of our AUM and 43% of revenues, having grown Wealth Management through a combination of organic growth and the acquisition of Sandaire and expanded our Private Assets offering through the acquisition of a majority stake in Pamfleet, organic growth and with key hires to build our capabilities. We achieved full ESG integration of our managed assets by the end of 2020 and have a comprehensive range of sustainable funds, such as our Global Climate Change strategy. Despite this strong personal performance, in recognition of the impact of Covid-19 on society more broadly, for the non-financial element of the scorecard we gave Peter a 65% outcome. With the financial outcomes, this would have resulted in a bonus of £5.678 million.

Richard Keers also performed strongly during 2020, in a year that tested our operational resilience. Our investment in technology over the last few years enabled us to switch to remote working efficiently across our global network, with no impact on our ability to deliver for our clients over this period. The transition of the remaining tranches of the Scottish Widows mandate was completed, the last tranche entirely through remote working, on time and without any significant issues. We also relocated operational processes from Luxembourg and London to Horsham, built out our operations teams in Singapore and successfully moved to a new Transfer Agent, which was a major undertaking. Richard continued to provide highly effective global operations oversight, a strong risk and control environment and accurate and timely financial reporting. Again, despite this strong personal performance during the year, to reflect the broader societal context, for the non-financial element of the scorecard we gave Richard a 51% outcome. Together with the financial outcomes, this would have resulted in a bonus of £2.503 million.

Under our Directors' remuneration policy, the Committee may apply discretion to adjust annual bonus awards to the extent it judges that the outcomes of the annual bonus scorecard do not align with results achieved, or in light of unexpected or unforeseen circumstances. The Committee considered the extraordinary circumstances of 2020. Our resilient results delivered favourable outcomes for our clients and shareholders, as outlined on page 75. Nonetheless, given the wider context the Committee determined that the annual bonus awards for the executive Directors should be reduced further, despite the strong personal performance from each of the executive Directors.

As a result, the Committee reduced the annual bonus award for Peter Harrison by £250,000 to £5.428 million and for Richard Keers by £100,000 to £2.403 million. The executive Directors were supportive of the reductions that the Committee made to their bonuses, in light of the wider context in which we are operating.

Assessment of the executive Directors' 2020 annual bonus scorecard (audited)

These charts illustrate the executive Directors' annual bonus scorecards for 2020, the performance achieved and the resulting annual bonus awards.

Performance measure	Weighting		Threshold 25% payout	Target 65% payout	Actual	Maximum 100% payout	Achievement Payout for this metric	Resulting bonus payout
Financial metrics								
Profit before tax and exceptional items (£m)	35%	vs. budget	632.7	703.0	**702.3**	773.3	**702.3** 65%	22.8%
		vs. prior year	631.1	701.2	**702.3**	771.3	**702.3** 66%	
Investment performance	20%	3-year	50%	60%	**72%**	70%	**72%** 100%	20.0%
		5-year	55%	65%	**81%**	75%	**81%** 100%	
Net new business (£bn)	15%		32.0	42.0	**42.5**	53.9	**42.5** 66%	10.0%
Total bonus payout for financial metrics					**75.4%**		**75.4%** out of 100%	**52.7%** out of 70%

Peter Harrison – Group Chief Executive

Performance measure	Weighting	Outcome	Achievement	Resulting bonus payout
Strategic progress, sustainability, conduct and personal goals[1]	30%	**65%**	**65%** out of 100%	19.6% out of 30%
Overall scorecard outcome for Peter Harrison		**72.4%**		**72.4%** out of 100%

Initial scorecard outcome for Peter Harrison (£000)	**5,678**
Discretionary Covid-19 reduction in annual bonus award (£000)	(250)
Annual bonus award for Peter Harrison (£000)	**5,428**

Richard Keers – Chief Financial Officer

Performance measure	Weighting	Outcome	Achievement	Resulting bonus payout
Strategic progress, sustainability, conduct and personal goals[1]	30%	**51%**	**51%** out of 100%	15.4% out of 30%
Overall scorecard outcome for Richard Keers		**68.1%**		**68.1%** out of 100%

Initial scorecard outcome for Richard Keers (£000)	**2,503**
Discretionary Covid-19 reduction in annual bonus award (£000)	(100)
Annual bonus award for Richard Keers (£000)	**2,403**

1. The Committee assessed the non-financial element of each executive Director at these levels, despite their personal performance, to reflect the impact of Covid-19 on society more broadly.

For more detail on the non-financial outcomes for each executive Director see pages 82-83.

The non-financial outcomes in the annual bonus scorecard for each executive Director

The annual bonus scorecard that the Committee used in determining the annual bonus awards for the executive Directors, along with the Committee's assessment of performance against the scorecard, is outlined on pages 80-81. The tables that follow outline the Committee's assessment of the non-financial elements of the scorecard.

In making its performance assessment for 2020, the Committee acknowledged the strong personal performance achieved by each of the executive Directors during the year and significant progress against strategic and sustainability goals. However, in applying its judgement to the overall non-financial outcome for 2020, the Committee took into account the broader stakeholder experience, in particular the impact of Covid-19 on society more broadly. As a result, the Committee marked the scorecard for the non-financial outcomes below the level that would otherwise be expected if based on the executive Directors' performance against the pre-determined scorecard targets.

Group-wide factors considered when assessing the non-financial elements of the annual bonus scorecards

Criteria	Target	Performance in 2020
Strategic factors		
Progress in identified strategic opportunities	Grow Asset Management	– Grew the Asset Management business via a range of initiatives, including market-leading ESG insights, significant growth in the Group's range of thematic strategies, continuing to grow and leverage a powerful Data Insights Unit and being granted a fund management licence in China to enable Schroders to provide solutions to retail customers there. – Expanded the Group's partnership network globally, via the partnership and joint venture with Lloyds Banking Group (LBG) and partnerships with Axis in India, Nippon Life in Japan and Bank of Communications in China, including agreement with the latter to form a new wealth management company joint venture during 2022.
	Build closer relationships with end clients	– Grew the Wealth Management business through both net inflows and the acquisition of Sandaire, a London-based multi-family office, providing an exceptional opportunity to grow Cazenove Capital's leading position in the UK's ultra high-net-worth segment. – Schroder Personal Wealth laid the foundations for future growth with new leadership and improved IT infrastructure but referrals from LBG were impacted by Covid-19.
	Expand Private Assets & Alternatives	– Expanded private markets capabilities via the acquisition of Pamfleet, a Hong Kong-based real estate manager, and via key hires to build capabilities organically and broaden the dedicated Private Assets sales team. – Overall growth in Private Assets & Alternatives was relatively modest.
	Strategy formulation and overall strategic outcome	– 2020 saw progress across strategic objectives, as outlined above. – Key strategic growth areas of Wealth Management, Private Assets & Alternatives and Solutions now constitute 54% of AUM and 43% of revenues.
Sustainability goals		
ESG integration	Integrate ESG into the investment process for all Schroders managed assets	– Full integration was achieved across Schroders managed assets in December 2020, having started the year with ESG integration for just over 50% of managed assets.
Talent retention[1] and succession planning	Retention of at least 90% of key talent Identify and implement succession plans for key employees	– Retention of key talent remains above target, at 94% (2019: 94%). – Succession plans for key employees were reviewed by the Board in July 2020.
Diversity and inclusion	33% female representation within senior management by the end of 2020	– Met the Group's original target of 30% representation by the end of 2019 and increased this to 33%. During 2020, achieved the 33% target. More needs to be done and the new target is 35% by the end of 2023 (see page 87).
Reduce and offset emissions	Move to operate on a carbon net-neutral basis	– For Schroders' business operations, business travel is the largest source of greenhouse gas emissions and has significantly reduced during the Covid-19 pandemic. Since 2019, the Group has partnered with Climate Care to develop an environmentally credible carbon offset programme that will predominantly support the protection and generation of natural carbon sinks (see page 43).
Governance goals		
Appropriate governance of the Group	Oversight of the Group's activities within an effective governance framework	– The executive Directors steered the Group well through the challenges posed by the pandemic, with appropriate consideration of stakeholder interests.

1. Included in the key performance indicators on pages 22-23.

Individual factors considered when assessing the non-financial elements of the annual bonus scorecards

Executive Director	Criteria	Performance in 2020
Peter Harrison – Group Chief Executive	Strategic progress	In 2020, the Group achieved significant progress against its strategic objectives, which the Board believes will drive the future growth of the business, as outlined on the previous page.
	People and talent	Employee engagement is high, with 98% of employees proud to be associated with Schroders in the Group's 2020 employee survey results and 96% responding that Schroders is interested in the wellbeing of its employees. Peter Harrison actively champions inclusion and diversity across the firm. Key talent across Schroders has been stable with low voluntary turnover. There remains further work to be done on succession planning.
	Risk and reputation	During the pandemic, Schroders' reputation has remained strong with all stakeholders, including clients, shareholders, governments, regulators and industry associations. Peter Harrison takes personal accountability for this and his work internally and externally in this regard is well respected. The risk and control framework has delivered what is required to ensure good governance under the Senior Managers and Certification Regime.
Richard Keers – Chief Financial Officer	Global operations oversight	Operational efficacy remained high throughout the pandemic, with considerable on-boarding activities throughout the year, as well as high volumes. Despite the challenging external environment, the Group's operations platform performed well in what was a key year, including the completion of the on-boarding of the Scottish Widows mandate. Richard Keers has also delivered successfully the majority of the Group's global operating strategy transformation, reducing complexity, improving resilience and providing enhanced scalability.
	Oversee a strong risk and control function	The financial crisis earlier in the year demonstrated that the Group's risk assessments and cash management processes were robust. All regulatory capital and liquidity papers have satisfied regulators and Richard Keers has played an active role in the Regulatory College assessments. The Group Risk and Capital Committees continued to operate well under Richard Keers's leadership. No significant issues were reported in the year. The Audit and Risk Committee report provides more information (from page 69).
	Accurate, appropriate, clear and timely reporting and oversight of the Group's financial position	As above, Richard Keers has overseen the Group's financial position during the crisis, playing a key role in the management of the Group's investment capital. He received positive feedback from the Audit and Risk Committee, analysts, shareholders and other industry bodies.

The metrics and targets outlined above and on the previous page represent the most material criteria by which the Group's non-financial performance and the performance of the executive Directors were assessed. The Committee members and the Board as a whole also review performance across a broad range of other metrics as part of the normal course of business throughout the year and during the year-end process. Performance against many of these metrics is disclosed in the half-year and annual results announcements and in the Annual Report and Accounts.

Determining the executive Directors' LTIP awards to be granted in March 2021

Each year the executive Directors are considered for an LTIP award. The Committee agreed to grant LTIP awards over shares with the following values to the executive Directors in March 2021:

Director	LTIP face value at grant
Peter Harrison	£600,000
Richard Keers	£400,000

The executive Directors have subsequently indicated that they intend to give up their 2021 LTIP awards, as they did those granted to them in March 2020. If those awards are not actively accepted by the respective executive Directors then under the rules of the LTIP they will lapse.

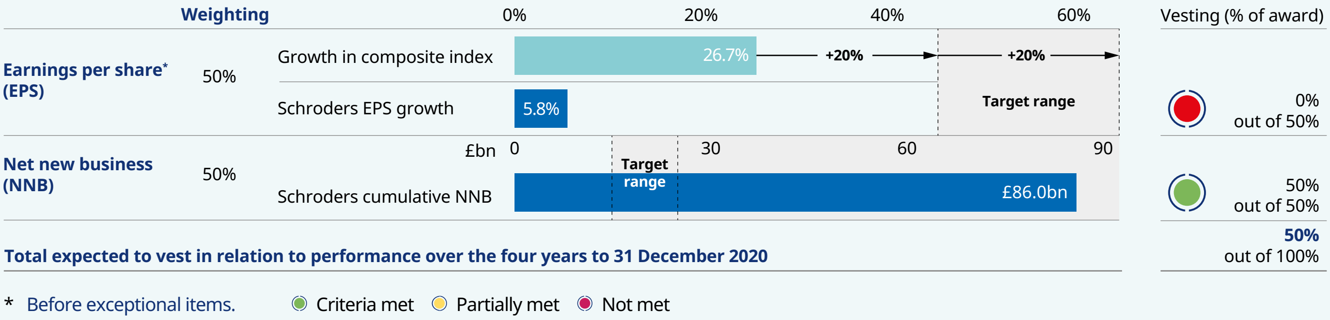
Corporate charitable donations

As outlined earlier, the Committee reduced the annual bonus awards for Peter Harrison and Richard Keers by £250,000 and £100,000 respectively and the executive Directors have also indicated that they intend to give up their 2021 LTIP awards, with a face value at grant of £600,000 and £400,000 respectively. The Board has subsequently resolved that the Group will make donations totalling £1.7 million to our Schroders Giving #CollectiveAction campaign. With the £4.3 million already donated during 2020, this will bring the total donated to £6.0 million.

Determining the vesting of LTIP awards granted to the executive Directors in 2017 (audited)

The LTIP performance conditions remain highly demanding and, in March 2021, we expect LTIP awards granted in 2017 to vest at 50%, based on net new business. The earnings per share target, which requires 20% outperformance against the growth in a composite index, will again not be met. This vesting outcome is illustrated in the chart below.

Vesting of LTIP awards granted to the executive Directors in 2017



For more detail on the basis on which the Committee determined the vesting of LTIP awards granted in March 2017 see page 96.

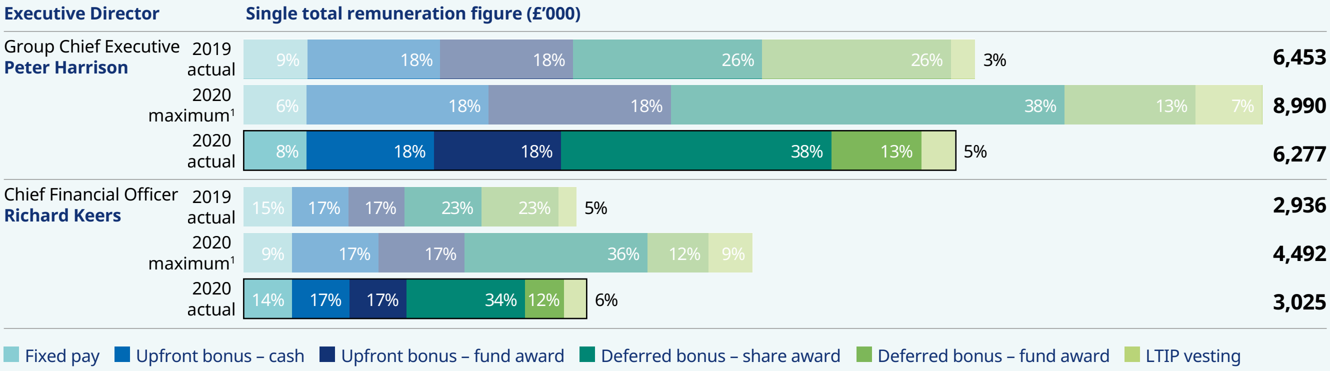
No increases to the executive Directors' salaries

We review base salaries annually but for the executive Directors, like other more highly-paid employees, we adjust them infrequently. Neither of the executive Directors received a base salary increase in 2020 or in 2021. We last increased the level of base salary for the executive Directors in 2014.

Executive Directors' single total remuneration figures

The chart below compares the single total remuneration figures for 2020 for each executive Director with the maximum total remuneration that could be awarded under the Directors' remuneration policy and the single total remuneration figures for 2019. The Group Chief Executive single figure has decreased 3% on prior year whilst the Chief Financial Officer single figure outcome increased by 3%.

Single total remuneration figures

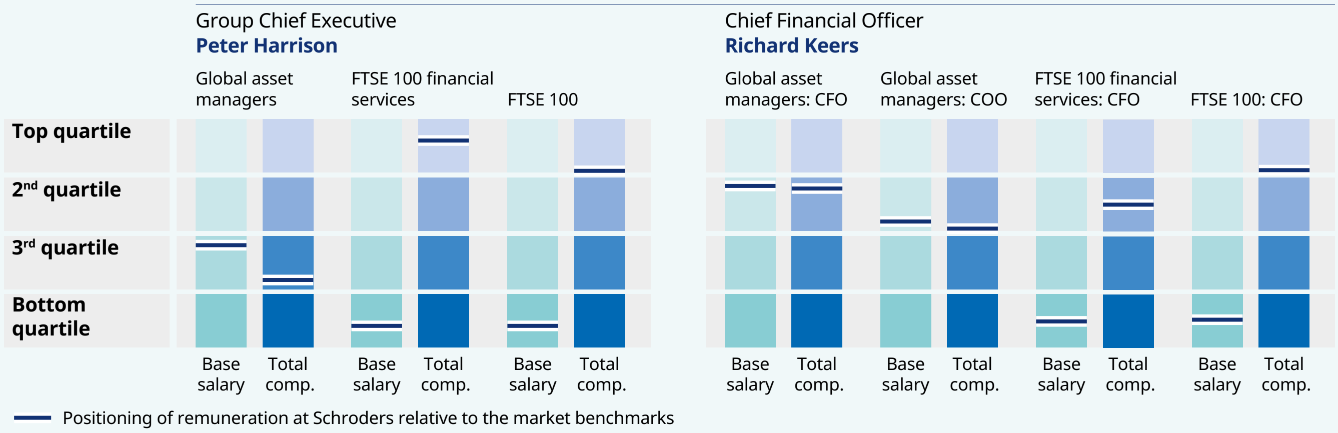


1. The 2020 maximum above is based on the LTIP expected to vest in 2021, as shown on page 97, but assuming the performance conditions were met in full (i.e. 100% vesting rather than the 50% vesting that is expected). The maximum total remuneration under the Directors' remuneration policy is defined as £9 million and £4.5 million for the Group Chief Executive and Chief Financial Officer respectively, based on the face value of LTIP to be granted in 2021 as described on page 76.

For more detail on the single total remuneration figures for the executive Directors see pages 94 to 97.

We compete for talent in a global marketplace. Most of our key competitors are headquartered outside the UK, particularly in the US. Many are not publicly listed and therefore are subject to lower standards of transparency. It is against this backdrop that the Committee determines our pay structures and levels of pay, to ensure that we are able to attract, motivate, reward and retain the best talent. The upper charts on the page opposite illustrate the competitive positioning of pay for each executive Director, including commentary on the remuneration benchmarking approach in each case. The market data used in benchmarking these roles was provided independently by external advisers and reflects competitor pay for 2019, which is the most up-to-date data available, whereas the position shown for Schroders in each case reflects the single total remuneration figure for 2020. The lower chart compares the Group Chief Executive's single total remuneration figure for the last 10 years with returns to Schroders shareholders over the same period.

Pay competitiveness for the executive Directors



Group Chief Executive benchmarking commentary

Approximately half of the global asset manager comparator roles are from non-listed businesses, including firms owned by a bank or insurance group and privately-owned businesses, whereas Schroders is an independent publicly listed company. Schroders differs from most of the global asset managers as it also includes a wealth management business within the Group Chief Executive's remit, alongside Asset Management. As a result, the Schroders Group Chief Executive role sits among the more complex of the roles making up this competitive benchmark.

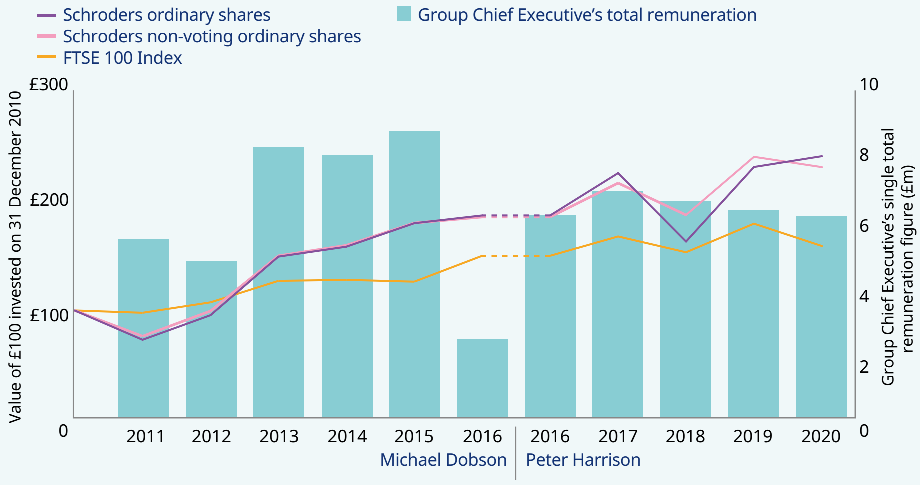
Chief Financial Officer benchmarking commentary

The Schroders Chief Financial Officer has wider responsibilities than the market norm, with firm-wide operational oversight and coordination, direct responsibility for a range of operations teams, as well as financial management, risk management, human resources, capital and treasury. A comparison is also shown against the rates of pay for the Chief Operating Officer (COO) role at other global asset management firms, as an additional reference point to reflect these wider responsibilities. The wealth management business adds complexity compared to most comparators.

The Group Chief Executive's total remuneration history vs. Schroders total shareholder return

The graph on the right shows the Group Chief Executive's single total remuneration figure over the 10 years ended 31 December 2020.

Overlaid on that is a comparison of the total shareholder return of Schroders shares with that of the FTSE 100, of which Schroders is a long-standing constituent. Over the past 10 years, the index has returned 60%, compared with a 144% return for Schroders ordinary shares and a 134% return for Schroders non-voting ordinary shares.



For more detail on the Group Chief Executive's total remuneration over the last 10 years see page 95.

Focusing on pay fairness across the workforce

The global pandemic has had a profound impact on all our employees. Treating our employees fairly remains a priority, as reflected in our decisions to not furlough any of our staff, take any government support or make any redundancies as a result of Covid-19.

As in prior years, we set a firm-wide salary budget for the year-end compensation review and sought to target this towards increases for our lower earners, for whom fixed compensation generally comprises a more significant portion of total compensation, as well as those whose salaries were below market or who had taken on more responsibilities. Prompted by market data on salary increases across the industry, we undertook an additional review of salary competitiveness amongst our lower earners, to ensure they were paid favourably. A number of additional increases were approved for this population, which contributed to the Group-wide cost of salary increases coming in slightly ahead of the original budget.

Ensuring pay fairness across our workforce

	Our commitment	Actions taken in 2020
Salaries	– Pay a fair, market competitive rate of pay to all our employees, based on role and geography. – Target salary increases towards lower-paid employees, employees whose roles and responsibilities have increased or where salary is below market rates. – Ensure the balance between fixed and variable is appropriate for employees, in particular for lower-paid employees and those in support and control functions.	– No employees furloughed, even where Covid-19 meant individuals were not able to perform their duties in full. – Additional salary budget was provided to ensure competitiveness of salaries amongst lower paid employees in particular. Resulting distribution of salary increases is heavily in favour of lower-paid populations. – The balance between fixed and variable remuneration was reviewed for all support roles, with a handful of adjustments made as a result.
Benefits	– Offer market-facing benefits to employees in all markets. – Used to help recruit, reward and retain talent, support employee health and wellbeing and reflect local market practice.	– Maintained employee access to benefits to support mental health and wellbeing throughout the pandemic, moving support services to virtual delivery wherever possible. – Launch of the Schroders Flexible Working Charter, to apply permanently beyond any Covid-19 restrictions. – Engaged a global benefits management system provider to use analytics to drive improved global benefit decisions.
Variable pay	– All permanent employees eligible to receive an annual bonus award. – Ensure pay decisions reflect the performance of individuals and the business they work in, as well as the conduct and behaviours of each individual.	– Staff who were not able to perform their duties in full due to Covid-19 (e.g. in facilities management) were still eligible for and received bonuses. This recognised that their 'underemployment' was through no fault of their own and recognised the loss of overtime payments experienced this year compared to prior years. – The Group's control functions reviewed potential conduct or cultural issues to identify any instances where performance or behaviours have fallen short of our expectations. For 2020 there were 8 cases where this resulted in a direct impact on individual performance ratings and remuneration outcomes (2019: 8 cases). See page 102 for more information on conduct, compliance and risk management in remuneration.
Pay administration	– Provide reliable and transparent pay administration.	– We moved to online compensation statements from this year, providing greater flexibility for employees and supporting remote working.

We provide benefits to all our employees, which vary between jurisdictions to reflect local market practice. The flexible benefits offering available to London-based employees is the same as for the executive Directors, including private healthcare, life assurance, personal accident insurance and retirement savings, amongst others. Pension contributions (or cash in lieu) are based on pensionable salary, which is capped at £250,000, and as a result the executive Directors' effective contribution rates as a percentage of their actual salary are 8-9% for the Group Chief Executive and 11-12% for other executive Directors, compared to 16-18% for most UK employees.

The Group Chief Executive allocates the overall annual bonus pool between the divisions or functions headed by GMC members, taking into consideration both financial and non-financial performance. Each year, the Committee reviews the allocation of the bonus pool between different areas of the business. The Group Chief Executive outlines the rationale for those allocations, in light of each area's relative performance and any other commercial factors.

The Committee considered the distribution of year-on-year bonus outcomes for employees in each area of the firm to consider whether these are reasonable in light of the performance of each business area and of the Group as a whole, and the resulting constraints of affordability. Remuneration outcomes for individual employees other than for the Group Chief Executive and his direct reports are recommended to the Group Chief Executive by members of the GMC, taking account of individual performance, the performance of the relevant business area and the levels of reward for comparable roles in the market. For 2020, the Committee was satisfied that the year-end process was rigorous and that the allocation of the pool and the individual bonus awards took account of both financial and non-financial performance, including conduct and behaviours as described on page 102.

The Committee reviews the Group-wide compensation review outcomes before determining executive Director compensation for the year. The annual bonus award for the Group Chief Executive for 2020 performance was 4% down year-on-year, while his single total remuneration figure decreased by 3%. For the Chief Financial Officer, the 2020 annual bonus award was 2% up year-on-year, while his single total remuneration figure increased by 3%. For employees who worked in the Group for all of 2019 and 2020, the median year-on-year change in bonus was 0% and the median change in total compensation was up 2%. The Group Chief Executive's total remuneration is 42 times the mean full-time equivalent total remuneration for UK employees of the Group (2019: 43 times) and 70 times the median (2019: 72 times), representing slight reductions on prior year.

For more detail on pay in the wider workforce see page 93. For more detail on our UK pay ratios see page 95.

Diversity and our gender pay gap

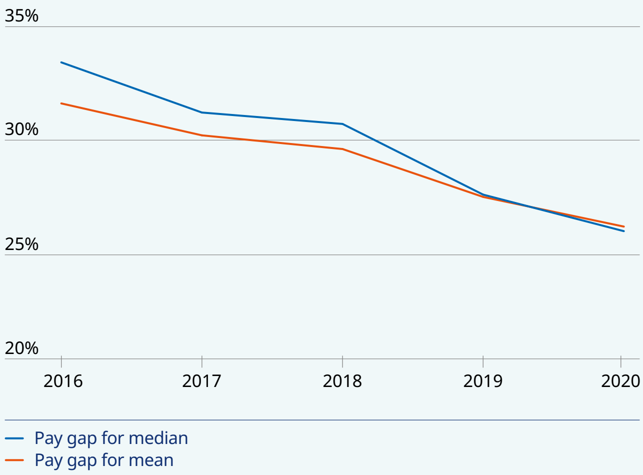
Individuals' pay reflects their role, responsibilities, behaviours and contribution. Gender, age, race, sexual orientation, disability, religion, socio-economic background or other characteristics are irrelevant when it comes to pay determination; we celebrate and value talented individuals regardless of their characteristics. Our analysis of comparable roles continues to show that we reward diverse talent fairly for similar work.

During the year-end compensation review, the management team considers salary, bonus and total compensation outcomes through different diversity lenses, based on the data that our people have provided, to screen for unconscious bias. Last year, we introduced more granular analysis of pay outcomes by ethnicity within each of our regions and we built on this further this year. Using this, we identified certain populations where pay outcomes warranted further investigation. The HR team, supported by senior management, was then able to review the pay outcomes with local managers to understand the context and ensure any differentials were justified by robust and appropriate factors. By doing this, we were able to satisfy ourselves that the individual pay outcomes were appropriate and fair.

This year we have continued working to increase female representation in senior management roles. Having started with 25% female representation in senior management at the end of 2015, we were targeting 33% representation by the end of 2019. We fell slightly short of that target last year but achieved it during 2020. Female representation on the GMC has also been increased, from 7% to 29% since the end of 2015.

The chart below illustrates how our global gender pay gaps for hourly fixed pay have narrowed since 2016, when we first calculated and published this data.

Our global gender pay gap



For more detail on female representation and our gender pay gap see page 93.

It is the progress that we have made over time to improve gender diversity in senior management and other more highly paid roles across the Group that has been key to reducing our gender pay gaps. We are proud of what we have achieved so far but more needs to be done and so our focus on increasing representation of diverse talent continues.

Our commitment to creating a truly inclusive culture is at the centre of our people strategy. We are now targeting 35% female representation in senior management by the end of 2023. We are purposefully broadening our pledges to reflect our wider commitment to ethnicity and disability, as well as to greater gender balance. During 2020 we continued to encourage our people to complete their diversity profiles, to allow us to begin reporting on other measures of diversity, including ethnicity and disability, and we will continue to do so during 2021. We remain committed to publishing our ethnicity pay gap once 80% of our employees have completed their diversity profiles and we are already at over 70% completion. Diversity and inclusion remains a priority for the Board in 2021 and we will publish our targets later this year. We have published more information on diversity and gender pay on our website at schroders.com/inclusion.

Complying with the CRD V remuneration rules

The CRD V remuneration rules came into effect in December 2020. These rules apply to Schroder & Co. Limited, our main UK Wealth Management operating entity. Roles in Schroders that are material risk takers in respect of Schroder & Co. Limited are subject to the CRD V remuneration requirements. This includes a range of measures including requirements on how the Remuneration Committee should be able to risk-adjust remuneration, such as extended clawback periods and specific malus and clawback triggers. In some cases this includes a 'bonus cap', limiting variable pay to up to 200% of fixed pay.

Our remuneration approach for many years has been to keep our fixed remuneration relatively low, ensuring we are able to control our cost base when times are challenging. However, to ensure we can continue to pay competitively to attract, retain, motivate and reward the talent we need to deliver our strategy, the CRD V bonus cap left us with no choice but to increase fixed remuneration for a small number of impacted roles. The bonus cap does not currently apply to the executive Directors of Schroders plc.

Annual report on remuneration

This statement from the Remuneration Committee Chairman, together with the Remuneration focus in 2021 section on pages 88-89, the Remuneration governance section on pages 90-91 and the notes on pages 92-102, constitute the annual report on remuneration, on which shareholders will have an advisory vote at the AGM. Where required and indicated, this information has been audited by EY.

By order of the Board.

Sir Damon Buffini
Chairman of the Remuneration Committee

3 March 2021

Remuneration focus for 2021

The Remuneration Committee's priorities for 2021

As well as considering the standing items of business, the Committee will also focus on the following areas during 2021:

- Regulatory developments and the potential impact on the structure of remuneration at Schroders
- Pay fairness across the workforce
- Conduct, compliance and risk management in remuneration

Implementation of the remuneration policy for 2021

Executive Directors' salaries

The Committee did not increase the executive Directors' salaries during the 2020 compensation review, which are £500,000 for the Group Chief Executive and £375,000 for the Chief Financial Officer.

Executive Directors' maximum total remuneration for 2021

The remuneration policy defines a maximum limit for the total remuneration of each executive Director each year, being the aggregate value of: fixed remuneration paid in the year; annual bonus awarded in respect of the year; and the grant-date market value of shares under the LTIP award granted following the financial year end. The maximum total remuneration for the current Group Chief Executive and Chief Financial Officer will be unchanged, at £9 million and £4.5 million respectively.

Basis for determining executive Directors' annual bonus awards for performance in 2021

The Committee will determine executive Directors' bonuses for performance in 2021 based on an annual bonus scorecard across a range of metrics. In considering the metrics and the range of targets for each metric, the Committee takes into account the recommendation of the Group Chairman and Group Chief Executive, the Board-approved budget, market expectations, prior-year achievement, strategic priorities and the wider economic landscape.

In line with 2020, financial performance factors make up 70% of the scorecard. The remaining 30% of the scorecard is based on a combination of non-financial factors, namely strategic progress, sustainability, people and talent, risk and conduct and each executive Director's individual objectives for the year. The table below sets out the annual bonus scorecard metrics and weightings for 2021 and the rationale for selecting these metrics.

How the executive Directors' annual bonus awards for performance year 2021 will be determined

Annual bonus scorecard measures	Rationale for inclusion	Link to strategy
Financial (70% weighting)		
Profit before tax and exceptional items (35%)	A long-standing measure of the Group's financial performance, which is recognised by our stakeholders. The Committee will consider the impact of exceptional items during the period and will have the discretion to make adjustments as appropriate.	Grow Asset Management; Build closer relationships with end clients; Expand Private Assets & Alternatives
Client investment performance over 3 and 5 years (20%)	Central to our purpose. Represents a core output of our business. Helps our clients achieve their long-term financial goals.	Build closer relationships with end clients
Annual net new business (15%)	Net new business is a long-standing Group-wide key performance indicator. A key driver of AUM and revenues.	Grow Asset Management; Expand Private Assets & Alternatives
Non-financial (30% weighting)		
Strategic progress Sustainability People and talent Risk and conduct Personal goals	The Committee will set targets to assess strategic progress, sustainability, retention of key talent, conduct and risk metrics. These are all fundamental to the Group's long-term success. Performance of each executive Director against their agreed annual objectives for 2021 will also be considered.	Grow Asset Management; Build closer relationships with end clients; Expand Private Assets & Alternatives

Grow Asset Management — Build closer relationships with end clients — Expand Private Assets & Alternatives

For more detail on our strategy see pages 16-17.

The Committee has adopted a robust process for setting targets, in light of budgeted performance, prior-year actual performance and the Group's strategic plans. The Committee and the Board assess subjectively how achievable the budget is as part of the Committee's work to ensure that targets are appropriately stretching. Targets are commercially sensitive and so the target range and the actual performance achieved for each metric will be disclosed retrospectively in the annual report on remuneration in respect of 2021, together with commentary for the non-financial factors.

The Committee may apply discretion to adjust annual bonus awards to the extent it judges that the results of the annual bonus scorecard do not align with results achieved, or in light of unexpected or unforeseen circumstances. In assessing profit performance, the Committee will consider the impact of exceptional items during the period and will have the discretion to make adjustments as appropriate.

The Committee is able to consider corporate performance on ESG issues when setting remuneration of the executive Directors and is satisfied that the Directors' remuneration policy and its implementation do not raise ESG risks by inadvertently motivating the wrong behaviours in the executive Directors. The annual performance objectives for the Group Chief Executive include goals relating to sustainability and ESG as an asset manager, as well as goals related to the sustainability of Schroders' own business policies and practices. Schroders has achieved full ESG integration across our managed assets and so our client investment performance is derived from ESG-integrated investment processes, which is another mechanism through which sustainability and sustainability risks are integrated into remuneration.

The executive Directors' upfront fund awards and deferred share and fund awards, in respect of performance in both 2020 and in 2021, will be granted under the DAP, which shareholders approved at the 2020 AGM.

LTIP awards to be granted in 2021

Page 83 sets out the LTIP awards that the Committee intends to grant to the executive Directors in March 2021, in accordance with the Directors' remuneration policy. These awards will be granted under the LTIP rules that were approved by shareholders in 2020.

As outlined on page 83, the executive Directors have indicated that they intend to give up their 2021 LTIP awards, as they did those granted to them in March 2020. If those awards are not actively accepted by the respective executive Directors then under the rules of the LTIP they will lapse.

At the time that they are granted, the vesting of these awards will be based on the same EPS and NNB performance conditions and targets as the awards that are expected to vest on 4 March 2021, outlined on page 96, save that the Committee has updated the weightings of the indices that make up the composite index against which EPS performance will be measured. The rationale for selecting these metrics is set out below.

How the vesting of LTIP awards to be granted to the executive Directors in March 2021 will be determined

LTIP measures over four years	Rationale for inclusion	Link to strategy
Earnings per share growth (50% weighting)	Basic earnings per share (EPS) is a Group-wide key performance indicator and supports long-term financial sustainability. We aim to grow earnings per share consistently, recognising the potential impact of market volatility on results in the short term. For the LTIP, we target adjusted EPS growth over the four-year performance period to be 20-40% higher than the growth in a composite index that the Committee believes is a reasonable proxy for the market movement of Schroders assets under management.	
Cumulative net new business (50% weighting)	Net new business (NNB) is a Group-wide key performance indicator and is a key driver of assets under management, and in turn of revenue and profit. We seek to generate positive net new business across the Group. For the LTIP, we target cumulative NNB of £15-25 billion across the four-year performance period.	

Read more about the LTIP awards that the Committee intends to grant to the executive Directors in March 2021 on page 83.

The Committee reviewed the make-up of Schroders assets under management at 31 December 2020 to determine the indices and weightings that will make up the composite index, as a proxy for the market movement of Schroders assets under management. For awards to be granted in March 2021, the following weighted basket of indices will be used:

Index	Weighting %
Morgan Stanley Capital International (MSCI) All Countries Asia Pacific	15
MSCI All Countries World	15
MSCI Emerging Markets	10
MSCI Europe	5
FTSE All Share	5
Bloomberg Barclays Global Aggregate	50

Remuneration governance

Responsibilities of the Remuneration Committee

The responsibilities of the Committee include:
- Reviewing the Group's remuneration strategy and recommending the Directors' remuneration policy to the Board
- Determining the remuneration of the Group Chairman and the executive Directors within the policy approved by shareholders
- Determining the level and structure of remuneration for other senior executives and the Group Company Secretary; reviewing the remuneration of the Heads of Compliance, Risk, Internal Audit; monitoring the level and structure of remuneration for other material risk takers; and overseeing remuneration more broadly across the Group
- Recommending to the Board the annual spend on fixed and variable remuneration
- Reviewing the design and operation of share-based remuneration, of other deferred remuneration plans and of employee carried interest-sharing arrangements
- Overseeing any major change in the employee benefits structure throughout the Group
- Reviewing remuneration disclosures and ensuring compliance with relevant requirements
- Receiving and considering feedback from shareholders and representative shareholder bodies

The Committee's terms of reference are available on our website at schroders.com/ir.

Remuneration Committee independence

All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on pages 58-59.

Key areas of focus during the year

The table below summarises the key issues that the Committee considered at each of its meetings during 2020. Remuneration packages for new hires or severance arrangements for roles subject to the Committee's oversight and regulatory developments were reviewed at each meeting as required.

Meeting date	Key issues considered	
January	– Compensation outcomes for 2019	
February	– Compensation outcomes for 2019 – Conduct review – Remuneration disclosures – Forecast vesting of 2016 LTIP grants – New deferred incentive plan rules	– Executive Directors' annual bonus scorecards for 2020 – Performance conditions for 2020 LTIP grants – Remuneration arrangements and carried interest-sharing arrangements in particular business areas
2 March	– Executive Directors' remuneration policy and shareholder voting expectations	
25 March	– Covid-19 and the approach to pay and conditions for the wider workforce	– Covid-19 and Directors' remuneration
May	– CRD V remuneration implications – Review of advisers to the Committee	– Shareholder and voting agency feedback on remuneration – Remuneration Committee best practice
July	– CRD V remuneration implications	– Potential executive Directors' remuneration policy changes
September	– CRD V remuneration implications – Executive Directors' remuneration policy	– CRD V remuneration policy for material risk takers other than the executive Directors
October	– CRD V remuneration implications – Compensation review 2020 – Gender and ethnicity pay data – Approval of deferred remuneration grants for sustained high performance and potential	– Executive Directors' annual bonus scorecards for 2020 – Remuneration arrangements in particular business areas – Material risk taker framework and population – Internal audit of remuneration compliance
December	– CRD V remuneration implications – Executive Directors' remuneration policy – CRD V remuneration policy for material risk takers other than the executive Directors – Compensation review 2020 – Sustainability of earnings – Risk, legal, compliance and internal audit matters – Pay and conditions for the wider workforce	– Executive Directors' annual bonus scorecards for 2020 – Executive Directors' annual bonus scorecards for 2021 – Forecast vesting of 2017 LTIP grants – Remuneration arrangements and carried interest-sharing arrangements in particular business areas – Remuneration benchmarking – Group risk adjustment framework for remuneration – Total compensation ratio target for 2021

Internal advisers

At the invitation of the Committee Chairman, the Group Chairman attended nine meetings, the Group Chief Executive attended seven meetings and the Chief Financial Officer attended eight meetings.

The Group Head of Risk, the General Counsel, the Global Head of Compliance and the Group Head of Internal Audit advised the Committee on matters that could influence remuneration decisions and were available to attend meetings if required. The Global Head of Human Resources, the Head of Compensation and Benefits and the Head of Compensation attended meetings to provide advice and support the Committee.

To avoid conflicts of interest, no Director or employee participates in decisions determining his or her own remuneration.

External advisers

The Committee appointed PricewaterhouseCoopers LLP (PwC) and McLagan (Aon) Limited (McLagan) to provide advice on executive Director pay during 2020. Advisers were selected on the recommendation of the Global Head of Human Resources and the Head of Compensation and Benefits. The Committee assesses the performance of its advisers, the associated fees and the quality of advice provided annually, to ensure that the advice is independent of any support provided to management.

PwC attended eight meetings as independent Remuneration Committee advisers. The Committee retained PwC in this role as their team are among the market leaders in this area, with a good understanding of the Group. A fixed fee structure has operated since appointment to cover standard services, with any additional items charged on a time/cost basis. The total fees paid for advice to the Committee during 2020 on executive Director pay totalled £99,000. PwC also provides professional services in the ordinary course of business, including HR consulting services and advice to management on remuneration design and its regulatory implications, tax, social security, governance, operational and technical issues, as well as other professional services including tax, consulting, regulatory compliance, support for corporate acquisitions and other advice to the Group.

The Committee utilised McLagan data on market conditions and competitive rates of pay, as McLagan provides remuneration benchmarking data covering a wide cross section of the Group's competitors, including firms that are not publicly listed and so are not required to publish their directors' remuneration. The total fees paid for advice to the Committee during 2020 on executive Director pay totalled £2,000. The Committee is satisfied that the advice received from McLagan was independent and objective, as it was factual and not judgemental. McLagan is part of Aon plc, which also provides advice and services to the Group in relation to pension benefit valuations and pension actuarial advice. McLagan's fees were charged on the basis of a fixed fee for the preparation of reports setting out the information requested.

Neither PwC nor McLagan has a connection to the Company or any individual Director, save as outlined above.

Evaluating the performance of the Committee

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process. The findings relating to the Committee were discussed with the Committee Chairman. The feedback on the Committee was wholly positive. It is chaired effectively, reports to the Board are seen as high quality and there was recognition that the adoption of the new Directors' remuneration policy was well managed.

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

The Code requires a description of how the Remuneration Committee has addressed the following factors:

Code requirements	How the Committee has addressed the requirement
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	– Prospective disclosure of bonus and LTIP metrics (pages 88-89) – Full retrospective disclosure of financial targets and non-financial factors (pages 81-84) – Consultation with shareholders regarding possible policy changes (page 78)
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	– Executive Directors incentivised via annual bonus with deferral and LTIP (page 76) – Clear disclosure of rationale and operation of each element (see Directors' remuneration policy)
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	– Defined maximum limit for annual total remuneration (page 76) – Significant deferral, providing alignment to clients and shareholders (page 76) – Committee discretion to adjust formulaic bonus or LTIP outcomes (page 80) – Extensive malus and clawback provisions (see Directors' remuneration policy)
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	– Scenario charts and key Committee discretions outlined (see Directors' remuneration policy) – Regular Committee review of likely bonus scorecard outcomes (page 90)
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	– Annual bonus and LTIP performance measures reviewed annually against strategic priorities (pages 88-89) – Significant deferral, providing alignment to clients and shareholders (page 76) – Extensive malus and clawback provisions (see Directors' remuneration policy)
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	– Remuneration principles aligned to our purpose (page 77) – Executive Director remuneration considered in the context of employee outcomes (pages 85-86) – Commitment to pay fairness across the workforce (page 86)

Notes to the annual report on remuneration

The notes set out on pages 92-102 supplement the information set out in the main narrative on pages 75-87, combining both statutory and voluntary disclosures, including additional detail on matters within the narrative and other elements that do not fit within that narrative.

Annual bonus pool and annual bonus award allocations across the Group – additional detail

The table below compares the annual bonus pools for performance years 2020 and 2019, divided into amounts paid in cash, upfront fund awards and amounts deferred into share awards and fund awards. The 2019 figures are shown after adjustment to reflect the foreign exchange rates used during the 2020 compensation review, to provide a better comparison of what was awarded to employees each year. The bonus pool is shown on the basis of the amounts awarded to employees in respect of performance each year, rather than the costs charged to each year's income statement, and includes amounts that are reported as exceptional items as they relate to cost-reduction programmes.

	2020	2019[1]
Total compensation ratio	**45%**	**44%**
	£m	£m
Annual bonus awards:		
– paid in cash	178.8	179.2
– granted in upfront fund awards	29.1	27.0
– deferred into share awards	51.8	48.0
– deferred into fund awards	44.3	44.0
Bonus pool	**304.0**	**298.2**
Proportion of bonus pool that is deferred	32%	31%
Number of bonus-eligible employees	4,663	4,365
Mean annual bonus award per bonus-eligible employee	£65,188	£68,319
Median annual bonus award per bonus-eligible employee	£14,000	£15,500
Group Chief Executive's bonus as a % of the bonus pool	1.8%	1.9%
Aggregate bonuses to executive Directors as a % of the bonus pool	2.6%	2.7%

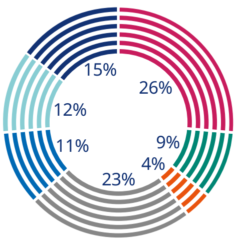
1. Adjusted to the same foreign exchange rates as those used for the 2020 figures.

The employee mean and median figures in the table above represent the bonus value across all bonus-eligible employees each year. As such, part of the difference in value year-on-year is due to differences in population, from new hires and leavers, as well as higher or lower bonus awards for individual employees who were employed by Schroders both years.

Relative spend on pay chart – additional detail

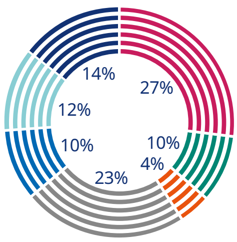
The charts below illustrate the relative spend on pay for 2020 compared with 2019. The values are taken from the financial statements and show how remuneration costs before exceptional items compare with shareholder distributions, taxes arising and earnings retained, to illustrate how net income is utilised.

2019



		vs. 2018
Fixed remuneration	£562.9m	+9%
Variable remuneration – upfront	£200.1m	(8)%
Variable remuneration – deferred	£82.0m	(20)%
Other operating expenses	£496.3m	+8%
Corporate tax and social security[1]	£222.8m	(2)%
Retained earnings	£248.2m	(13)%
Interim dividend paid and final dividend recommended	£312.5m	+0%

2020



		vs. 2019
Fixed remuneration	£589.9m	+5%
Variable remuneration – upfront	£207.8m	+4%
Variable remuneration – deferred	£94.5m	+15%
Other operating expenses	£502.2m	+1%
Corporate tax and social security[1]	£216.0m	(3)%
Retained earnings	£256.8m	+3%
Interim dividend paid and final dividend recommended	£312.0m	0%

1. Corporate tax and social security includes employer's social security costs, which for 2020 was equal to 4% of net income (2019: 4%).

Pay in the wider workforce – additional detail

The table below compares, for each of base salary or fees, benefits and annual bonus award, the percentage change from performance year 2019 to 2020 for each of the Directors with the average year-on-year percentage change across employees of the Group taken as a whole. The outcome for employees of Schroders plc is also included as this is a statutory requirement but is shown as not applicable as the legal entity Schroders plc does not itself have any employees.

The values shown for the executive Directors are based on those shown in the single total remuneration figure table on page 94 while those shown for the non-executive Directors are based on those shown in the non-executive Directors remuneration table on page 98. The employee mean and median figures in this table represent the change experienced for individual employees who were employed by Schroders both years, as outlined in the notes to the table.

	2020		
	Base salary / fee	Benefits	Bonus
Executive Directors			
Peter Harrison[1]	+0%	–45%	–4%
Richard Keers[1]	+0%	–3%	+2%
Non-executive Directors			
Michael Dobson	+0%	–35%	n/a
Sir Damon Buffini[2]	+20%	n/a	n/a
Rhian Davies[2]	+13%	n/a	n/a
Claire Fitzalan Howard	n/a	n/a	n/a
Rakhi Goss-Custard	+0%	n/a	n/a
Ian King	+0%	n/a	n/a
Leonie Schroder[2]	+24%	n/a	n/a
Deborah Waterhouse[2]	+47%	n/a	n/a
Matthew Westerman	n/a	n/a	n/a
Former Directors			
Philip Mallinckrodt	–67%	n/a	n/a
Employees			
Employees of Schroders plc	n/a	n/a	n/a
Employees of the Group[3,4,5]			
– Mean	+4%	+2%	+7%
– Median	+2%	+3%	+0%

1. The value of benefits for Peter Harrison and Richard Keers decreased by 45% and 3% respectively, principally reflecting reduced usage of a car and driver and slightly lower income protection and life assurance costs after these were renegotiated effective 1 May 2019.
2. The fee increases shown for Damon Buffini, Rhian Davies, Leonie Schroder and Deborah Waterhouse reflect the timing of their appointment to the Board and appointment to roles on Board Committees, as set out on page 98. The fees for the non-executive Directors were not changed in 2020.
3. For base salary, employees of the Group are those who were in employment for the full year to 31 December 2020 and represents the mean and median salary increase during 2020. Salary increases across the Group during 2020 were targeted at employees whose roles had increased in scope materially during the year and those whose fixed pay significantly lagged behind market rates. Particular attention was also given to those on lower salaries, for whom fixed pay forms a greater proportion of total remuneration.
4. For benefits, the mean percentage change for employees of the Group is a per capita figure for those who were in employment for all of 2020 and 2019 and represents the average change in benefits value during 2020, while the median is the median percentage change of individual employees within the same population. The increase principally reflects salary increases over the period, offset for those in the UK by slightly lower income protection and life assurance costs after these were renegotiated effective 1 May 2019.
5. For bonus, the mean and median percentage change for employees of the Group is the mean and the median respectively of the individual year-on-year percentage change in bonus for employees who were in employment and bonus-eligible for all of 2020 and 2019. More commentary on the annual bonus award for each executive Director can be found on pages 80-83.

Female representation and gender pay – additional detail

Schroders is committed to promoting diversity of thought and ensuring Schroders is an inclusive place to work. That commitment is broader than gender and the Our people section on pages 34-37 provides more information on the Group's approach to inclusion and diversity.

The data below illustrates the gender representation issue by looking at the proportion of employees by gender according to quartile pay bands, based on hourly fixed pay, which reflects base salary and any cash allowances.

The proportion of female vs. male employees according to quartile pay bands

Top quartile of employees based on hourly fixed pay	26% females, 74% males
2nd quartile	38% females, 62% males
3rd quartile	49% females, 51% males
Bottom quartile	55% females, 45% males
Total workforce	**42% females, 58% males**

Analysis of pay levels for comparable roles across Schroders shows that male and female employees are paid fairly for similar work. However, the lower representation of women at senior levels within the Group, which is an issue across the financial services sector, is reflected in the gender pay gaps shown below. This looks across the total workforce and sets out the gender pay gap for both hourly fixed pay and total variable pay, consisting of the annual bonus awarded in respect of 2020 plus any other incentive awards during the year.

		Schroders globally
Hourly fixed pay	The amount by which the male median exceeds the female median, as a % of the male median	26% (2019: 27%)
	The amount by which the male mean exceeds the female mean, as a % of the male mean	26% (2019: 27%)
Total variable pay	The amount by which the male median exceeds the female median, as a % of the male median	46% (2019: 50%)
	The amount by which the male mean exceeds the female mean, as a % of the male mean	57% (2019: 58%)
	The proportion of female and male employees who received variable pay	93% of females, 94% of males (2019: 92% / 91%)

These statistics, and the chart on page 87 showing how our gender pay gaps have narrowed since we first published them in 2016, demonstrate the continued improvement in our gender pay gaps, although there remains more to do.

For more information on diversity and inclusion at Schroders, including our UK gender pay gap disclosures, see our website at schroders.com/inclusion

Single total remuneration figure for each executive Director – additional detail (audited)

The total remuneration of each of the executive Directors for the years ended 31 December 2020 and 31 December 2019 is set out below.

2020 (£'000)	Base salary	Benefits and allowances	Retirement benefits	Total fixed pay	Initial scorecard outcome	Discretionary annual bonus reduction	Annual bonus award	LTIP vested	Total variable pay	Total remuneration
Peter Harrison	500	9	45	554	5,678	(250)	5,428	295	5,723	6,277
Richard Keers	375	6	45	426	2,503	(100)	2,403	196	2,599	3,025
Total	**875**	**15**	**90**	**980**	**8,181**	(350)	**7,831**	**491**	**8,322**	**9,302**

2019 (£'000)	Base salary	Benefits and allowances	Retirement benefits	Total fixed pay	Initial scorecard outcome	Discretionary annual bonus reduction	Annual bonus award	LTIP vested	Total variable pay	Total remuneration
Peter Harrison	500	16	45	561	–	–	5,680	212	5,892	6,453
Richard Keers	375	7	45	427	–	–	2,350	159	2,509	2,936
Total	**875**	**23**	**90**	**988**	**–**	**–**	**8,030**	**371**	**8,401**	**9,389**

The methodology for determining the single total remuneration figure is set out below. A chart illustrating the figures above can be found on page 84.

Base salary	Represents the value of salary earned and paid during the financial year, before any donations to charity (see page 75).
Benefits and allowances	Includes one or more of: private healthcare, life assurance, permanent total disability insurance, Share Incentive Plan matching shares and private use of a company car and driver.
Retirement benefits – see page 97	Represents the aggregate of contributions to defined contribution (DC) pension arrangements and cash in lieu of pension for Peter Harrison, and cash in lieu of pension for Richard Keers. Page 97 shows how the retirement benefits figures above are comprised for each Director.
Annual bonus award – see pages 80-83 plus additional detail on page 96	Represents the total value of the annual bonus award for performance during the relevant financial year. The column headed 'Initial scorecard outcome' represents what the annual bonus award would have been based solely on the annual bonus scorecard. In determining this, the Committee acknowledged the societal impact of Covid-19 and marked the non-financial elements of the scorecard below the level that would otherwise be expected based on the executive Directors' performance against the pre-determined scorecard targets. The column headed 'Discretionary annual bonus reduction' shows the Committee's further one-off reduction from that initial scorecard outcome for 2020, given the extraordinary circumstances of 2020, to reach the actual annual bonus award for each executive Director. Pages 80-83 set out the basis on which annual bonus awards for 2020 were determined. Page 96 breaks down the annual bonus awards for 2020 into cash paid through the payroll in February 2021 and the upfront fund awards, deferred fund awards and deferred share awards that will be granted in March 2021.
LTIP vested – see page 84 plus additional detail on pages 96-97	Represents the estimated value that is expected to vest on 4 March 2021 from LTIP awards granted on 6 March 2017, using the average closing mid-market share price over the three months ended 31 December 2020 and the percentage of the awards that is expected to vest. The comparative value shown for 2019 represents the actual value that vested on 5 March 2020 from LTIP awards granted on 7 March 2016. The 2019 LTIP vested values disclosed last year were estimates, as the Annual Report and Accounts was finalised prior to the vesting date. Page 84 sets out the performance achieved and how vesting will be determined, with further detail on page 96, and page 97 shows how the value shown above has been calculated, including how much of the value is attributable to share price movement during the period from grant to vesting. Page 99 sets out information on LTIP awards granted to the executive Directors during 2020, which the Directors subsequently waived. These awards are not reflected above. Page 83 sets out information on LTIP awards to be granted to the executive Directors in March 2021. The executive Directors have indicated that they intend not to accept these awards. Again, these are not reflected above.

The Group Chief Executive's total remuneration over the last 10 years – additional detail

The table below sets out the Group Chief Executive's single total remuneration figure over the 10 years ended 31 December 2020, as well as showing how variable pay plans have paid out each year. A chart illustrating the single total remuneration figures over this period, and comparing them to the total shareholder return of Schroders shares and of the FTSE 100, is shown on page 85.

Financial year	2011	2012	2013	2014	2015	2016[3]	2016[4]	2017	2018	2019	2020
						Michael Dobson	Peter Harrison				
Single total remuneration figure (£'000)	5,570	4,870	8,414	8,155	8,905	2,451	6,311	7,059	6,735	6,453	6,277
Annual bonus award (outcome as a % of maximum, or actual award as a % of 10-year highest bonus)[1]	65%	56%	81%	87%	100%	25%	70%	82%	78%	72%	69%
LTIP (vesting as a % of maximum)[2]	n/a	n/a	100%	50%	50%	50%	50%	n/a	0%	50%	50%

1. For performance year 2020, this represents the Group Chief Executive's actual annual bonus award as a percentage of the maximum annual bonus award for the year. For performance years prior to 2020, each annual bonus award is shown as a percentage of the highest bonus award over the past 10 years, as no maximum annual bonus opportunity was in place.
2. 2011 and 2012 are shown as 'n/a' as the LTIP was introduced in May 2010 and so there was no LTIP vesting outcome in those years. The first LTIP award vested on 5 March 2014 based on the four-year performance period ended on 31 December 2013 and so is shown under 2013 in the table. 2017 shows as 'n/a' as Peter Harrison did not receive an LTIP award in 2014 and so had no LTIP due to vest based on performance to the end of 2017.
3. The 2016 remuneration for Michael Dobson reflects the actual remuneration that he received for the portion of 2016 that he served as Chief Executive.
4. Peter Harrison was appointed Group Chief Executive on 3 April 2016. The 2016 remuneration value above reflects his full-year single total remuneration figure.

UK pay ratios – additional detail

The table below compares the Group Chief Executive's single total remuneration figure for 2020 to the remuneration of the Group's UK workforce as at 31 December 2020, along with the comparative figures for the previous year.

	Method	Pay ratio to upper quartile UK employee	Pay ratio to median UK employee	Pay ratio to lower quartile UK employee
2020	Option A	42: 1	70: 1	110: 1
2019	Option A	42: 1	72: 1	117: 1

The rules that require this disclosure to be made set out three possible methodologies that companies can adopt, termed Options A, B and C. The Group has adopted Option A as this is the most robust methodology, requiring the Group to calculate the pay and benefits of all its UK employees for the relevant financial year in order to identify the total remuneration at the upper quartile, at the median and at the lower quartile. We have based the calculation of these total remuneration quartiles on salaries as at 31 December 2020 plus any annual bonus award in respect of 2020 and any other incentive awards granted during 2020. In calculating these ratios, salary and any annual bonus award for employees who work part time have been pro-rated up to a full-time equivalent. We have not included any taxable travel benefits, such as the reimbursement of occasional travel home from work that was covered by the Group's travel and expenses policy but did not qualify as tax-free under HMRC rules on taxable benefits. No other assumptions or statistical modelling were required.

		Upper quartile UK employee		Median UK employee		Lower quartile UK employee	
£	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2020	Option A	150,310	122,500	89,541	58,000	57,205	45,000
2019	Option A	154,667	85,000	89,743	68,000	55,400	50,000

Comparing the ratios for 2020 with those for 2019, the pay ratio to the upper quartile UK employee is unchanged, while the pay ratio to the median employee has reduced slightly and to the lower quartile employee has reduced more significantly. In part this is attributable to the reduction year-on-year in the Group Chief Executive's single total remuneration figure, which is 3% lower for 2020 compared to 2019. The upper quartile employee total remuneration is also 3% lower for 2020 compared to 2019 and so the pay ratio to the upper quartile employee is consistent year-on-year. The median UK employee total remuneration is down only marginally year-on-year, by less than half of 1%, and so the reduction in the median pay ratio is largely attributable to the reduction in the Group Chief Executive's remuneration. The lower quartile UK employee total remuneration is 3% higher for 2020 compared to 2019. This increase combined with the reduction in the Group Chief Executive's remuneration drives the reduction in the pay ratio to the lower quartile employee.

As well as new hires and leavers in the normal course of business, the changes to the total pay for the upper quartile, median and lower quartile UK employee also reflect some structural changes to our workforce, including moving some contractors into employee roles and the relocation of some operational roles that were based in London and Luxembourg to our Horsham campus. The slight narrowing of the median pay ratio and more significant narrowing of the pay ratio to the lower quartile UK employee is consistent with the Group's focus on pay fairness across the workforce, particularly for the Group's lower-paid employees, as outlined on pages 85-86, and as such the Group believes these outcomes to be consistent with the pay and reward policies for the Group's UK employees as a whole.

Variable pay – annual bonus award – additional detail (audited)

The table below sets out details of how the annual bonus award for each executive Director for performance during 2020 was structured. The total annual bonus award values are reflected in the single total remuneration figure for each executive Director on page 94. The table also shows the face value of the LTIP award granted during 2020 (see page 99) and the percentage of variable pay deferred across annual bonus and LTIP combined.

2020 (£'000)	Upfront cash bonus award	DAP award				Total annual bonus award	Percentage deferred[1]	LTIP award	Percentage of total variable pay deferred[1]
		Upfront fund award	Deferred share award	Deferred fund award	Total DAP award			LTIP granted during 2020	
Peter Harrison	1,123	1,123	2,387	795	4,305	5,428	59%	600	63%
Richard Keers	506	506	1,043	348	1,897	2,403	58%	400	64%

1. In calculating the value of each executive Director's annual bonus award that is deferred, the amount of the bonus that is deferred is reduced to reflect the LTIP award granted during the year, subject to a minimum 60% of total variable pay being deferred.

Upfront fund awards normally cannot be exercised for six months from grant but are not at risk of forfeiture if the holder resigns and leaves the Group. Deferred share awards normally require the holder to remain in employment for three years following grant to vest in full and are available to exercise in three equal instalments after 1, 2 and 3 years from grant. Deferred fund awards normally require the holder to remain in employment for 3.5 years following grant to vest in full and are available to exercise in three equal instalments after 1.5, 2.5 and 3.5 years from grant.

Variable pay – determining vesting of prior LTIP awards – additional detail (audited)

The LTIP awards granted on 6 March 2017, covering the 2017 to 2020 performance period, are expected to vest on 4 March 2021. The criteria for determining the extent of vesting are set out below. Despite the strong performance of Schroders since these awards were granted, the very demanding EPS target will not be met.

Performance measure		Maximum % of award	Performance achieved	Vesting % of award
EPS If the growth of adjusted EPS in the fourth year compared with the year prior to grant exceeds the defined composite index by:		50	The four-year growth in the composite index was 26.7% (see below). Four-year growth in adjusted EPS was 5.8%, which is less than the composite index and is insufficient to trigger any vesting of this part of the LTIP awards.	0
– less than 20%	no vesting			
– equal to 20%	12.5% vests			
– between 20-40%	straight-line basis			
– 40% or greater	50% vests			
NNB cumulative over the four-year performance period:		50	The four-year cumulative NNB from 2017 to 2020 was £86.0 billion, which is sufficient to trigger full vesting of this part of the LTIP awards.	50
– less than £15 billion	no vesting			
– equal to £15 billion	12.5% vests			
– between £15-25 billion	straight-line basis			
– £25 billion or greater	50% vests			
Total expected to vest in relation to 2017 to 2020 performance				50

The Audit and Risk Committee independently reviews key estimates made by management that impact the financial statements to ensure these are reasonable. This is reflected in the LTIP vesting calculations.

The composite index against which EPS performance was measured for these awards was set at the time they were granted. The table below sets out the make-up of that composite index and its growth over the four-year performance period:

Index	Weighting	Growth over the four-year performance period
MSCI All Countries Asia Pacific	15.0%	47.1%
MSCI All Countries World	15.0%	52.6%
MSCI Emerging Markets	7.5%	48.5%
FTSE All Share	7.5%	10.0%
MSCI Europe	5.0%	26.0%
Bloomberg Barclays Global Aggregate	50.0%	12.0%
Composite index (calculated as a weighted average)		26.7%

Variable pay – estimated value vesting from prior LTIP awards – additional detail (audited)

The following table shows, for each Director, the estimated value expected to vest on 4 March 2021 from LTIP awards granted on 6 March 2017, based on the average closing mid-market share price over the three months ended 31 December 2020 and the expected vesting percentage shown on page 96. For each executive Director, the total value expected to vest is reflected in the single total remuneration figures on page 94. Awards are over ordinary shares.

			Value of shares expected to vest (£'000)				
Individual	Grant-date face value of LTIP award £'000	Proportion expected to vest in relation to 2017-2020 performance	Face value at time of grant	Impact of dividend equivalents since grant[1]	Impact of share price movement since grant	Total estimated value vesting	Number of shares expected to vest
Peter Harrison	600	50%	300	–	(5)	295	9,768
Richard Keers	400	50%	200	–	(4)	196	6,512

1. The LTIP rules under which these awards were granted do not allow for awards to accrue additional value equivalent to dividends on the underlying shares.

Fixed pay – retirement benefits – additional detail (audited)

The following table shows details of retirement benefits provided to executive Directors for the years ended 31 December 2020 and 31 December 2019. For the executive Directors, the sum of employer contributions and cash in lieu each year is reflected in the single total remuneration figures on page 94. Employer contributions represent contributions paid into DC pension arrangements during the year and exclude any contributions made by the Directors. There has been no defined benefit (DB) pension accrual since 30 April 2011.

£'000	**2020 employer contributions**	**2020 cash in lieu of pension[1]**	**2020 retirement benefits total**	2019 employer contributions	2019 cash in lieu of pension[1]	2019 retirement benefits total	Accrued DB pension at 31 December 2020	Normal retirement age[2]
Peter Harrison	10	35	45	10	35	45	–	60
Richard Keers	–	45	45	–	45	45	–	60

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

Fees from external appointments

The executive Directors are permitted to retain for their own benefit fees they receive from any external non-executive directorships, provided the directorships do not relate to any interest held by the Group. Neither Peter Harrison nor Richard Keers received any fees in respect of external non-executive roles during 2020.

Non-executive Directors' remuneration (audited)

The total remuneration of each of the non-executive Directors for the years ended 31 December 2020 and 31 December 2019 is set out below, based on the structure of non-executive Directors' fees set out below the table.

£'000	2020 Basic fee	2020 Committee chairman	2020 Committee member	2020 SID	2020 Taxable benefits	2020 Total	2019 Basic fee	2019 Committee chairman	2019 Committee member	2019 SID	2019 Taxable benefits	2019 Total
Michael Dobson	625	–	–	–	11	636	625	–	–	–	17	642
Sir Damon Buffini	80	25	20	–	–	125	80	4	20	–	–	104
Rhian Davies	80	25	40	–	1	146	80	25	23	–	–	128
Claire Fitzalan Howard	53	–	–	–	1	54	–	–	–	–	–	–
Rakhi Goss-Custard	80	–	20	–	2	102	80	–	20	–	–	100
Ian King	80	–	20	20	1	121	80	–	20	20	–	120
Leonie Schroder	80	–	–	–	1	81	65	–	–	–	–	65
Deborah Waterhouse	80	–	20	–	1	101	65	–	3	–	–	68
Matthew Westerman	65	–	19	–	–	84	–	–	–	–	–	–
Philip Mallinckrodt	27	–	–	–	–	27	80	–	–	–	–	80

The fees shown in each Director's case reflect the portion of 2019 and 2020 that they each served in their respective roles, and are shown before any donations to charity (see page 75).

- Leonie Schroder and Deborah Waterhouse were appointed to the Board with effect from 11 March 2019. Matthew Westerman was appointed to the Board with effect from 9 March 2020. Claire Fitzalan Howard was appointed to the Board with effect from 30 April 2020. In each case, on appointment as non-executive Directors their fees were set at the same level as for other non-executive Directors.
- On 6 November 2019, Sir Damon Buffini was appointed Chairman of the Remuneration Committee, Rhian Davies was appointed a member of the Remuneration Committee and Deborah Waterhouse was appointed a member of the Audit and Risk Committee. Matthew Westerman was appointed a member of the Audit and Risk Committee from his appointment to the Board on 9 March 2020 and was appointed a member of the Remuneration Committee on 19 November 2020.
- Philip Mallinckrodt retired from the Board at the conclusion of the 2020 AGM, on 30 April 2020. His fee ceased on the date he retired.

The benefits for Michael Dobson were private healthcare and medical benefits for him and his family, life assurance, travel expenses and occasional private use of a company car and driver. Benefits for Rhian Davies, Claire Fitzalan Howard, Rakhi Goss-Custard, Ian King, Leonie Schroder and Deborah Waterhouse were travel expenses.

The fees for the non-executive Directors were not changed in 2020, having last been reviewed during 2019. The structure of non-executive Directors' fees is shown below. Fees are usually reviewed biennially.

	£
Chairman	625,000
Board member	80,000
Senior Independent Director	20,000
Audit and Risk Committee Chairman[1]	25,000
Audit and Risk Committee member	20,000
Nominations Committee Chairman	nil
Nominations Committee member	nil
Remuneration Committee Chairman[1]	25,000
Remuneration Committee member	20,000

1. In addition to the Committee membership fee.

DAP and LTIP awards granted during 2020 (audited)

The following awards under the DAP were granted to Directors on 11 March 2020 in respect of deferred bonuses for performance during 2019. No further performance conditions need to be met for awards to vest. An upfront fund award cannot be exercised for six months from the date of grant but is not normally subject to forfeiture if the holder leaves the Group. Deferred share awards normally require the participant to remain in employment with the Group for three years after the date of grant to vest in full, or 3.5 years for a deferred fund award. DAP fund awards are conditional rights to receive a cash sum with an initial value equal to the value of bonus being deferred, granted as nil-cost options. That value is notionally invested in a range of Schroders funds and so the actual amount paid when the award is exercised is the initial amount plus or minus returns on those notional investments. DAP share awards are conditional rights to receive Schroders shares, granted as nil-cost options. These awards were included in the 2019 single total remuneration figures disclosed last year and form part of the prior year value shown in this year's single total remuneration figures on page 94. They are also shown in the tables of Directors' rights under fund and share awards on pages 100-101.

		Face value at grant (£'000)						
Individual	Basis of DAP award granted	Upfront fund awards	Deferred share awards	Deferred fund awards	Total DAP award	Share price at grant	Number of shares	Performance conditions
Peter Harrison	Deferral of bonus awarded for performance in 2019	1,173	1,667	1,667	4,507	£23.61	70,584	Awarded for performance in 2019. No further performance conditions apply.
Richard Keers		495	680	680	1,855	£23.61	28,801	

The following awards under the LTIP were granted to Directors on 11 March 2020 as nil-cost options. Each executive Director subsequently elected not to accept their respective awards and so each award was void and took no effect. As a result, they are not reflected in the table of Directors' rights under share awards on page 101. These awards do not appear in the single total remuneration figure on page 94.

Individual	Basis of LTIP award granted	Face value at grant (£'000)	Vesting maximum as % of face value	% of face value that would vest at threshold[1]	Share price at grant	Number of shares	End of performance period
Peter Harrison	A specified face value of shares on the date of grant	600	100	25	£23.61	25,412	31 December 2023
Richard Keers		400	100	25	£23.61	16,941	31 December 2023

1. Percentage of face value that would vest if performance under both the EPS and NNB performance measures was at the threshold level to achieve non-zero vesting.

All DAP share awards and LTIP awards were granted over ordinary shares. The number of shares under each DAP share award and LTIP award is determined by dividing the grant-date face value by the mid-market closing share price on the last trading day prior to the date of grant.

Vesting of LTIP awards granted during 2020 was subject to the same performance conditions as applied to awards expected to vest following the end of 2019, which are set out on page 96, save that the composite index for the measurement of EPS performance for these awards was as follows:

Index	Weighting %
MSCI All Countries Asia Pacific	15
MSCI All Countries World	15
MSCI Emerging Markets	10
MSCI Europe	5
FTSE All Share	5
Bloomberg Barclays Global Aggregate	50

Directors' service contracts and letters of appointment

Each of the executive Directors has a rolling service contract with a mutual notice period of six months. Each of the non-executive Directors has a letter of appointment with a mutual notice period of six months. Letters of appointment and service contracts are available for shareholders to view at the Company's registered office on business days between the hours of 9 a.m. and 5 p.m. and will be available at each AGM.

Payments for loss of office and payments to former Directors (audited)

No payments for loss of office were paid to Directors or former Directors during 2020. No other payments were made to former Directors during 2020.

Personal shareholding policy – additional detail (audited)

To align the interests of senior management with those of shareholders, the executive Directors and the other members of the GMC are required, over time, to acquire and retain a holding of Schroders shares or rights to shares. The required shareholding is equivalent to 500% of base salary for the Group Chief Executive, 300% of base salary for other executive Directors and 150-300% of base salary for other members of the GMC depending on their role. Each executive Director and GMC member undertakes not to sell any Schroders shares until their share ownership target has been reached, subject to some limited exceptions. The executive Directors' service contracts provide that, on stepping down as an executive Director, the level of shareholding required while an executive Director must be maintained for a further two years, or the actual level of shareholding on stepping down if lower.

For the purposes of the personal shareholding policy, rights to shares include the estimated after-tax value of unvested deferred share awards under the DAP or previous incentive plans (shown as 'Other unvested share awards' on page 101) and of vested DAP or LTIP awards (shown as 'Vested but unexercised share awards' on page 101) but do not include unvested LTIP awards as these rights to shares are subject to performance conditions.

The charts on page 78 compare the value of each executive Director's shareholdings as at 2 March 2021 with the shareholding required under the personal shareholding policy, as a percentage of salary, including the LTIP awards expected to vest on 4 March 2021 (see pages 96-97) and DAP deferred share awards to be granted in respect of performance in 2020 (see page 96).

Executive Directors' alignment to share price

The table below shows the number of shares currently owned by each executive Director, the number of shares over which they have been or will be granted rights under the Group's incentive plans and the estimated after-tax value of those shares, on the same basis as outlined above.

	As at 31 December 2020						Estimated after-tax value (£'000)			
Individual	Shares owned	Rights to shares	SIP shares acquired in January and February 2021	LTIP shares expected to vest 4 March 2021	Total share exposure	Rights to shares to be granted under the DAP in March 2021 (£000)	At the 2 March 2020 share price	At the 2 March 2021 share price	Difference	Impact of a 10% share price movement
Peter Harrison	4,868	193,446	13	9,768	208,095	2,387	4,458	5,250	793	525
Richard Keers	830	88,900	13	6,512	96,255	1,043	2,011	2,373	362	237

Directors' rights under fund and share awards, and Directors' share interests

This section outlines Directors' rights during 2020 from fund and share awards granted under the Group's incentive plans. It goes on to set out the total interests in shares of the Directors and their connected persons at 31 December 2020.

Directors' rights under fund awards (audited)

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

		Unvested fund awards £'000	Vested fund awards £'000	Total £'000
Peter Harrison	At 31 December 2019	4,440	–	4,440
	Granted	1,667	1,173	2,840
	Vested	(2,593)	2,593	–
	Exercised	–	(3,766)	(3,766)
	At 31 December 2020	3,514	–	3,514
Richard Keers	At 31 December 2019	1,882	267	2,149
	Granted	680	495	1,175
	Vested	(1,112)	1,112	–
	Exercised	–	(1,874)	(1,874)
	At 31 December 2020	1,450	–	1,450
Philip Mallinckrodt[1]	At 31 December 2019	419	456	875
	Vested	(419)	419	–
	Exercised	–	(456)	(456)
	At 31 December 2020	–	419	419

1. Philip Mallinckrodt was an executive Director of Schroders until he moved to a non-executive role on 1 March 2017. During his period in an executive role he received part of his annual bonus awards in fund awards, in line with the remuneration policy for executive Directors at that time.

Directors' rights under share awards (audited)

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

		Unvested LTIP awards[1]	Other unvested share awards[2]	Vested but unexercised share awards	Total
Peter Harrison (Ordinary shares)	At 31 December 2019	76,318	163,664	25,429	265,411
	Granted	25,412	70,584	–	95,996
	LTIP award granted but not accepted	(25,412)	–	–	(25,412)
	Dividend-equivalent accrual	–	7,847	2,159	10,006
	Vested	(7,621)	(94,051)	101,672	–
	Lapsed where LTIP conditions were not met	(7,622)	–	–	(7,622)
	Exercised	–	–	(83,858)	(83,858)
	At 31 December 2020	61,075	148,044	45,402	254,521
Richard Keers (Ordinary shares)	At 31 December 2019	52,149	69,645	8,247	130,041
	Granted	16,941	28,801	–	45,742
	LTIP award granted but not accepted	(16,941)	–	–	(16,941)
	Dividend-equivalent accrual	–	3,605	623	4,228
	Vested	(5,716)	(40,536)	46,252	–
	Lapsed where LTIP conditions were not met	(5,716)	–	–	(5,716)
	Exercised	–	–	(27,737)	(27,737)
	At 31 December 2020	40,717	61,515	27,385	129,617
Philip Mallinckrodt[3] (Non-voting ordinary shares)	At 31 December 2019	4,252	21,272	26,827	51,110
	Dividend-equivalent accrual	–	–	1,188	1,188
	Vested	(2,126)	(21,272)	23,398	–
	Lapsed where LTIP conditions were not met	(2,126)	–	–	(2,126)
	Exercised	–	–	(26,827)	(26,827)
	At 31 December 2020	–	–	24,586	24,586

1. These awards will only vest to the extent that the relevant performance conditions are met. Includes LTIP awards granted on 6 March 2017, which were unvested as at 31 December 2020. These awards are expected to partially vest on 4 March 2021 (see pages 96-97) and any balance will lapse.
2. No performance conditions apply for these awards. As well as awards granted under the DAP, this includes awards granted under the Equity Compensation Plan, which was used for deferred bonus awards granted to the executive Directors until 2018, and the Equity Incentive Plan (EIP), used very selectively in the past to reward high potential employees and sustained high performance. Although executive Directors were not eligible to receive EIP awards, Peter Harrison received an EIP award in December 2013, prior to his appointment as an executive Director in May 2014.
3. Philip Mallinckrodt was an executive Director of Schroders until he moved to a non-executive role on 1 March 2017. During his period in an executive role he received part of his annual bonus awards in share awards and received LTIP awards, in line with the remuneration policy for executive Directors at that time.

During 2020, the aggregate gain on nil-cost options for the Directors, which were settled in shares, was as follows:

- Peter Harrison received £2,306,000 from exercising nil-cost options over 83,858 ordinary shares, in part granted as an element of his annual bonus award for performance in 2016, in part being the vested element of the LTIP award granted to him in 2016 and in part granted as an Equity Incentive Plan award granted to him in December 2013, prior to his appointment as an executive Director in May 2014.
- Richard Keers received £793,000 from exercising nil-cost options over 27,737 ordinary shares, in part granted as an element of his annual bonus award for performance in 2016 and in part being the vested element of the LTIP award granted to him in 2016.
- Philip Mallinckrodt received £508,000 from exercising awards over 26,827 non-voting ordinary shares, granted as part of his annual bonus award for performance in 2015.

Directors' share interests (audited)

The Directors and their connected persons had the following interests in shares in the Company.

	Number of shares at 31 December 2020	
	Ordinary shares	Non-voting ordinary shares
Executive Directors		
Peter Harrison	4,868	–
Richard Keers	830	–
Non-executive Directors		
Michael Dobson	79,965	196,165
Sir Damon Buffini	–	5,000
Rhian Davies	–	1,000
Claire Fitzalan Howard[1]	80,942,658	6,263,708
Rakhi Goss-Custard	669	–
Ian King	–	2,641
Leonie Schroder[1]	90,422,110	7,671,700
Deborah Waterhouse	–	–
Matthew Westerman	2,000	–
Former Directors		
Philip Mallinckrodt[2]	80,985,757	6,363,370

1. The interests of Claire Fitzalan Howard and Leonie Schroder include their personal holdings and the beneficial interests held by them and their connected persons in their capacity as members of a class of potential beneficiaries under certain settlements made by members of the Schroder family.
2. The interests of Philip Mallinckrodt refer to the position as at 30 April 2020, the date he stepped down as a Director of the Company. They include his personal holdings and beneficial interests that were held by him and his connected persons in their capacity as members of a class of potential beneficiaries under certain settlements made by members of the Schroder family.

Between 31 December 2020 and 2 March 2021, the only movements in the Directors' share interests were the acquisition under the Share Incentive Plan of 13 ordinary shares by Peter Harrison and 13 ordinary shares by Richard Keers.

Conduct, compliance and risk management in remuneration

Schroders' core values are excellence, innovation, teamwork, passion and integrity. We expand on these in our guiding principles to more clearly articulate the behaviours that we expect from our employees. Pages 34-37 provide more information on key elements of our people strategy.

Performance management and remuneration are important tools to reinforce expected standards of behaviour. During the annual performance appraisal, line managers assess each employee's behaviours, to identify those whose behaviour exemplifies our values as well as any employees whose behaviour falls short of the standards that we expect. To drive positive change and reinforce those behavioural expectations, we also operate a global employee recognition scheme, which provides an opportunity to recognise those who champion our values.

The Group's control functions independently review potential conduct or cultural issues to identify any instances where performance or behaviours have fallen short of our expectations. Any issues identified in this way are fed into the performance appraisal and compensation review processes. This provides a further opportunity to reflect attitudes to risk and compliance and behaviours in line with our values in the determination or allocation of the bonus pool and in individual employee performance ratings and remuneration outcomes.

We identify employees whose professional activities can have a particular risk impact on the Group, or on certain regulated subsidiaries. Our approach to identifying these 'material risk takers' takes account of the different regulatory requirements and guidance that apply across the Group. Our material risk takers are subject to enhanced scrutiny and oversight, including enhanced control function oversight of their activities and direct oversight of their remuneration by the Committee. Some material risk takers, specifically those identified under the UCITS Directive or AIFMD, are subject to higher levels of bonus deferral and a higher proportion of remuneration in fund awards, creating greater alignment with shareholders and clients. Information on remuneration changes for certain material risk takers identified under the UK implementation of CRD V is set out on page 87; this does not include the executive Directors.

To ensure the Remuneration Committee is adequately informed of risks facing the Group and the management of those risks, the Chairman of the Audit and Risk Committee serves on the Remuneration Committee. The Remuneration Committee also receives reports from the Heads of Compliance, Legal, Risk and Internal Audit as part of its consideration of remuneration proposals.

The Committee reviewed the Group's regulatory disclosures in the context of the applicable FCA and PRA requirements. The remuneration disclosures required under the Capital Requirements Directive are incorporated into the Group's Pillar 3 disclosures and are available at schroders.com/ir. Other regulatory remuneration disclosures can be found at schroders.com/remuneration-disclosures.

The information contained in the sections of this Annual Report and Accounts identified below forms part of this Directors' report:
- Strategic report
- Board of Directors
- Corporate governance report, including the Nominations Committee report and the Audit and Risk Committee report
- The Statement of Directors' responsibilities.

Share capital

Schroders has developed under stable ownership for more than 200 years and has been a public company whose ordinary shares have been listed on the London Stock Exchange since 1959. The Company's share capital is comprised of ordinary shares of £1 each and non-voting ordinary shares of £1 each. The ordinary shares have a premium listing on the London Stock Exchange and the non-voting ordinary shares have a standard listing on the London Stock Exchange.

226,022,400 ordinary shares (80% of the total issued share capital) were in issue throughout the year. The Company has no authority to issue or buy back any ordinary shares. Each ordinary share carries the right to attend and vote at general meetings of the Company. 56,505,600 non-voting ordinary shares (20% of the total issued share capital) were in issue throughout the year. No shares were held in treasury.

The non-voting ordinary shares were created in 1986 to facilitate the operation of an employee share plan without diluting the voting rights of ordinary shareholders. The non-voting ordinary shares carry the same rights as ordinary shares except that they do not provide the right to attend and vote at general meetings of the Company and that, on a capitalisation issue, they carry the right to receive non-voting ordinary shares rather than ordinary shares.

When the non-voting ordinary shares were created, the ratio of ordinary shares to non-voting ordinary shares was 4:1. The Company has at times issued non-voting ordinary shares, principally in connection with the Group's employee share plans or as consideration for an acquisition. The Company has not intended and does not intend to increase the issued non-voting ordinary share capital over the medium term and therefore has, at times, bought back non-voting ordinary shares to maintain the 4:1 ratio.

At the 2020 AGM, shareholders renewed the Directors' authority to issue 5,000,000 non-voting ordinary shares in order to provide the Directors with the flexibility to issue non-voting ordinary shares or to grant rights to subscribe for, or convert securities into, non-voting ordinary shares. Shareholders also gave approval for the Company to buy back up to 5,000,000 non-voting ordinary shares and gave authority for the disapplication of pre-emption rights in relation to the issue of up to 5,000,000 non-voting ordinary shares. Renewal of these authorities to a maximum of 5,000,000 non-voting ordinary shares will be sought at the 2021 AGM.

Under the terms of the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust, ordinary and non-voting ordinary shares are held on trust on behalf of employee share plan participants. The trustees of these trusts may exercise the voting rights in any way they think fit. In doing so, they may consider the financial and non-financial interests of the beneficiaries and their dependants. As at 2 March 2021, being the latest practicable date before the publication of this Annual Report and Accounts, the Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust together held 8,596,186 ordinary shares and 38,843 non-voting ordinary shares.

Under the terms of the Share Incentive Plan, as at 2 March 2021, 860,068 ordinary shares were held in trust on behalf of plan participants. At the participants' direction, the trustees can exercise the voting rights over ordinary shares in respect of participant share entitlements.

There are no restrictions on the transfer of the Company's shares save for:
- Restrictions imposed by laws and regulations;
- Restrictions on the transfer of shares imposed under the Company's Articles of Association or under Part 22 of the UK Companies Act 2006, in either case after a failure to supply information required to be disclosed following service of a request under section 793 of the UK Companies Act 2006; and
- Restrictions on the transfer of shares held under certain employee share plans while they remain subject to the plan.

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

Articles of Association

A special resolution to adopt new Articles of Association will be considered by the shareholders at the 2021 AGM.

2021 Annual General Meeting

The 2021 AGM will be held on Thursday 29 April 2021 at 11.30 a.m. All resolutions are voted on separately and the final voting results are published as soon as practicable after the meeting. Together with the rest of the Board, the Chairmen of the Nominations, Audit and Risk, and Remuneration Committees will be present to answer questions.

Substantial shareholdings

The table below shows the holdings of major shareholders in the voting rights of the Company, as at 31 December 2020, as notified and disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules. On 15 January 2021, Harris Associates L.P., notified the Company that their holding had decreased to 11,293,745 ordinary shares, which is 4.99% of voting rights held.

Member	Class of shares	No. of voting rights held	% of voting rights held
Vincitas Limited[1]	Ordinary	60,724,609	26.87
Veritas Limited[1]	Ordinary	36,795,041	16.28
Flavida Limited[2]	Ordinary	60,951,886	26.97
Fervida Limited[2]	Ordinary	39,724,396	17.58
Lindsell Train Limited[3]	Ordinary	22,507,143	9.958
Harris Associates L.P.[3]	Ordinary	11,443,978	5.06

1. Vincitas Limited and Veritas Limited are trustee companies which act as trustees of certain settlements made by members of the Schroder family. Vincitas Limited and Veritas Limited are party to the Relationship Agreement.
2. Flavida Limited and Fervida Limited are protector companies which act as protectors of certain settlements made by members of the Schroder Family. Flavida Limited and Fervida Limited are parties to the Relationship Agreement. Their interests in shares are principally in respect of shares in which Vincitas Limited and Veritas Limited are also interested.
3. Lindsell Train Limited and Harris Associates L.P. are not party to the Relationship Agreement.

Relationship Agreement

Following changes made to the UK Listing Rules in May 2014, companies with a shareholder or shareholders who could, when acting in concert, exercise 30% or more of the voting rights of a company at a general meeting, are required to enter into a binding agreement with that shareholder or shareholders. This is intended to ensure that the parties to the agreement comply with certain independence provisions as set out in the Listing Rules. Accordingly, on 14 November 2014, the Company entered into such an agreement (the Relationship Agreement) with a number of shareholders who own or control the ordinary shares (and associated voting rights) and additional shareholders have adhered to the Relationship Agreement as required since that date.

The Schroder family interests are in shares owned directly or indirectly by trustee companies which act as trustees of various trusts settled by family individuals, in shares owned by family individuals, and in shares owned by a family charity. The trustee holdings include the interests (43.15%) held by Vincitas Limited and Veritas Limited, as disclosed in the above table, and further interests held by other trustee companies which are not required to be disclosed under the Disclosure Guidance and Transparency Rules.

If aggregated, the total interests covered by the Relationship Agreement including shares held by the trustee companies, individuals and the family charity amount to 108,323,711 of the Company's ordinary shares (47.93%).

In accordance with Listing Rule 9.8.4(14), the Board confirms that for the year ended 31 December 2020:
- the Company has complied with the independence provisions included in the Relationship Agreement; and
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

Dividends

The Directors are recommending a final dividend of 79 pence per share, which if approved by shareholders at the AGM, will be paid on 6 May 2021 to shareholders on the register of members at close of business on 26 March 2021. Details of the Company's dividend policy are set out on page 29. Dividends payable in respect of the year, subject to this approval, along with prior year payments, are set out below.

Ordinary shares and non-voting ordinary shares	2020		2019	
	pence	£m	pence	£m
Interim	35.0	95.7	35.0	95.8
Final*	79.0	216.3	79.0	216.7
Total	114.0	312.0	114.0	312.5

* Subject to approval by shareholders at the 2021 AGM.

The Schroders Employee Benefit Trust and the Schroder US Holdings Inc. Grantor Trust have waived their rights to dividends paid on both the ordinary and non-voting ordinary shares in respect of 2020 and future periods. See notes 7 and 22 to the financial statements.

Corporate responsibility

Details of the Company's employment practices, including diversity and employee involvement, can be found in the Strategic report from page 30.

We are committed to minimising the environmental impact of our operations and to delivering continuous improvement in our environmental performance. See page 46 for more details on our total CO_2e emissions data.

Indemnities and insurance

At the 2007 AGM, shareholders authorised the Company to provide indemnities to, and to fund defence costs for, Directors in certain circumstances. All Directors, at the time shareholder approval was received, were granted specific deeds of indemnity and any Director appointed subsequently has been granted such an indemnity. This means that, on their appointment, new Directors are granted an indemnity as defined in the Companies Act 2006 in respect of any third-party liabilities that they may incur as a result of their service on the Board. All Directors' indemnities were in place during the year and remain in force.

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

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

As part of the integration of Cazenove Capital, the Cazenove Capital Management Limited Pension Scheme was merged with the Schroders Retirement Benefits Scheme, with effect from 31 December 2014. Pursuant to that merger, a qualifying pension scheme indemnity (as defined in section 235 of the Companies Act 2006) provided by Schroders plc for the benefit of the directors of Cazenove Capital Management Pension Trustee Limited, a subsidiary of the Company at that time, was put in place at that time and remains in force. This indemnity covers, to the extent permitted by law, certain losses or liabilities incurred by the directors of Cazenove Capital Management Pension Trustee Limited in connection with that company's activities as trustee of the Cazenove Capital Management Limited Pension Scheme.

Directors' conflicts of interest

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

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

Change of control

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

Under the Group's Revolving Credit Facility Agreement, if a change of control of the Company occurs, the lenders are not obliged to provide further funding under the facility. The Company and lenders have up to 30 days to agree the continued use of the facility. If there is no agreement, repayment of the facility and accrued interest may be requested by the lenders with not less than 10 days' notice.

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

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

Political donations

No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year (2019: nil) and there is no intention to make or incur any in the current year.

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

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

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(5) Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking;	See page 75
(6) Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review;	See page 75
(12) Details of any arrangements under which a shareholder has waived or agreed to waive any dividends.	See pages 104 121 and 146
(13) Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	See pages 104, 121 and 146
(14) A statement made by the Board that the Company has entered into an agreement under LR 9.2.2A, that the Company has, and, as far as it is aware, the other parties to the agreement have, complied with the provisions in the agreement.	See page 104

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the 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 signed. They therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

In addition, the Directors have assessed the Company's viability over a period of five years. The results of this assessment are set out on page 56.

By order of the Board.

Graham Staples
Company Secretary

3 March 2021

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

The Companies Act 2006, being the applicable law in the UK, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Company financial statements in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 and the Group financial statements in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union. Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make estimates and judgements that are reasonable and prudent.
- State that the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, subject to any material departure disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

Directors' statement

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

The consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group.

The Directors' report contained in this Annual Report and Accounts which comprises the sections described on page 103, includes a fair review of the development and performance of the business and the position of the Company and the Group and a description of the principal risks and uncertainties that they face.

So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware.

The Director has taken all the steps that ought to have been taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

The Directors are responsible for the maintenance and integrity of the audited financial information on the website at schroders.com.

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

Forward-looking statements

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

Consolidated financial statements

Notes to the accounts

Schroders plc financial statements

Schroders plc – Notes to the accounts

Consolidated income statement
for the year ended 31 December 2020

	Notes	2020 Before exceptional items £m	2020 Exceptional items[2] £m	2020 Total £m	2019 Before exceptional items £m	2019 Exceptional items[2] £m	2019 Total £m
Revenue		2,512.7	–	2,512.7	2,537.0	–	2,537.0
Cost of sales		(453.1)	–	(453.1)	(484.6)	–	(484.6)
Net operating revenue	2	**2,059.6**	**–**	**2,059.6**	**2,052.4**	**–**	**2,052.4**
Net gain on financial instruments and other income	3	55.5	0.4	55.9	41.9	1.1	43.0
Share of profit of associates and joint ventures	10	64.1	(21.0)	43.1	30.5	(3.3)	27.2
Net income		**2,179.2**	**(20.6)**	**2,158.6**	**2,124.8**	**(2.2)**	**2,122.6**
Operating expenses	4	(1,476.9)	(71.2)	(1,548.1)	(1,423.6)	(74.4)	(1,498.0)
Profit before tax		**702.3**	**(91.8)**	**610.5**	**701.2**	**(76.6)**	**624.6**
Tax	5(a)	(133.5)	9.0	(124.5)	(140.5)	11.6	(128.9)
Profit after tax[1]		**568.8**	**(82.8)**	**486.0**	**560.7**	**(65.0)**	**495.7**
Earnings per share							
Basic	6	**200.8p**	**(28.4)p**	**172.4p**	**201.6p**	**(22.7)p**	**178.9p**
Diluted	6	**197.2p**	**(27.9)p**	**169.3p**	**198.0p**	**(22.2)p**	**175.8p**
Total dividend per share	7			**114.0p**			**114.0p**

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit after tax[1]		**486.0**	**495.7**
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		37.8	(56.0)
Net gain on financial assets at fair value through other comprehensive income	3	1.4	6.3
Net gain on financial assets at fair value through other comprehensive income held by associates	10	0.1	–
Tax on items taken directly to other comprehensive income	5(b)	(0.3)	(0.4)
		39.0	**(50.1)**
Items that will not be reclassified to the income statement:			
Net actuarial gain/(loss) on defined benefit pension schemes	25	30.4	(23.2)
Tax on items taken directly to other comprehensive income	5(b)	(5.0)	4.0
		25.4	**(19.2)**
Other comprehensive income for the year, net of tax[1]		**64.4**	**(69.3)**
Total comprehensive income for the year[1]		**550.4**	**426.4**

1. Non-controlling interest is presented in the Consolidated statement of changes in equity.
2. See note 1(b) for a definition and further details of exceptional items.

Consolidated statement of financial position
at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Cash and cash equivalents		3,469.6	2,660.3
Trade and other receivables	8	840.3	806.7
Financial assets	9	2,871.8	3,016.4
Associates and joint ventures	10	405.2	398.0
Property, plant and equipment	11, 12	590.9	652.3
Goodwill and intangible assets	13	1,208.0	1,133.4
Deferred tax	14	32.9	36.9
Retirement benefit scheme surplus	25	168.2	136.3
		9,586.9	**8,840.3**
Assets backing unit-linked liabilities			
Cash and cash equivalents		746.3	972.6
Financial assets		11,339.9	11,453.3
	15	**12,086.2**	**12,425.9**
Total assets		**21,673.1**	**21,266.2**
Liabilities			
Trade and other payables	16	927.7	921.7
Financial liabilities	17	4,085.2	3,531.1
Lease liabilities	12	397.2	425.3
Current tax		21.5	54.1
Provisions	18	26.4	32.2
Deferred tax	14	31.5	16.2
Retirement benefit scheme deficits		11.5	12.2
		5,501.0	**4,992.8**
Unit-linked liabilities	15	**12,086.2**	**12,425.9**
Total liabilities		**17,587.2**	**17,418.7**
Net assets		**4,085.9**	**3,847.5**
Total equity[1]		**4,085.9**	**3,847.5**

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

The financial statements were approved by the Board of Directors on 3 March 2021 and signed on its behalf by:

Richard Keers
Director

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the parent								
At 1 January 2020		**282.5**	**124.2**	**(169.1)**	**128.4**	**106.1**	**3,308.8**	**3,780.9**	**66.6**	**3,847.5**
Profit for the year		–	–	–	–	43.1	433.2	476.3	9.7	486.0
Other comprehensive income[1]		–	–	–	37.2	0.1	26.5	63.8	0.6	64.4
Total comprehensive income for the year		**–**	**–**	**–**	**37.2**	**43.2**	**459.7**	**540.1**	**10.3**	**550.4**
Own shares purchased	22	–	–	(58.3)	–	–	–	(58.3)	–	(58.3)
Share-based payments	26	–	–	–	–	–	56.1	56.1	–	56.1
Tax in respect of share schemes	5(c)	–	–	–	–	–	3.5	3.5	–	3.5
Other movements		–	–	–	–	0.2	(8.0)	(7.8)	6.3	(1.5)
Dividends	7	–	–	–	–	–	(311.7)	(311.7)	(0.1)	(311.8)
Transactions with shareholders		**–**	**–**	**(58.3)**	**–**	**0.2**	**(260.1)**	**(318.2)**	**6.2**	**(312.0)**
Transfers		**–**	**–**	**67.6**	**–**	**(15.9)**	**(51.7)**	**–**	**–**	**–**
At 31 December 2020		**282.5**	**124.2**	**(159.8)**	**165.6**	**133.6**	**3,456.7**	**4,002.8**	**83.1**	**4,085.9**

	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the parent								
At 1 January 2019		282.5	124.2	(163.9)	184.4	83.1	3,108.2	3,618.5	2.7	3,621.2
Restatement on adoption of IFRS 16		–	–	–	–	–	(6.9)	(6.9)	–	(6.9)
At 1 January 2019 (restated)		**282.5**	**124.2**	**(163.9)**	**184.4**	**83.1**	**3,101.3**	**3,611.6**	**2.7**	**3,614.3**
Profit for the year		–	–	–	–	27.2	466.9	494.1	1.6	495.7
Other comprehensive income[1]		–	–	–	(56.0)	–	(13.3)	(69.3)	–	(69.3)
Total comprehensive income for the year		**–**	**–**	**–**	**(56.0)**	**27.2**	**453.6**	**424.8**	**1.6**	**426.4**
Own shares purchased	22	–	–	(81.0)	–	–	–	(81.0)	–	(81.0)
Share-based payments	26	–	–	–	–	–	61.6	61.6	–	61.6
Tax in respect of share schemes	5(c)	–	–	–	–	–	5.2	5.2	–	5.2
Movements in ownership interests in subsidiaries[2]		–	–	–	–	–	127.3	127.3	48.4	175.7
Other movements		–	–	–	–	(0.7)	(55.6)	(56.3)	16.3	(40.0)
Dividends	7	–	–	–	–	–	(312.3)	(312.3)	(2.4)	(314.7)
Transactions with shareholders		**–**	**–**	**(81.0)**	**–**	**(0.7)**	**(173.8)**	**(255.5)**	**62.3**	**(193.2)**
Transfers		**–**	**–**	**75.8**	**–**	**(3.5)**	**(72.3)**	**–**	**–**	**–**
At 31 December 2019		**282.5**	**124.2**	**(169.1)**	**128.4**	**106.1**	**3,308.8**	**3,780.9**	**66.6**	**3,847.5**

1. Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange gain/(loss) on the translation of foreign operations net of hedging. Other comprehensive income reported in the associates and joint ventures reserve represents post-tax fair value movements on financial assets at fair value through other comprehensive income. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial gain/(loss) on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.
2. Movements in ownership interests in subsidiaries in 2019, principally relates to a gain of £153.6 million on the sale of a 19.9% interest in the Group's UK Wealth Management business.

Consolidated cash flow statement
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Net cash from operating activities	23	**832.5**	**1,002.0**
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(18.3)	(152.4)
Net acquisition of property, plant and equipment and intangible assets		(92.8)	(142.9)
Acquisition of financial assets		(1,728.2)	(1,730.2)
Disposal of financial assets		1,974.2	1,841.2
Non-banking interest received		14.9	22.5
Distributions received from associates and joint ventures		1.5	3.5
Net cash from/(used in) investing activities		**151.3**	**(158.3)**
Cash flows from financing activities			
Purchase of subsidiary shares		(15.8)	(44.3)
Lease payments	12	(44.4)	(26.5)
Acquisition of own shares	22	(58.3)	(81.0)
Dividends paid	7	(311.8)	(314.7)
Other flows		(0.8)	(0.5)
Net cash used in financing activities		**(431.1)**	**(467.0)**
Net increase in cash and cash equivalents		**552.7**	**376.7**
Opening cash and cash equivalents		3,632.9	3,281.6
Net increase in cash and cash equivalents		552.7	376.7
Effect of exchange rate changes		30.3	(25.4)
Closing cash and cash equivalents		**4,215.9**	**3,632.9**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		3,421.9	2,578.4
Cash held in consolidated pooled investment vehicles		47.7	81.9
Cash and cash equivalents presented within assets		**3,469.6**	**2,660.3**
Cash and cash equivalents presented within assets backing unit-linked liabilities		746.3	972.6
Closing cash and cash equivalents		**4,215.9**	**3,632.9**

Notes to the accounts

1. Segmental reporting
(a) Operating segments

The Group has three business segments: Asset Management, Wealth Management and the Group segment. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset solutions and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services. The Group segment principally comprises the Group's investment capital and treasury management activities, corporate development and strategy activities and the management costs associated with governance and corporate management.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive. The Wealth Management segment includes the Group's proportional share of the income and expenses of its 49.9% interest in SPW on an individual account line basis. This reflects the basis on which the Group monitors the performance of the business. The adjustment column re-presents the results of SPW on a post-tax basis within share of profit of associates and joint ventures in accordance with the accounting standards.

Operating expenses includes an allocation of costs between the individual business segments on a basis that aligns the charge with the resources employed by the Group in respect of particular business functions. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure.

Year ended 31 December 2020	**Asset Management £m**	**Wealth Management £m**	**Group £m**	**Segmental total £m**	**Adjustments £m**	**Group total £m**
Revenue	2,182.6	393.3	–	2,575.9	(63.2)	2,512.7
Cost of sales	(435.4)	(26.4)	–	(461.8)	8.7	(453.1)
Net operating revenue	**1,747.2**	**366.9**	**–**	**2,114.1**	**(54.5)**	**2,059.6**
Net gain on financial instruments and other income	(9.8)	14.7	58.1	63.0	(7.5)	55.5
Share of profit of associates and joint ventures	49.5	1.1	–	50.6	13.5	64.1
Net income	**1,786.9**	**382.7**	**58.1**	**2,227.7**	**(48.5)**	**2,179.2**
Operating expenses	(1,213.6)	(272.2)	(39.6)	(1,525.4)	48.5	(1,476.9)
Profit before tax and exceptional items	**573.3**	**110.5**	**18.5**	**702.3**	**–**	**702.3**

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group Total £m
Revenue	2,217.9	334.0	–	2,551.9	(14.9)	2,537.0
Cost of sales	(454.8)	(31.9)	–	(486.7)	2.1	(484.6)
Net operating revenue	**1,763.1**	**302.1**	**–**	**2,065.2**	**(12.8)**	**2,052.4**
Net gain on financial instruments and other income	(5.4)	6.5	40.8	41.9	–	41.9
Share of profit of associates and joint ventures	23.5	1.0	4.1	28.6	1.9	30.5
Net income	**1,781.2**	**309.6**	**44.9**	**2,135.7**	**(10.9)**	**2,124.8**
Operating expenses	(1,174.3)	(222.1)	(38.1)	(1,434.5)	10.9	(1,423.6)
Profit before tax and exceptional items	**606.9**	**87.5**	**6.8**	**701.2**	**–**	**701.2**

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

1. Segmental reporting continued

(b) Exceptional items

Exceptional items are significant items of income and expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items relate principally to items arising from acquisitions (including associates and joint ventures) undertaken by the Group, including amortisation of acquired intangible assets, certain one-off costs in 2020 relating to the Group's property estate, and in 2019, the cost reduction programme.

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Profit before tax and exceptional items	**573.3**	**110.5**	**18.5**	**702.3**	**–**	**702.3**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	0.4	–	–	0.4	–	0.4
Associates and joint ventures amortisation of acquired intangible assets and other costs	–	(21.0)	–	(21.0)	–	(21.0)
	0.4	**(21.0)**	**–**	**(20.6)**	**–**	**(20.6)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(13.8)	(22.5)	–	(36.3)	–	(36.3)
Other expenses	(16.4)	(2.2)	(16.3)	(34.9)	–	(34.9)
	(30.2)	**(24.7)**	**(16.3)**	**(71.2)**	**–**	**(71.2)**
Profit before tax and after exceptional items	**543.5**	**64.8**	**2.2**	**610.5**	**–**	**610.5**

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Profit before tax and exceptional items	**606.9**	**87.5**	**6.8**	**701.2**	**–**	**701.2**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	1.1	–	–	1.1	–	1.1
Associates and joint ventures amortisation of acquired intangible assets and other costs	–	(3.3)	–	(3.3)	–	(3.3)
	1.1	**(3.3)**	**–**	**(2.2)**	**–**	**(2.2)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(9.1)	(20.9)	–	(30.0)	–	(30.0)
Cost reduction programme	(22.3)	(5.7)	(1.0)	(29.0)	–	(29.0)
Other expenses	(11.1)	(4.7)	0.4	(15.4)	–	(15.4)
	(42.5)	**(31.3)**	**(0.6)**	**(74.4)**	**–**	**(74.4)**
Profit before tax and after exceptional items	**565.5**	**52.9**	**6.2**	**624.6**	**–**	**624.6**

(c) Geographical information

The Group's non-current assets[1] are located in the following countries:

	2020 £m	2019 £m
United Kingdom	1,513.4	1,411.7
Switzerland	187.4	272.2
China	159.4	118.2
United States	111.7	122.6
France	86.6	85.0
Singapore	44.2	57.1
Other	107.6	117.0
Total	**2,210.3**	**2,183.8**

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

Notes to the accounts continued

1. Segmental reporting continued
(d) Non-cash items

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Operating expenses include the following non-cash items:						
Share-based payments	(48.9)	(4.1)	(3.1)	(56.1)	–	(56.1)
Depreciation and amortisation	(125.6)	(30.4)	(12.8)	(168.8)	–	(168.8)

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Total £m
Operating expenses include the following non-cash items:						
Share-based payments	(53.4)	(4.6)	(3.6)	(61.6)	–	(61.6)
Depreciation and amortisation	(111.1)	(27.0)	(0.6)	(138.7)	–	(138.7)

Where applicable, exceptional items are included in the non-cash items presented above.

2. Net operating revenue

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

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

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

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

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

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

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

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

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

2. Net operating revenue continued

a) Net operating revenue by segment is presented below:

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,058.0	332.4	–	2,390.4	(63.2)	2,327.2
Performance fees	85.8	1.1	–	86.9	–	86.9
Carried interest	21.3	–	–	21.3	–	21.3
Other fees	17.5	42.6	–	60.1	–	60.1
Wealth Management interest income earned	–	17.2	–	17.2	–	17.2
Revenue	**2,182.6**	**393.3**	**–**	**2,575.9**	**(63.2)**	**2,512.7**
Fee expense	(422.9)	(23.3)	–	(446.2)	8.7	(437.5)
Change in financial obligations in respect of carried interest	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense incurred	–	(3.1)	–	(3.1)	–	(3.1)
Cost of sales	**(435.4)**	**(26.4)**	**–**	**(461.8)**	**8.7**	**(453.1)**
Net operating revenue	**1,747.2**	**366.9**	**–**	**2,114.1**	**(54.5)**	**2,059.6**

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Total £m
Management fees	2,140.3	253.2	–	2,393.5	(13.3)	2,380.2
Performance fees	42.9	0.9	–	43.8	–	43.8
Carried interest	23.4	–	–	23.4	–	23.4
Other fees	11.3	37.6	–	48.9	(1.6)	47.3
Wealth Management interest income earned	–	42.3	–	42.3	–	42.3
Revenue	**2,217.9**	**334.0**	**–**	**2,551.9**	**(14.9)**	**2,537.0**
Fee expense	(460.7)	(13.6)	–	(474.3)	2.1	(472.2)
Change in financial obligations in respect of carried interest	5.9	–	–	5.9	–	5.9
Wealth Management interest expense incurred	–	(18.3)	–	(18.3)	–	(18.3)
Cost of sales	**(454.8)**	**(31.9)**	**–**	**(486.7)**	**2.1**	**(484.6)**
Net operating revenue	**1,763.1**	**302.1**	**–**	**2,065.2**	**(12.8)**	**2,052.4**

Notes to the accounts continued

2. Net operating revenue continued

b) Net operating revenue is presented below by region based on the location of clients:

Year ended 31 December 2020	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	784.4	724.4	589.6	292.0	2,390.4	(63.2)	2,327.2
Performance fees	7.8	31.9	26.5	20.7	86.9	–	86.9
Carried interest	–	21.3	–	–	21.3	–	21.3
Other fees	37.1	14.0	8.9	0.1	60.1	–	60.1
Wealth Management interest income earned	14.5	2.3	0.4	–	17.2	–	17.2
Revenue	**843.8**	**793.9**	**625.4**	**312.8**	**2,575.9**	**(63.2)**	**2,512.7**
Fee expense	(59.8)	(175.6)	(171.4)	(39.4)	(446.2)	8.7	(437.5)
Change in financial obligations in respect of carried interest	–	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense incurred	(3.0)	(0.1)	–	–	(3.1)	–	(3.1)
Cost of sales	**(62.8)**	**(188.2)**	**(171.4)**	**(39.4)**	**(461.8)**	**8.7**	**(453.1)**
Net operating revenue	**781.0**	**605.7**	**454.0**	**273.4**	**2,114.1**	**(54.5)**	**2,059.6**

Year ended 31 December 2019	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	727.9	750.5	622.8	292.3	2,393.5	(13.3)	2,380.2
Performance fees	6.0	15.0	14.6	8.2	43.8	–	43.8
Carried interest	–	23.4	–	–	23.4	–	23.4
Other fees	32.1	10.1	6.6	0.1	48.9	(1.6)	47.3
Wealth Management interest income earned	34.3	6.6	1.4	–	42.3	–	42.3
Revenue	**800.3**	**805.6**	**645.4**	**300.6**	**2,551.9**	**(14.9)**	**2,537.0**
Fee expense	(58.1)	(194.9)	(180.4)	(40.9)	(474.3)	2.1	(472.2)
Change in financial obligations in respect of carried interest	–	5.9	–	–	5.9	–	5.9
Wealth Management interest expense incurred	(15.7)	(2.5)	(0.1)	–	(18.3)	–	(18.3)
Cost of sales	**(73.8)**	**(191.5)**	**(180.5)**	**(40.9)**	**(486.7)**	**2.1**	**(484.6)**
Net operating revenue	**726.5**	**614.1**	**464.9**	**259.7**	**2,065.2**	**(12.8)**	**2,052.4**

Estimates and judgements – revenue

Carried interest represents the Group's contractual right to a share of the profits of around 95 private asset investment vehicles (2019: 85 vehicles), if certain performance hurdles are met. It is recognised when the relevant services have been provided and it is highly probable that a significant reversal will not occur.

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

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

The Group assesses the maturity of the respective investment vehicles by reference to the percentage of committed capital invested and original capital returned to clients. This helps the Group to understand whether a significant risk of reversal exists and to determine whether the revenue should be recognised or further constrained in accordance with the accounting standards.

2. Net operating revenue continued

Estimates and judgements – cost of sales

The crystallisation of financial obligations in respect of carried interest (carried interest payable) is contingent on the Group receiving the related revenue. The Group therefore applies the same estimates and judgements as those used to determine the present value of the carried interest receivable, as set out on page 116, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £2.8 million (2019: £3.2 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £1.6 million/£3.0 million (2019: £3.0 million/£2.4million) and this amount would be lower than the corresponding increase/reduction in revenue.

3. Net gain on financial instruments and other income

The Group's net gain on financial instruments and other income principally arises from financial instruments it holds to support its capital strategies, which comprise operating capital, seed and co-investment capital and other investible equity. Operating capital is retained in the Group's operating entities to meet minimum local regulatory capital requirements and other capital required for day-to-day operational purposes. Operating capital principally comprises cash and cash equivalents and other low-risk financial instruments, as well as financial instruments held to hedge fair value movements on certain deferred fund awards. Seed and co-investment capital represents strategic investments in the Group's products to develop new investment strategies and co-invest selectively alongside clients. Seed and co-investment capital is financed from investment capital and, where practical, the market risk on seed capital investments is hedged. Other investible equity held in excess of operating requirements is transferred to investment capital, which is managed centrally in accordance with limits approved by the Board.

A portion of the Group's financial instruments measured at fair value are classified as financial instruments at fair value through profit or loss (FVTPL). Net gains and losses on financial instruments at FVTPL principally comprise market returns on investments in debt securities, equities, pooled investment vehicles, gains and losses on derivatives (which mainly arise from hedging activities) and gains and losses on contingent consideration arising from business combinations. Net gains and losses on financial instruments at FVTPL that are held to hedge deferred employee cash awards are presented separately and are included within operating expenses (see note 4). The cost of financial obligations in respect of carried interest (other than that relating to contingent consideration) is presented separately and is included within cost of sales (see note 2). In both instances, the presentation better reflects the substance of these transactions and provides more relevant information about the Group's net income and operating expenses.

The remainder of the Group's financial assets measured at fair value are classified as financial assets at fair value through other comprehensive income (FVOCI). Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income, and the cumulative gains and losses are transferred to the income statement if the investment is sold or otherwise realised. Interest earned on these assets is recognised using the effective interest method and recorded as net finance income within net gains on financial instruments and other income. An explanation of how the Group's financial assets and financial liabilities are classified and measured is included in notes 9 and 17.

Expected credit losses are calculated on financial assets measured at amortised cost and debt instruments measured at FVOCI and are recognised in net gains on financial investment and other income in the income statement (see note 20).

Net finance income is derived from interest on non-banking activities, principally generated from cash and deposits with banks, but also as a result of holding investments in debt securities at amortised cost or FVOCI. Debt securities and cash held outside of Wealth Management entities are managed mainly by Group Treasury to earn competitive rates of return and provide liquidity throughout the Group. Significant amounts of the Group's cash and interest-earning securities are held within Wealth Management and are managed by the Wealth Management treasury team. Interest earned on the assets held within Wealth Management is included in revenue and interest incurred on the liabilities assumed is included in cost of sales. Interest is recognised using the effective interest method (see note 2).

Other income includes amounts arising from ancillary services provided by Benchmark Capital, gains and losses on foreign exchange and rent receivable from subletting properties.

Notes to the accounts continued

3. Net gain on financial instruments and other income continued

Year ended 31 December	2020 Income statement £m	2020 Other comprehensive income £m	2020 Total £m	2019 Income statement £m	2019 Other comprehensive income £m	2019 Total £m
Net gain on financial instruments at FVTPL	**58.0**	**–**	**58.0**	**0.6**	**–**	**0.6**
Net gain arising from fair value movements	–	1.9	1.9	–	6.8	6.8
Net transfers on disposal	0.5	(0.5)	–	0.5	(0.5)	–
Net gain on financial assets at FVOCI	**0.5**	**1.4**	**1.9**	**0.5**	**6.3**	**6.8**
Net finance income	1.1	–	1.1	8.3	–	8.3
Other (loss)/income	(3.7)	–	(3.7)	33.6	–	33.6
Net gain on financial instruments and other income[1]	**55.9**	**1.4**	**57.3**	**43.0**	**6.3**	**49.3**
Net gain on financial instruments held to hedge employee deferred cash awards – presented within operating expenses (see note 4)	25.6	–	25.6	21.3	–	21.3
Change in financial obligations in respect of carried interest – presented within cost of sales (see note 2)	(12.5)	–	(12.5)	5.9	–	5.9
Net gain on financial instruments and other income – including amounts presented elsewhere	**69.0**	**1.4**	**70.4**	**70.2**	**6.3**	**76.5**

1. Includes a credit of £0.4 million (2019: £1.1 million credit) of exceptional items.

4. Operating expenses

Operating expenses represents the Group's administrative expenses and is recognised as the services are received. Certain costs, such as depreciation of property, plant and equipment, are charged evenly over the life of the relevant contract or useful life of the asset. The biggest component of the Group's operating expenses is the cost of employee benefits, as shown below. Other costs include accommodation, information technology, marketing and outsourcing costs.

The control of costs, including compensation costs, is a key performance objective of the Group. Compensation costs are managed to a target total compensation ratio of between 45% and 49%. Targeting a total compensation ratio range provides some flexibility to manage the overall cost base in response to market conditions. Total costs are managed to a target long-term key performance indicator ratio of total costs to net income of 65%.

Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses. The Group makes some performance awards to employees that are deferred over a specified vesting period. Such awards are charged to the income statement over the performance period and the vesting period. The Group holds investments that are linked to these performance awards in order to hedge the related expense. Gains and losses on these investments are netted against the relevant costs in the income statement but are presented separately below (see note 3).

Further detail on other employee benefits can be found elsewhere within these financial statements, see note 25 for pension costs and note 26 for compensation that is awarded in Schroders plc shares.

(a) Employee benefits expense and number of employees

Year ended 31 December	2020 £m	2019 £m
Salaries, wages and other remuneration	871.5	855.6
Social security costs	82.5	84.2
Pension costs	54.1	44.1
Employee benefits expense	**1,008.1**	**983.9**
Net gain on financial instruments held to hedge deferred cash awards	(25.6)	(21.3)
Employee benefits expense – net of hedging	**982.5**	**962.6**

The employee benefits expense net of hedging of £982.5 million (2019: £962.6 million) includes £7.8 million (2019: £35.3 million) that is presented within exceptional items. This comprises £7.8 million (2019: £6.3 million) arising from acquisitions completed by the Group and, in 2019, £29.0 million in relation to the cost reduction programme.

Information about the compensation of key management personnel can be found in note 27. Details of the amounts payable to Directors along with the number of Directors who exercised share options in the year is provided in the Remuneration report on pages 75 to 102.

The monthly average number of employees of the Company and its subsidiary undertakings during the year was:

	2020 Number	2019 Number
Full-time employees	5,165	4,778
Contract and temporary employees	391	581
	5,556	**5,359**
Employed as follows:		
Asset Management	4,384	4,222
Wealth Management	1,142	1,101
Group	30	36
	5,556	**5,359**

(b) Audit and other services

Year ended 31 December	2020 £m	2019 £m
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	0.6	0.6
Fees payable to the auditor and its associates for other services:		
Audit of the Company's subsidiaries	3.6	3.4
Audit-related assurance services	1.1	1.0
Other assurance services	0.5	0.5
Other non-audit services	–	0.1
	5.8	**5.6**

Notes to the accounts continued

5. Tax expense

The Group is headquartered in the UK and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the income statement (see part (a)) and relate to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income or expenses are recognised in a different period for tax and accounting purposes or specific treatment relating to acquisitions (deferred tax – see note 14). Some current and deferred taxes are recorded through other comprehensive income (see part (b)) or directly to equity, where the tax arises from changes in the value of remuneration settled as shares (see part (c)).

(a) Analysis of tax charge reported in the income statement

Year ended 31 December	2020 £m	2019 £m
UK current year charge	49.9	60.9
Rest of the world current year charge	69.3	67.7
Adjustments in respect of prior year estimates	(4.8)	(1.1)
Total current tax	**114.4**	**127.5**
Origination and reversal of temporary differences	0.5	(4.1)
Adjustments in respect of prior year estimates	5.0	2.5
Effect of changes in corporation tax rates	4.6	3.0
Total deferred tax	**10.1**	**1.4**
Tax charge reported in the income statement	**124.5**	**128.9**

(b) Analysis of tax charge/(credit) reported in other comprehensive income

Year ended 31 December	2020 £m	2019 £m
Current tax charge/(credit) on movements in financial assets at fair value through other comprehensive income	0.2	(1.1)
Deferred tax charge/(credit) on actuarial gains and losses on defined benefit pension schemes	5.6	(4.0)
Deferred tax (credit)/charge on other movements through other comprehensive income	(0.1)	1.5
Deferred tax - effect of changes in corporation tax rates	(0.4)	–
Tax charge/(credit) reported in other comprehensive income	**5.3**	**(3.6)**

(c) Analysis of tax credit reported in equity

Year ended 31 December	2020 £m	2019 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(2.7)	(2.6)
Deferred tax credit on Deferred Award Plan and other share-based remuneration	(0.5)	(2.6)
Deferred tax - effect of changes in corporation tax rates	(0.3)	–
Tax credit reported in equity	**(3.5)**	**(5.2)**

(d) Factors affecting tax charge for the year

The UK standard rate of corporation tax for 2020 is 19% (2019: standard rate of 19%). The tax charge for the year is higher (2019: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	2020 £m	2019 £m
Profit before tax	610.5	624.6
Less share of profit of associates and joint ventures	(43.1)	(27.2)
Profit before tax of Group entities	**567.4**	**597.4**
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	**107.8**	**113.5**
Effects of:		
Different statutory tax rates of overseas jurisdictions	5.9	8.0
Permanent differences including non-taxable income and non-deductible expenses	10.0	1.7
Net movement in temporary differences for which no deferred tax is recognised	(4.0)	1.3
Deferred tax adjustments in respect of changes in corporation tax rates	4.6	3.0
Adjustments in respect of prior year estimates	0.2	1.4
Tax charge reported in the income statement	**124.5**	**128.9**

5. Tax expense continued

Estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. Liabilities relating to open and judgemental matters, including those in relation to deferred taxes, are based on the Group's assessment of the most likely outcome based on the information available. As a result, certain tax amounts are based on estimates using factors that are relevant to the specific judgement. The Group engages constructively and transparently with tax authorities with a view to early resolution of any uncertain tax matters. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. Such estimates are based on assumptions made on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances, including local tax laws. There was no individual judgemental component of the tax expense that was material to the Group results when taking into account the likely range of potential outcomes.

6. Earnings per share

This key performance indicator shows the portion of the Group's profit after tax that is attributable to each share issued by the Company, excluding own shares held by the Group. The calculation is based on the weighted average number of shares in issue during the year. The diluted figure recalculates that number as if all share options that would be expected to be exercised, as they have value to the option holder, had been exercised in the year. Shares that may be issued are not taken into account if the impact does not reduce earnings per share.

Reconciliation of the figures used in calculating basic and diluted earnings per share:

Year ended 31 December	2020 Number Millions	2019 Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	276.2	276.2
Effect of dilutive potential shares – share options	5.0	4.8
Effect of dilutive potential shares – contingently issuable shares	0.1	0.1
Weighted average number of shares used in the calculation of diluted earnings per share	**281.3**	**281.1**

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £14.2 million (2019: £4.0 million). After exceptional items, the profit after tax attributable to non-controlling interest was £9.7 million (2019: £1.6 million).

7. Dividends

Dividends are distributions of profit to holders of the Group's share capital, usually announced with the Group's half-year and annual results. Dividends are recognised only when they are paid or approved by shareholders. The reduction in equity in the year therefore comprises the prior year final dividend and the current year interim dividend.

	2021		2020		2019	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Prior year final dividend paid			216.0	79.0	216.5	79.0
Interim dividend paid			95.7	35.0	95.8	35.0
Total dividends paid			**311.7**	**114.0**	**312.3**	**114.0**
Current year final dividend recommended	**216.3**	**79.0**				

Dividends of £10.4 million (2019: £9.8 million) on shares held by employee benefit trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2020 final dividend of 79.0 pence per share (2019 final dividend: 79.0 pence), amounting to £216.3 million (2019 final dividend: £216.0 million). The dividend will be paid on 6 May 2021 to shareholders on the register at 26 March 2021 and will be accounted for in 2021.

In addition, the Group paid £0.1 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2020 (2019: £2.4 million), resulting in total dividends paid of £311.8 million (2019: £314.7 million).

Notes to the accounts continued

8. Trade and other receivables

Trade and other receivables includes prepayments and deposits with banks in the form of bullion as well as amounts the Group is due to receive from third parties in the normal course of business. Trade and other receivables, other than deposits with banks in the form of bullion, are recorded initially at fair value and subsequently at amortised cost (see note 9). Prepayments arise where the Group pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense is recognised in the income statement. Accrued income, other than amounts relating to carried interest, represents unbilled revenue and is not dependent on future performance. Amounts due from third parties also include settlement accounts for transactions undertaken on behalf of funds and investors. Deposits with banks in the form of bullion are recorded at fair value.

	2020			2019		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade and other receivables held at amortised cost:						
Fee debtors	–	77.6	77.6	–	87.8	87.8
Settlement accounts	–	155.2	155.2	–	150.2	150.2
Accrued income	53.8	430.2	484.0	71.2	365.5	436.7
Prepayments	6.2	52.3	58.5	0.1	42.4	42.5
Other receivables	7.6	39.5	47.1	16.2	51.4	67.6
Current tax	–	14.8	14.8	–	16.5	16.5
	67.6	**769.6**	**837.2**	**87.5**	**713.8**	**801.3**
Trade and other receivables held at fair value:						
Deposits with banks in the form of bullion	–	3.1	3.1	–	5.4	5.4
	67.6	**772.7**	**840.3**	**87.5**	**719.2**	**806.7**

The fair value of trade and other receivables held at amortised cost approximates their carrying value. Deposits with banks in the form of bullion are categorised as level 1 in the fair value hierarchy (see note 9).

Estimates and judgements

Accrued income includes £90.7 million of receivables in respect of carried interest (2019: £75.7 million). This income is due over a number of years and only when contractually agreed performance levels are exceeded. The income received may vary as a result of the actual experience, including future investment returns, differing from that assumed. Further information regarding the estimates and judgements applied is set out in note 2.

9. Financial assets

The Group holds financial assets including equities, debt securities, pooled investment vehicles and derivatives to support its Group capital strategies and its Wealth Management banking book, including loans to clients. The Group also enters into derivatives on behalf of Wealth Management clients, referred to as client facilitation (see note 19).

Classification and measurement

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at FVTPL, FVOCI or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (the effective interest rate), taking account of repayment dates and initial expected premiums or discounts.

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. The carrying value of amortised cost financial assets is adjusted for impairment under the expected loss model (see note 3 and note 20).

Financial assets at fair value through other comprehensive income

Financial assets are held at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows and to sell assets. This classification applies to certain debt securities within the Group's Wealth Management entities and to debt securities held as part of the Group's investment capital portfolio. Impairment is recognised for debt securities classified as FVOCI under the expected loss model (see note 3 and note 20).

Financial assets at fair value through profit or loss

All other financial assets are held at FVTPL. The Group's financial assets at FVTPL principally comprise investments in debt securities, equities, pooled investment vehicles and derivatives.

9. Financial assets continued

Estimates and judgements – fair value measurements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may be derived from readily available sources or may require some estimation. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. The hierarchy also reflects the extent of judgements used in the valuation but this does not necessarily indicate that the fair value is more or less likely to be realised. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below, with no individual input giving rise to a material component of the carrying value for the Group. The fair value levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities, government debt and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, asset and mortgage backed securities, and loans held at fair value. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group's level 3 financial assets principally comprise investments in private equity funds that are measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018. Level 3 financial assets also include investments in property investment vehicles that operate hotel businesses. These are valued based on the expected future cash flows that could be generated from the hotel business.

	2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	–	–	–	206.5	206.5
Loans and advances to clients	–	–	–	477.9	477.9
Debt securities	–	–	–	107.9	107.9
	–	**–**	**–**	**792.3**	**792.3**
Financial assets at FVOCI:					
Debt securities	343.0	246.5	–	–	589.5
	343.0	**246.5**	**–**	**–**	**589.5**
Financial assets at FVTPL:					
Loans and advances to clients	–	4.1	–	–	4.1
Debt securities	99.0	168.0	6.2	–	273.2
Pooled investment vehicles	668.5	62.8	108.8	–	840.1
Equities	293.7	21.5	23.3	–	338.5
Derivative contracts	0.6	33.5	–	–	34.1
	1,061.8	**289.9**	**138.3**	**–**	**1,490.0**
	1,404.8	**536.4**	**138.3**	**792.3**	**2,871.8**

Notes to the accounts continued

9. Financial assets continued

	2019				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	–	–	–	350.2	350.2
Loans and advances to clients	–	–	–	398.5	398.5
Debt securities	–	–	–	67.0	67.0
	–	**–**	**–**	**815.7**	**815.7**
Financial assets at FVOCI:					
Debt securities	598.3	318.6	–	–	916.9
	598.3	**318.6**	**–**	**–**	**916.9**
Financial assets at FVTPL:					
Loans and advances to clients	–	4.6	–	–	4.6
Debt securities	4.4	213.6	5.6	–	223.6
Pooled investment vehicles	546.6	28.5	95.3	–	670.4
Equities	282.5	13.7	29.7	–	325.9
Derivative contracts	0.5	54.5	4.3	–	59.3
	834.0	**314.9**	**134.9**	**–**	**1,283.8**
	1,432.3	**633.5**	**134.9**	**815.7**	**3,016.4**

	2020 £m	2019 £m
Current	2,354.3	2,606.4
Non-current	517.5	410.0
	2,871.8	**3,016.4**

The fair value of financial assets at amortised cost approximates their carrying value. No financial assets were transferred between levels during 2020 (2019: none).

Movements in financial assets categorised as level 3 during the year were:

	2020 £m	2019 £m
At 1 January	134.9	116.4
Exchange translation adjustments	3.0	(2.4)
Net gain recognised in the income statement	4.1	1.3
Additions	23.3	35.2
Disposals	(27.0)	(15.6)
At 31 December	**138.3**	**134.9**

10. Associates and joint ventures

Associates are entities in which the Group has an investment and over which it has significant influence, but not control, through participation in the financial and operating policy decisions. Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. In both cases, the Group initially records the investment at the fair value of the purchase consideration, including purchase related costs. The Group's income statement reflects its share of the entity's profit or loss after tax and amortisation of intangible assets. The statement of other comprehensive income records the Group's share of gains and losses arising from the entity's financial assets at FVOCI (see note 9). The statement of financial position subsequently records the Group's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The statement of changes in equity records the Group's share of other equity movements of the entity. At each reporting date, the Group applies judgement to determine whether there is any indication that the carrying value of associates and joint ventures may be impaired.

The associates and joint ventures reserve in the statement of changes in equity represents the Group's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss at fair value where permitted by the accounting standards (see note 9). Information about the Group's principal associates measured at fair value is disclosed within this note.

(a) Investments in associates and joint ventures accounted for using the equity method

	2020			2019		
	Associates £m	**Joint ventures £m**	**Total £m**	Associates £m	Joint ventures £m	Total £m
At 1 January	200.2	197.8	398.0	173.1	2.1	175.2
Exchange translation adjustments	2.0	(0.1)	1.9	(8.3)	(0.1)	(8.4)
Additions	0.2	2.5	2.7	12.6	196.3	208.9
Disposals	(34.3)	–	(34.3)	(0.7)	–	(0.7)
Profit/(loss) for the year after tax	48.5	(5.4)	43.1	26.9	0.3	27.2
Gains recognised in other comprehensive income	0.1	–	0.1	–	–	–
Other movements in reserves of associates and joint ventures	0.2	–	0.2	(0.7)	–	(0.7)
Distributions of profit	(5.9)	(0.6)	(6.5)	(2.7)	(0.8)	(3.5)
At 31 December	**211.0**	**194.2**	**405.2**	**200.2**	**197.8**	**398.0**

On 31 January 2020, the Group disposed of its 41.0% interest in RWC for £34.0 million. Peter Harrison disposed of his interest at the same time and on the same terms as the Group disposed of its interest. Also included in disposals are other movements in the carrying value of associates.

Information about the significant associates and joint ventures held by the Group at 31 December 2020 is shown below. The companies are unlisted.

Name of associate or joint venture	**Nature of its business**	**Principal place of business**	**Class of share**	**Percentage owned by the Group**
Scottish Widows Schroder Wealth Holdings Limited (SPW)	Wealth management	England	Ordinary shares	49.9%
Bank of Communications Schroder Fund Management Co. Ltd. (BoCom)	Investment management	China	Ordinary shares	30.0%
Axis Asset Management Company Limited (Axis)	Investment management	India	Ordinary shares	25.0%
A10 Capital Parent Company LLC (A10)	Real estate lending	USA	Common units	19.3%

Notes to the accounts continued

10. Associates and joint ventures continued

	2020						2019						
	SPW £m	**BoCom £m**	**Axis £m**	**A10 £m**	**Other £m**	**Total £m**	SPW £m	RWC £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m
Non-current assets	216.0	36.7	13.1	953.2	2.2	1,221.2	217.3	1.7	28.3	16.9	894.2	4.3	1,162.7
Current assets	143.0	636.4	58.5	125.5	19.4	982.8	137.5	83.5	470.7	36.3	93.0	18.6	839.6
Non-current liabilities	(22.0)	(0.9)	(4.7)	(956.6)	(0.7)	(984.9)	(20.1)	(0.1)	(4.2)	(3.5)	(882.4)	(1.3)	(911.6)
Current liabilities	(68.1)	(142.2)	(6.8)	(77.9)	(3.7)	(298.7)	(63.2)	(38.5)	(101.5)	(10.7)	(61.4)	(4.0)	(279.3)
Total equity	**268.9**	**530.0**	**60.1**	**44.2**	**17.2**	**920.4**	**271.5**	**46.6**	**393.3**	**39.0**	**43.4**	**17.6**	**811.4**
Group's share of net assets	134.2	159.0	15.0	8.5	6.1	322.8	135.5	19.1	118.0	9.8	8.4	5.7	296.5
Goodwill and intangible assets	60.9	–	10.4	1.2	13.0	85.5	63.7	9.7	–	11.0	1.3	19.2	104.9
Deferred tax liability	(3.1)	–	–	–	–	(3.1)	(3.4)	–	–	–	–	–	(3.4)
Carrying value held by the Group	**192.0**	**159.0**	**25.4**	**9.7**	**19.1**	**405.2**	**195.8**	**28.8**	**118.0**	**20.8**	**9.7**	**24.9**	**398.0**
Net income	125.2	263.3	57.4	34.0	23.4	503.3	25.8	55.0	195.8	43.1	29.8	15.1	364.6
Profit/(loss) for the year	(6.8)	141.7	22.7	4.0	4.1	165.7	0.8	10.6	66.5	11.3	5.5	0.2	94.9
Other comprehensive income	–	–	–	0.5	–	0.5	–	–	–	–	–	–	–
Total comprehensive income	**(6.8)**	**141.7**	**22.7**	**4.5**	**4.1**	**166.2**	**0.8**	**10.6**	**66.5**	**11.3**	**5.5**	**0.2**	**94.9**
Group's share of profit/(loss) for the year before amortisation	**(3.4)**	**42.5**	**5.7**	**0.8**	**1.6**	**47.2**	**0.4**	**4.3**	**20.0**	**2.8**	**1.1**	**0.4**	**29.0**
Amortisation charge	(2.8)	–	–	–	(1.3)	(4.1)	(0.9)	–	–	–	–	(0.9)	(1.8)
Group's share of profit/(loss) for the year	**(6.2)**	**42.5**	**5.7**	**0.8**	**0.3**	**43.1**	**(0.5)**	**4.3**	**20.0**	**2.8**	**1.1**	**(0.5)**	**27.2**
Group's share of other comprehensive income	–	–	–	0.1	–	0.1	–	–	–	–	–	–	–
Group's share of total comprehensive income	**(6.2)**	**42.5**	**5.7**	**0.9**	**0.3**	**43.2**	**(0.5)**	**4.3**	**20.0**	**2.8**	**1.1**	**(0.5)**	**27.2**

(b) Investments in associates measured at fair value

Where the Group holds units in pooled investment vehicles that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, the Group records such investments at fair value. Information about the Group's principal associates measured at fair value is shown below. The investments are recorded as financial assets within the Group's statement of financial position.

	2020								
	Schroder Absolute Return Emerging Markets Debt Portfolio LP £m	**Schroder ISF Healthcare Innovation £m**	**Schroder Indian Equity £m**	**Schroder Global CB Fund PPIT Unhedged £m**	**Schroder Fusion Managed Defensive £m**	**ICBC (Europe) ECITS SICAV £m**	**SPW Balanced Portfolio £m**	**Schroder Long Dated Corporate Bond £m**	**Schroder All Maturities Corporate Bond £m**
Current assets	5.9	38.2	30.0	17.6	21.8	22.3	4.5	395.6	1,231.2
Current liabilities	–	–	–	–	–	–	–	–	–
Total equity	**5.9**	**38.2**	**30.0**	**17.6**	**21.8**	**22.3**	**4.5**	**395.6**	**1,231.2**
Net income	0.4	2.1	–	2.2	0.6	0.2	–	11.1	20.8
Profit/(loss) for the year	0.4	2.1	–	2.2	0.6	0.2	–	11.1	20.7
Total comprehensive income	**0.4**	**2.1**	**–**	**2.2**	**0.6**	**0.2**	**–**	**11.1**	**20.7**
Country of incorporation	US	Luxembourg	UK	Japan	UK	Luxembourg	UK	UK	UK
Percentage owned by the Group	30%	21%	23%	24%	25%	33%	24%	26%	34%

10. Associates and joint ventures continued

	2019						
	Schroder Advanced Beta Global Equity Small and Mid Cap £m	Schroder Fusion Managed Defensive £m	Schroder Fusion Portfolio 3 £m	Schroder YEN Target (Annual) £m	Schroder India Equity £m	Schroder Absolute Return Emerging Markets Debt Portfolio LP £m	Schroder ISF Dynamic Indian Income Bond £m
Current assets	53.0	15.2	26.2	9.9	20.8	5.6	16.8
Current liabilities	–	–	–	–	–	–	–
Total equity	**53.0**	**15.2**	**26.2**	**9.9**	**20.8**	**5.6**	**16.8**
Net income	13.0	–	–	0.5	0.1	0.4	0.1
Profit for the year	12.7	–	–	0.5	0.1	0.3	0.1
Total comprehensive income	**12.7**	**–**	**–**	**0.5**	**0.1**	**0.3**	**0.1**
Country of incorporation	UK	UK	UK	Japan	UK	US	Luxembourg
Percentage owned by the Group	39%	34%	25%	34%	28%	28%	21%

11. Property, plant and equipment

The Group's property, plant and equipment provides the infrastructure to enable the Group to operate, and principally comprises leasehold improvements, freehold land and buildings, fixtures and fittings and computer equipment. Assets are initially stated at cost, which includes expenditure associated with acquisition. The cost of the asset is recognised in the income statement as a depreciation charge on a straight line basis over the estimated useful life, with the exception of land as it is assumed to have an indefinite useful life.

	2020				2019			
	Leasehold improvements £m	**Land and buildings £m**	**Other assets £m**	**Total £m**	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost								
At 1 January	187.6	19.7	145.4	352.7	189.0	19.7	110.9	319.6
Exchange translation adjustments	–	–	0.9	0.9	(1.9)	–	(1.5)	(3.4)
Additions	4.9	–	14.0	18.9	3.7	–	39.4	43.1
Disposals	(3.8)	–	(2.8)	(6.6)	(3.2)	–	(3.4)	(6.6)
At 31 December	**188.7**	**19.7**	**157.5**	**365.9**	**187.6**	**19.7**	**145.4**	**352.7**
Accumulated depreciation								
At 1 January	(34.0)	(0.9)	(60.2)	(95.1)	(22.3)	(0.6)	(47.3)	(70.2)
Exchange translation adjustments	(0.1)	–	(0.2)	(0.3)	1.2	–	1.0	2.2
Depreciation charge	(19.6)	(0.4)	(19.6)	(39.6)	(14.3)	(0.3)	(16.6)	(31.2)
Disposals	3.0	–	2.2	5.2	1.4	–	2.7	4.1
At 31 December	**(50.7)**	**(1.3)**	**(77.8)**	**(129.8)**	**(34.0)**	**(0.9)**	**(60.2)**	**(95.1)**
Net book value at 31 December	**138.0**	**18.4**	**79.7**	**236.1**	**153.6**	**18.8**	**85.2**	**257.6**
Right-of-use assets (see note 12)				354.8				394.7
Property, plant and equipment net book value at 31 December				**590.9**				**652.3**

Notes to the accounts continued

12. Leases

The Group's lease arrangements primarily consist of operating leases relating to office space.

The Group initially records a lease liability in the Group's Consolidated statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that we would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right-of-use (ROU) asset is also recorded at the value of the lease liability plus any directly related costs and estimated dilapidation expenses and is presented within property, plant and equipment (see note 11). Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

The Group considers whether the lease term should reflect options to extend or reduce the life of the lease. Relevant factors that could create an economic incentive to exercise the option are considered and the extensions/termination is included if it is reasonably certain to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option. Should this occur, the Group modifies the lease liability and associated ROU asset to reflect the revised remaining expected cashflows.

	2020		2019	
	Right-of-use assets £m	**Lease liabilities £m**	Right-of-use assets £m	Lease Liabilities £m
At 1 January	394.7	425.3	411.9	418.3
Exchange translation adjustments	0.1	(0.7)	(4.0)	(6.0)
Additions and remeasurements of lease obligations	4.4	5.0	27.1	27.1
Lease payments	–	(44.4)	–	(26.5)
Depreciation charge	(44.4)	–	(40.3)	–
Interest expense	–	12.0	–	12.4
At 31 December	**354.8**	**397.2**	**394.7**	**425.3**

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

	2020	2019
Lease liabilities – current	35.9	37.1
Lease liabilities – non-current	361.3	388.2
	397.2	**425.3**

The Group's lease liabilities contractually mature in the following time periods:

	2020				2019			
	No later than 1 year £m	**Later than 1 year and no later than 5 years £m**	**Later than 5 years £m**	**Total £m**	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Lease liabilities	48.7	161.9	283.5	494.1	50.0	142.7	354.7	547.4

13. Goodwill and intangible assets

Intangible assets (other than software) arise when the Group acquires a business and the fair value paid exceeds the fair value of the net tangible assets acquired. This premium reflects additional value that the Group determines to be attached to the business. Identifiable acquired intangible assets relating to business combinations include technology, contractual agreements to manage client assets and gain additional access to new or existing clients, geographies and brand names. Where such assets can be identified, they are classified as acquired intangible assets and amortised on a straight line basis, primarily over seven years.

Consideration paid to acquire a business in excess of the acquisition date fair value of net tangible and identifiable intangible assets is known as goodwill. Goodwill is not charged to the income statement unless its value has diminished. The assessment of whether goodwill has become impaired is based on the expected future returns of the relevant cash-generating unit (CGU) as a whole.

Software purchased and developed for use in the business is also classified as an intangible asset. The cost of purchasing and developing software is taken to the income statement over time as an amortisation charge within operating expenses. The treatment is similar to property, plant and equipment, and the asset is normally amortised on a straight line basis over three to five years, but can have an estimated useful life of up to 10 years.

13. Goodwill and intangible assets continued

	2020				2019			
	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost								
At 1 January	761.8	326.0	340.6	1,428.4	676.5	278.4	251.4	1,206.3
Exchange translation adjustments	16.6	5.4	0.6	22.6	(10.3)	(3.6)	(2.0)	(15.9)
Additions	33.3	31.4	73.9	138.6	104.5	51.2	99.8	255.5
Disposals	–	–	(1.9)	(1.9)	(8.9)	–	(8.6)	(17.5)
At 31 December	**811.7**	**362.8**	**413.2**	**1,587.7**	**761.8**	**326.0**	**340.6**	**1,428.4**
Accumulated amortisation								
At 1 January	–	(182.7)	(112.3)	(295.0)	–	(154.1)	(84.0)	(238.1)
Exchange translation adjustments	–	(1.2)	(0.6)	(1.8)	–	1.5	1.0	2.5
Amortisation charge for the year	–	(36.3)	(48.5)	(84.8)	–	(30.0)	(37.2)	(67.2)
Disposals	–	–	1.9	1.9	–	(0.1)	7.9	7.8
At 31 December	**–**	**(220.2)**	**(159.5)**	**(379.7)**	**–**	**(182.7)**	**(112.3)**	**(295.0)**
Carrying amount at 31 December	**811.7**	**142.6**	**253.7**	**1,208.0**	**761.8**	**143.3**	**228.3**	**1,133.4**

The Group acquired £29.1 million (2019: £49.9 million) of intangible assets as a result of business combinations completed in 2020 (see note 29). The Group also acquired £2.3 million (2019: £1.3 million) of customer contracts through Benchmark Capital that were not considered to be business combinations.

Estimates and judgements

The Group estimates the fair value of intangible assets acquired at the acquisition date based on forecast profits, taking account of synergies, derived from existing contractual arrangements. This assessment involves judgement in determining assumptions relating to potential future revenues, profit margins, appropriate discount rates and the expected duration of client relationships. The difference between the fair value of the consideration and the value of the identifiable assets and liabilities acquired, including intangible assets, is accounted for as goodwill.

At each reporting date, the Group applies judgement to determine whether there is any indication that goodwill or an acquired intangible asset may be impaired. If any indication exists and a full assessment determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised immediately in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions, it is the Group's judgement that the lowest level of CGU used to determine impairment is segment level for Asset Management. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £583.1 million (2019: £556.6 million) is allocated to Asset Management and £228.6 million (2019: £205.2 million) is allocated to Wealth Management, of which £68.1 million (2019: £66.1 million) relates to Benchmark Capital.

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2019: 2%), a pre-tax discount rate of 10% (2019: 10%), expected flows and expected changes to margins. The results of the calculations indicate that goodwill is not impaired.

The sensitivity of the carrying amounts of goodwill to the methods and assumptions used in estimating the recoverable amounts of the CGUs is small. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate.

Notes to the accounts continued

13. Goodwill and intangible assets continued

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2019: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised immediately in the income statement but may be reversed if relevant conditions improve.

14. Deferred tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded. A deferred tax asset represents a tax reduction that is expected to arise in a future period based on past transactions. A deferred tax liability represents taxes that will become payable in a future period as a result of current or prior year transactions.

Deferred tax liabilities also arise on certain acquisitions where the amortisation of the acquired intangible asset does not result in a tax deduction. The deferred tax liability is established on acquisition and is released to the income statement to match the intangible asset amortisation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year end date.

	2020					2019				
	Accelerated capital allowances £m	**Deferred employee awards £m**	**Pension schemes £m**	**Other net temporary differences £m**	**Total £m**	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Other net temporary differences £m	Total £m
At 1 January	(5.7)	77.3	(22.3)	(28.6)	20.7	(2.1)	75.6	(26.1)	(19.7)	27.7
Restatement on adoption of new accounting standards	–	–	–	–	–	–	–	–	0.6	0.6
Income statement (charge)/credit	1.3	1.1	(0.5)	(7.4)	(5.5)	(4.3)	4.4	(0.3)	1.8	1.6
Income statement (charge)/credit due to changes in tax rates	(0.3)	3.2	(3.4)	(4.1)	(4.6)	0.6	(4.0)	0.1	0.3	(3.0)
(Charge)/credit to other comprehensive income	–	–	(5.6)	0.1	(5.5)	–	–	4.0	(1.5)	2.5
Credit/(charge) to statement of other comprehensive income due to changes in tax rates	–	–	0.6	(0.2)	0.4	–	–	–	–	–
Credit to equity	–	0.5	–	–	0.5	–	2.6	–	–	2.6
Credit to equity due to changes in tax rates	–	0.3	–	–	0.3	–	–	–	–	–
Business combinations (see note 29)	–	–	–	(5.5)	(5.5)	–	(0.1)	–	(9.9)	(10.0)
Exchange translation adjustments	0.1	(0.1)	–	0.6	0.6	0.1	(1.2)	–	(0.2)	(1.3)
At 31 December	**(4.6)**	**82.3**	**(31.2)**	**(45.1)**	**1.4**	**(5.7)**	**77.3**	**(22.3)**	**(28.6)**	**20.7**

On 11 March 2020 it was announced (and enacted on 22 July 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The UK deferred tax balances have been calculated with reference to the rate of 19%. In response to the global pandemic, various governments around the world have taken significant steps to support their relevant economies. This has led to increased government borrowing, which may have an impact on future corporation tax rates when enacted. Any such changes will have an impact on deferred tax assets and liabilities.

A deferred tax asset of £7.6 million (2019: £19.0 million) relating to realised and unrealised capital losses has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised. A deferred tax asset of £11.1 million (2019: £9.9 million) relating to other losses and other temporary differences have not been recognised as there is insufficient evidence that there will be sufficient taxable profits in the future against which these deferred tax assets could be utilised.

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2020 £m	2019 £m
Deferred tax assets	32.9	36.9
Deferred tax liabilities	(31.5)	(16.2)
	1.4	**20.7**

15. Unit-linked liabilities and assets backing unit-linked liabilities

The Group operates a unit-linked life assurance business through the wholly-owned subsidiary Schroder Pension Management Limited (the Life Company). The Life Company provides investment products through a life assurance wrapper. The investment products do not provide cover for insurance risk and are therefore recognised and accounted for as financial instruments and presented as financial liabilities due to Life Company investors (policyholders) within unit-linked liabilities.

The investment product is almost identical to a unit trust. As it is a life assurance product, the contractual rights and obligations of the investments remain with the Group and the AUM is therefore included on the Group's statement of financial position, together with the liability to investors. The Group earns fee income from managing the investment, which is included in revenue.

Financial assets and liabilities held by the Life Company are measured at FVTPL. Other balances include cash and receivables, which are measured at amortised cost (see note 9). The Life Company's assets are regarded as current assets as they represent the amount available to Life Company investors (or third party investors in consolidated funds) who are able to withdraw their funds on call, subject to certain restrictions in the case of illiquidity. Gains and losses from assets and liabilities held to cover investor obligations are attributable to investors in the Life Company or third party investors in the funds. As a result, any gain or loss is offset by a change in the obligation to investors.

	2020 £m	2019 £m
Financial liabilities due to Life Company investors	9,727.6	9,814.1
Financial liabilities due to third parties[1]	2,358.6	2,611.8
	12,086.2	**12,425.9**

1. In accordance with the accounting standards, the Group is deemed to hold a controlling interest in certain funds as a result of the investments held by the Life Company. This results in all of the assets and liabilities of those funds being consolidated within the Group's Consolidated statement of financial position and the third party interest in the fund being recorded as a financial liability due to third party investors.

The Group has no primary exposure to market risk, credit risk or liquidity risk in relation to the investments due to Life Company investors. The risks and rewards associated with its investments are normally borne by the investors in the Life Company's investment products or third party investors in the funds and not by the Life Company itself.

Fair value measurements of Life Company financial assets and liabilities

Each of the Life Company's financial assets and liabilities has been categorised using a fair value hierarchy as shown below. These levels are based on the degree to which the fair value is observable and are defined in note 9.

	2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities	9,459.7	1,728.6	28.1	869.8	12,086.2
Unit-linked liabilities	11,963.8	58.9	–	63.5	12,086.2

	2019				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities	8,724.3	2,596.2	29.5	1,075.9	12,425.9
Unit-linked liabilities	12,310.5	56.5	–	58.9	12,425.9

The fair value of financial instruments not held at fair value approximates their carrying value.

The types of investments found in each of the levels 1 and 3 for the Life Company are the same as those listed for the non-Life Company instruments in note 9. Level 2 investments principally comprise commercial paper, certificates of deposit, forward foreign exchange contracts and certain debt securities. No financial assets were transferred between levels during the year (2019: none).

Movements in financial assets categorised as level 3 during the year were:

	2020 £m	2019 £m
At 1 January	29.5	37.3
Exchange translation adjustments	(0.9)	(1.8)
Net gain recognised in the income statement	3.4	2.7
Additions	2.1	1.4
Disposals	(6.0)	(10.1)
At 31 December	**28.1**	**29.5**

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16. Trade and other payables

Trade and other payables includes amounts the Group is due to pay in the normal course of business, accruals and deferred income, being fees received in advance of services provided as well as deferred cash awards and bullion deposits by customers. Trade and other payables, other than deferred cash awards and bullion deposits, are recorded initially at fair value and subsequently at amortised cost (see note 9). Amounts due to be paid to the Group in the normal course of business are made up of creditors and accruals. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred cash awards, being deferred employee remuneration payable in cash, and bullion deposits by customers are recorded at fair value.

	2020			2019		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables at amortised cost:						
Settlement accounts	–	151.7	151.7	–	145.0	145.0
Trade creditors	–	11.0	11.0	–	15.7	15.7
Social security	21.0	70.1	91.1	24.1	65.8	89.9
Accruals and deferred income	13.4	463.3	476.7	24.2	459.3	483.5
Other payables	0.3	18.9	19.2	0.2	25.9	26.1
	34.7	**715.0**	**749.7**	**48.5**	**711.7**	**760.2**
Trade and other payables at fair value:						
Deferred cash awards	84.7	90.2	174.9	83.4	72.7	156.1
Bullion deposits by customers	–	3.1	3.1	–	5.4	5.4
	84.7	**93.3**	**178.0**	**83.4**	**78.1**	**161.5**
	119.4	**808.3**	**927.7**	**131.9**	**789.8**	**921.7**

The fair value of trade and other payables held at amortised cost approximates their carrying value. The fair value of bullion deposits by customers is derived from level 1 inputs (see note 9). The fair value of deferred cash awards is derived from level 1 inputs, being equal to the fair value of the units in funds to which the employee award is linked.

The Group's trade and other payables contractually mature in the following time periods:

	2020 £m	2019 £m
Less than 1 year[1]	808.3	789.8
1 – 2 years	59.0	59.6
2 – 5 years	59.3	72.1
More than 5 years	1.1	0.2
	119.4	**131.9**
	927.7	**921.7**

1. Settlement accounts are generally settled within four working days and trade creditors have an average settlement period of 23 working days (2019: 21 working days).

17. Financial liabilities

The Group's financial liabilities principally comprise deposits by Wealth Management clients and banking counterparties. They also include derivatives held for client facilitation or interest rate matching in Wealth Management (see note 19), and the hedging of risk exposures within investment capital. Other financial liabilities at fair value mainly comprise liabilities that arise from financial obligations in respect of carried interest, contingent consideration and other financial liabilities arising from acquisitions completed by the Group, and third party interests in consolidated funds. Consolidation occurs when the Group is deemed to control a fund, usually in respect of Life Company or seed capital investments. When a fund is consolidated, the Group accounts for the fund in its statement of financial position as if it were wholly-owned by the Group, but records an additional liability representing the fair value of the proportion of the fund owned by third-party investors. Where the investment is held by the Life Company, the fair value of the proportion of the fund owned by third-party investors is shown as part of unit-linked liabilities (see note 15). Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 9).

	2020				
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Not at fair value £m**	**Total £m**
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,550.3	3,550.3
Deposits by banks	–	–	–	72.8	72.8
Other financial liabilities	–	–	–	5.5	5.5
	–	**–**	**–**	**3,628.6**	**3,628.6**
Financial liabilities at fair value through profit or loss:					
Derivative contracts (see note 19)	3.9	29.1	–	–	33.0
Other financial liabilities	279.9	–	143.7	–	423.6
	283.8	**29.1**	**143.7**	**–**	**456.6**
	283.8	**29.1**	**143.7**	**3,628.6**	**4,085.2**

	2019				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,041.3	3,041.3
Deposits by banks	–	–	–	97.1	97.1
Other financial liabilities	–	–	–	7.3	7.3
	–	**–**	**–**	**3,145.7**	**3,145.7**
Financial liabilities at fair value through profit or loss:					
Derivative contracts (see note 19)	3.1	39.6	–	–	42.7
Other financial liabilities	187.6	–	155.1	–	342.7
	190.7	**39.6**	**155.1**	**–**	**385.4**
	190.7	**39.6**	**155.1**	**3,145.7**	**3,531.1**

For the maturity profiles of client accounts, deposits by banks and derivative contracts see notes 19 and 20.

The fair value of financial liabilities held at amortised cost approximates their carrying value.

	2020 £m	2019 £m
Current	3,945.5	3,386.8
Non-current	139.7	144.3
	4,085.2	**3,531.1**

Notes to the accounts continued

17. Financial liabilities continued

Estimates and judgements

The carrying value of financial liabilities may involve estimation or be derived from readily available sources. Financial liabilities have been categorised using a fair value hierarchy that reflects the extent of estimates and judgements used in the valuation (see note 9). The Group's financial liabilities categorised as level 3 principally consist of obligations arising from contingent consideration, third party liabilities related to carried interest arrangements and other financial liabilities arising from prior acquisitions completed by the Group. Information about the estimates and judgements made in determining the fair value of carried interest payable is set out in note 2.

The carrying values of level 3 financial liabilities are typically derived from an estimate of the expected future cash flows required to settle the liability.

Movements in financial liabilities categorised as level 3 during the year were:

	2020 £m	2019 £m
At 1 January	155.1	154.4
Exchange translation adjustments	4.6	(2.9)
Net loss/(gain) recognised in the income statement	14.6	(12.0)
Additions	18.4	54.4
Disposals and settlements	(49.0)	(38.8)
At 31 December	**143.7**	**155.1**

18. Provisions and contingent liabilities

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and therefore usually require the use of estimates. They are recognised when three conditions are fulfilled: when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group will incur a loss in order to settle the obligation and when a reliable estimate can be made of the amount of the obligation. They are recorded at the Group's best estimate of the cost of settling the obligation. Any differences between those estimates and the amounts for which the Group actually becomes liable are taken to the income statement as additional charges where the Group has underestimated and credits where the Group has overestimated. Where the estimated timing and settlement is longer term, the amount is discounted using a rate reflecting specific risks associated with the provision.

Contingent liabilities are potential liabilities, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed where significant and are not included within the statement of financial position.

	Dilapidations £m	Legal, regulatory and other £m	Total £m
At 1 January 2020	14.9	17.3	32.2
Exchange translation adjustments	(0.1)	0.3	0.2
Provisions utilised	–	–	–
Additional provisions charged	0.4	2.8	3.2
Unused amounts reversed	–	(9.2)	(9.2)
At 31 December 2020	**15.2**	**11.2**	**26.4**

18. Provisions and contingent liabilities continued

	Dilapidations £m	Legal, regulatory and other £m	Total £m
Current – 2020	–	5.2	5.2
Non-current – 2020	15.2	6.0	21.2
	15.2	**11.2**	**26.4**
Current – 2019	0.7	3.2	3.9
Non-current – 2019	14.2	14.1	28.3
	14.9	**17.3**	**32.2**

The Group's provisions are expected to mature in the following time periods:

	2020 £m	2019 £m
Less than 1 year	5.2	3.9
1 – 2 years	7.5	15.6
2 – 3 years	1.5	0.1
3 – 4 years	0.3	–
4 – 5 years	–	0.8
More than 5 years	11.9	11.8
	21.2	**28.3**
	26.4	**32.2**

Dilapidation provisions associated with the Group's office leases have a weighted average maturity of 13 years (2019: 16 years).

Legal and regulatory obligations associated with the Group's business arise from past events that are estimated to crystallise mainly within two years (2019: two years). These matters are ongoing.

Estimates and judgements

The timing and amount of settlement of each legal claim or potential claim, regulatory matter and constructive obligation is uncertain. The Group applies judgement to determine whether a provision is required. The Group performs an assessment of the timing and amount of each event and reviews this assessment periodically. For some provisions there is greater certainty as the cash flows have largely been determined. Potential legal claims, regulatory related costs and other obligations to third parties arise as a consequence of normal business activity. They can arise from actual or alleged breaches of obligations and may be covered by the Group's insurance arrangements, but subject to insurance excess. In certain circumstances, legal and regulatory claims can arise despite there being no error or breach. The Group's risk management and compliance procedures are designed to mitigate, but are not able to eliminate, the risk of losses occurring. Where such claims and costs arise there is often uncertainty over whether a payment will be required and estimation is required in determining the quantum and timing of that payment. As a result, there is also uncertainty over the timing and amount of any insurance recovery, although this does not change the likelihood of insurance cover being available, where applicable. The Group makes periodic assessments of all cash flows, including taking external advice where appropriate, to determine an appropriate provision. Some matters may be settled through commercial negotiation as well as being covered in whole or in part by the Group's insurance arrangements. The Group has made provisions based on the reasonable expectation of likely outflows. The inherent uncertainty in such matters and the results of negotiations and insurance cover may result in different outcomes.

At 31 December 2020, there are no key judgements or estimates that would result in any additional material provisions being recognised or any material contingent liabilities being disclosed in the financial statements (31 December 2019: none). The provisions included in the financial statements at 31 December 2020 are based on estimates of reasonable ranges of likely outcomes, applying assumptions regarding the probability of payments being due and the settlement value. The aggregate reasonable ranges have been assessed as not materially different to the carrying values.

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19. Derivative contracts
(a) The Group's use of derivatives

The Group holds derivatives for risk management, client facilitation and within its investment portfolios to provide exposure to market returns. The Group most commonly uses forward foreign exchange contracts, where it agrees to buy or sell specified amounts of a named currency at a future date, allowing the Group effectively to fix exchange rates so that it can avoid unpredictable gains and losses on financial instruments in foreign currencies. The Group uses equity contracts to hedge market-related gains and losses on its seed capital investments where the purpose of investing is to help establish a new product rather than gain additional market exposure. Interest rate contracts are used to hedge exposures to fixed or floating rates of interest.

The Group designates certain derivatives as hedges of a net investment in a foreign operation. In these scenarios, and where relevant conditions are met, hedge accounting is applied and the Group formally documents the relationship between the derivative and any hedged item, its risk management objectives and its strategy for undertaking the various hedging transactions. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of hedged items. In respect of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. The Group's net investment hedges are generally fully effective, but any ineffective portion that may arise is recognised in the income statement. On disposal of the foreign operation, the cumulative gain or loss on the hedging instrument recognised directly in other comprehensive income is transferred to the income statement.

Risk management: the Group actively seeks to limit and manage its exposures to risk where that exposure is not desired by the Group. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By entering into derivative contracts, the Group is able to mitigate or eliminate such exposures. The principal risk that the Group faces through such use of derivative contracts is credit risk.

Client facilitation: the Group's Wealth Management entities are involved in providing portfolio management, banking and investment advisory services, primarily to private clients. In carrying out this business, they transact as agent or as principal in financial assets and liabilities (including derivatives) in order to facilitate client portfolio requirements. Wealth Management's policy is to hedge, as appropriate, market risk on its client facilitation positions. This does not eliminate credit risk.

For details of how the Group manages its exposure to credit risk, see below and note 20.

(b) Derivatives used by the Group

Forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. The maximum exposure to credit risk is represented by the fair value of the contracts.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except in the case of certain currency swaps. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, the proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties in accordance with its internal policies and procedures.

Foreign exchange, equity and interest rate options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser and assumes foreign exchange, equity or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer or market counterparty.

The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. Contracts are negotiated at a futures exchange, which acts as an intermediary between the two parties. For futures contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

19. Derivative contracts continued

(b) Derivatives used by the Group continued

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables relative to their terms. The aggregate contractual amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values are set out below:

	2020		2019	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Forward foreign exchange contracts	32.2	(21.1)	49.1	(29.1)
Equity contracts	1.9	(11.9)	10.2	(13.6)
	34.1	**(33.0)**	**59.3**	**(42.7)**

	2020		2019	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Net-settled derivative contracts[1] maturing/repricing[2] in:				
Less than 1 year	1.9	(11.9)	5.9	(13.6)
1 – 3 years	–	–	4.3	–
3 – 5 years	–	–	–	–
More than 5 years	–	–	–	–
	1.9	**(11.9)**	**10.2**	**(13.6)**
Gross-settled derivatives[3] maturing/repricing[2] in less than 1 year:				
Gross inflows	1,402.2	874.4	1,118.7	322.3
Gross outflows	(1,374.1)	(889.8)	(1,082.0)	(337.2)
Difference between future contractual cash flows and fair value	4.1	(5.7)	12.4	(14.2)
	32.2	**(21.1)**	**49.1**	**(29.1)**
	34.1	**(33.0)**	**59.3**	**(42.7)**

1. Interest rate and equity contracts.
2. Whichever is earlier.
3. Forward foreign exchange contracts.

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20. Financial instrument risk management

The Group Capital Committee (GCC) is responsible for the management of the Group's capital and sets objectives for how it is deployed. This note explains how the Group manages its capital, setting out the nature of the risks the Group faces as a result of its operations, and how these risks are quantified and managed.

The Group is exposed to different forms of financial instrument risk including: (i) the risk that money owed to the Group will not be received (credit risk); (ii) the risk that the Group may not have sufficient cash available to pay its creditors as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the wellbeing of the Group.

The Group's primary exposure to financial instrument risk is derived from the financial instruments that it holds as principal. In addition, due to the nature of the business, the Group's exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by the financial instrument risk exposure of our clients – the secondary exposure. This note deals only with the direct or primary exposure of the risks from the Group's holding of financial instruments (see the Key risks and mitigations report on page 50).

The Life Company provides investment products through a life assurance wrapper. The financial risks of these products are largely borne by the third party investors, consistent with other investment products managed by the Group. However, since the Life Company, which is a subsidiary, issues the investment instrument and holds the relevant financial assets, both the investments and the third party obligations are recorded in the statement of financial position. Financial instrument risk management disclosures in respect of the Life Company's financial instruments are set out in note 15.

(a) Capital

The Group's approach to capital management is to maintain a strong capital position to enable us to invest in the future of the Group, in line with our strategy, and to support the risks inherent in conducting our business. Capital management is an important part of our risk management framework and is underpinned by our Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital we consider necessary to support these risks. We actively monitor our capital base to ensure we maintain sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

Our lead regulator is the Prudential Regulation Authority (PRA) as the Group includes an entity with a UK banking licence. We are required to maintain adequate capital resources to meet our Total Capital Requirement (TCR) of £874 million (2019: £858 million). The TCR incorporates our Pillar 1 regulatory capital requirement of £717 million (2019: £679 million). In addition to the TCR of our banking group, we are required to hold additional capital of £256 million (2019: £269 million) in respect of our insurance companies and regulatory buffers. The Group's overall regulatory capital requirement was £1,130 million at 31 December 2020 (2019: £1,127 million).

In managing our capital position, we consider the composition of our capital base, which consists of: working capital deployed to support the Group's general operating activities and regulatory requirements; investment capital held in excess of these operating requirements; and other items that are not investible or otherwise available to meet our operating or regulatory requirements.

The table below shows the components of our capital position:

	2020 £m	2019 £m
Working capital – regulatory and other	1,548	1,216
Working capital – seed and co-investment	612	578
Investment capital – liquid	320	408
Investment capital – illiquid	97	148
Other items	1,509	1,498
Total equity	**4,086**	**3,848**

(i) Working capital

The Group's policy is for subsidiaries to hold sufficient working capital to meet their regulatory and other operating requirements. Local regulators oversee the activities of, and impose minimum capital and liquidity requirements on, the Group's operating entities. The Group complied with all externally imposed regulatory capital requirements during the year.

Working capital is also deployed through certain subsidiaries to support new investment strategies and growth opportunities and to co-invest alongside the Group's clients.

20. Financial instrument risk management continued

(a) Capital continued

(ii) Investment capital

Available capital held in excess of working capital requirements is transferred to investment capital. Investment capital is managed with the aim of achieving a low-volatility return. It is mainly held in investment grade corporate bonds and funds managed by the Group. Liquid investments are available to 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. Investment capital also includes certain commercial private equity investments and illiquid legacy investments.

(iii) Other items

Other items comprises assets that are not investible or available to meet the Group's general operating or regulatory requirements. It includes assets that are actually or potentially inadmissible for regulatory capital purposes, principally goodwill, intangible assets and pension scheme surplus.

The tables below provide a detailed breakdown of the Group's capital in accordance with IFRS 9:

	2020				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Financial instruments at fair value through profit or loss[1] £m	Non-financial instruments £m	Total £m
Assets					
Cash and cash equivalents	3,469.6	–	–	–	3,469.6
Trade and other receivables	763.9	–	–	76.4	840.3
Financial assets:					
Loans and advances to banks	206.5	–	–	–	206.5
Loans and advances to clients	477.9	–	4.1	–	482.0
Debt securities	107.9	589.5	273.2	–	970.6
Pooled investment vehicles	–	–	840.1	–	840.1
Equities	–	–	338.5	–	338.5
Derivatives	–	–	34.1	–	34.1
Associates and joint ventures	–	–	–	405.2	405.2
Property, plant and equipment	–	–	–	590.9	590.9
Goodwill and intangible assets	–	–	–	1,208.0	1,208.0
Deferred tax	–	–	–	32.9	32.9
Retirement benefit scheme surplus	–	–	–	168.2	168.2
Assets backing unit-linked liabilities	869.8	–	11,216.4	–	12,086.2
Total assets	**5,895.6**	**589.5**	**12,706.4**	**2,481.6**	**21,673.1**
Liabilities					
Trade and other payables	658.6	–	174.9	94.2	927.7
Financial liabilities	3,628.6	–	456.6	–	4,085.2
Lease liabilities	397.2	–	–	–	397.2
Current tax	–	–	–	21.5	21.5
Provisions	26.4	–	–	–	26.4
Deferred tax	–	–	–	31.5	31.5
Retirement benefit scheme deficits	–	–	–	11.5	11.5
Unit-linked liabilities	63.5	–	12,022.7	–	12,086.2
Total liabilities	**4,774.3**	**–**	**12,654.2**	**158.7**	**17,587.2**
Capital					**4,085.9**

1. Financial assets at fair value through profit or loss includes £11,255.0 million of assets that are designated at fair value through profit or loss and £1,451.4 million that are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £12,602.4 million of liabilities that are designated at fair value through profit or loss and £51.8 million that are mandatorily measured at fair value through profit or loss.

20. Financial instrument risk management continued
(a) Capital continued

	2019				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Financial instruments at fair value through profit or loss[1] £m	Non-financial instruments £m	Total £m
Assets					
Cash and cash equivalents	2,660.3	–	–	–	2,660.3
Trade and other receivables	742.3	–	–	64.4	806.7
Financial assets:					
Loans and advances to banks	350.2	–	–	–	350.2
Loans and advances to clients	398.5	–	4.6	–	403.1
Debt securities	67.0	916.9	223.6	–	1,207.5
Pooled investment vehicles	–	–	670.4	–	670.4
Equities	–	–	325.9	–	325.9
Derivatives	–	–	59.3	–	59.3
Associates and joint ventures	–	–	–	398.0	398.0
Property, plant and equipment	–	–	–	652.3	652.3
Goodwill and intangible assets	–	–	–	1,133.4	1,133.4
Deferred tax	–	–	–	36.9	36.9
Retirement benefit scheme surplus	–	–	–	136.3	136.3
Assets backing unit-linked liabilities	1,075.9	–	11,350.0	–	12,425.9
Total assets	**5,294.2**	**916.9**	**12,633.8**	**2,421.3**	**21,266.2**
Liabilities					
Trade and other payables	670.3	–	156.1	95.3	921.7
Financial liabilities	3,145.7	–	385.4	–	3,531.1
Lease liabilities	425.3	–	–	–	425.3
Current tax	–	–	–	54.1	54.1
Provisions	–	–	–	32.2	32.2
Deferred tax	–	–	–	16.2	16.2
Retirement benefit scheme deficits	–	–	–	12.2	12.2
Unit-linked liabilities	58.9	–	12,367.0	–	12,425.9
Total liabilities	**4,300.2**	**–**	**12,908.5**	**210.0**	**17,418.7**
Capital					**3,847.5**

1. Financial assets at fair value through profit or loss includes £11,391.8 million of assets that are designated at fair value through profit or loss and £1,242.0 million that are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £12,823.2 million of liabilities that are designated at fair value through profit or loss and £85.3 million that are mandatorily measured at fair value through profit or loss.

(b) Credit risk, liquidity risk and market risk
The Group is exposed to credit, liquidity and market risk as a result of the financial instruments it holds. Settlement of financial instruments (on both a principal and agency basis) also gives rise to operational risk. The Group's risk management framework is critical to effective management of these risks and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Board, with responsibility for oversight delegated to the Audit and Risk Committee. The Group applies the three lines of defence model to risk management, which includes financial instrument risk. More details on the risk management framework and approach are set out in the Key risks and mitigations report and the Audit and Risk Committee report on pages 50 and 69 respectively.

(i) Credit risk
Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the Group financial loss by failing to discharge their obligations. For this purpose, the impact on fair value of a credit loss arising from credit spread price changes in a portfolio of investments is excluded. This risk is addressed within pricing risk.

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(i) Credit risk continued

The Group has exposure to credit risk from its normal activities where it is exposed to the risk that a counterparty will be unable to pay, in full, amounts when due. The Group carefully manages its exposure to credit risk by: approving lending policies that specify the type of acceptable collateral and minimum lending margins; setting limits for exposures to individual counterparties and sectors; and by taking security. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Group's relevant financial assets held with rated and unrated counterparties is set out below:

	Cash and cash equivalents		Loans and advances to banks		Debt securities	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Credit rating:						
AAA	140.4	320.9	–	–	257.8	172.3
AA+	159.2	16.4	–	8.5	9.1	9.2
AA	277.3	1,072.9	55.2	26.4	11.0	418.8
AA-	2,131.6	342.2	27.1	125.0	159.9	91.7
A+	437.7	446.7	119.5	157.4	139.9	98.4
A	44.9	318.2	–	24.1	40.0	60.7
A-	231.7	117.3	4.7	8.8	59.5	59.1
BBB+ and lower	44.7	24.0	–	–	206.5	186.3
Not rated	2.1	1.7	–	–	86.9	111.0
	3,469.6	**2,660.3**	**206.5**	**350.2**	**970.6**	**1,207.5**

Expected credit losses are calculated on all of the Group's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

A three stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

- Performing (stage 1) – Financial assets where there has been no significant increase in credit risk since original recognition;
- Under-performing (stage 2) – Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or,
- Non-performing (stage 3) – Financial assets that are in default.

For financial assets in stage 1, expected credit losses are calculated based on the credit losses that are expected to be incurred over the following 12-month period. For financial assets in stages 2 and 3, expected credit losses are calculated based on credit losses expected to be incurred over the life of the instrument. The Group applies the simplified approach to calculate expected credit losses for trade and other receivables. Under this approach, instruments are not categorised into three stages and expected credit losses are calculated based on the life of the instrument.

Wealth Management activities

All client credit requests are presented to the relevant Wealth Management approval authorities and counterparty exposures are monitored daily against limits. Loans, overdrafts and advances to clients, as well as certain derivative positions, are secured on a range of assets including real estate (both residential and commercial), cash, client portfolios and life assurance policies.

The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis. Where disposal of non-cash collateral is required, in the event of default, the terms and conditions relevant to the specific contract and country will apply. Portfolios held as collateral are marked to market daily and positions compared to clients' exposures. Credit limits are set following an assessment of the market value and lending value of each type of collateral, depending on the perceived risk associated with the collateral. Clients are contacted if these limits are expected to be or are breached, or if collateral is not sufficient to cover the outstanding exposure.

The collateral accepted by the Group includes certain investment-grade securities that can be sold or repledged without default of the provider. At 31 December 2020, the fair value of collateral that could be sold or repledged but had not been, relating solely to these arrangements, was £831.8 million (2019: £632.4 million).

Policies covering various counterparty and market risk limits are set and monitored by the relevant Wealth Management asset and liability management committees. All instruments held within the Wealth Management treasury book have an investment grade credit rating.

Notes to the accounts continued

20. Financial instrument risk management continued

(b) Credit risk, liquidity risk and market risk continued

(i) Credit risk continued

Wealth Management takes a conservative approach to its treasury investments, placing them with, or purchasing debt securities issued by, UK and overseas banks and corporates, central banks, supranational banks and sovereigns.

Expected credit losses on financial assets at amortised cost within the Wealth Management entities at 31 December 2020 were £0.4 million (2019: £0.3 million). Loans and advances to clients includes one under-performing (stage 2) loan of £2.9 million (2019: none) and £2.0 million of non-performing (stage 3) loans (2019: £1.6 million) giving rise to nil and £0.2 million of expected credit losses respectively (2019: nil and £0.2 million respectively). All other financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2019: same).

Expected credit losses on financial assets at fair value through other comprehensive income within the Wealth Management entities at 31 December 2020 were £0.3 million (2019: £0.2 million). All financial assets at fair value through other comprehensive income were performing (stage 1) (2019: same).

Other activities

Fee debtors and other receivables arise as a result of the Group's asset management activities and amounts are monitored regularly. Historically, default levels have been insignificant and unless a client has withdrawn its funds, there is an ongoing relationship between the Group and the client.

Fee debtors past due but not in default as at 31 December 2020 were £54.3 million (31 December 2019: £45.0 million), the majority of which were less than 90 days past due (31 December 2019: less than 90 days).

The Group seeks to manage its exposure to credit risk arising from debt securities and derivatives within the investment portfolio by adopting a conservative approach and through ongoing credit analysis. Corporate bond portfolios have an investment grade mandate, and exposure to sub-investment grade debt is low.

Most derivative positions, other than forward foreign exchange contracts, are taken in exchange-traded securities where there is minimal credit risk. Forward foreign exchange positions generally have a maturity between one and three months.

The Group's cash and cash equivalents in the non-Wealth Management entities are held primarily in current accounts, on deposit with well-rated banks, or invested in money market funds.

Expected credit losses on financial assets at amortised cost within non-Wealth Management entities at 31 December 2020 were £0.7 million (2019: £0.7 million). All financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2019: same).

Expected credit losses on financial assets at fair value through other comprehensive income within non-Wealth Management entities at 31 December 2020 were £0.3 million (2019: £0.4 million). Debt securities includes £10.7 million of under-performing (stage 2) securities (2019: £11.0 million) giving rise to £0.1 million of expected credit losses (2019: £0.1 million). All other financial assets at fair value through other comprehensive income were performing (stage 1) (2019: same).

(ii) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. The Group has a clearly defined liquidity risk management framework in place in the form of a Consolidated Group Internal Liquidity Adequacy Assessment Process (ILAAP). The Group policy is that its subsidiaries should trade solvently, comply with regulatory liquidity requirements and have access to adequate liquidity for all activities undertaken in the normal course of business. As part of its ILAAP, the Group performs stress testing to confirm that sufficient liquidity is available to cover severe but plausible stress events.

Wealth Management activities

The principal liquidity risk in the Group's Wealth Management business arises as a result of its banking activities, where the timing of cash flows from liabilities relating to client accounts can be impacted by client action. The objective of the Group's liquidity policy is to maintain sufficient liquidity within the relevant entities to meet regulatory and prudential requirements, to cover cash flow imbalances and fluctuations in funding and the timely repayment of funds to depositors.

Liquidity positions are actively monitored and cash flows are managed so that sufficient liquidity is available to cover potential liquidity risks.

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(ii) Liquidity risk continued
The contractual maturity of Wealth Management financial assets and liabilities is set out below:

	2020						
	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Assets							
Cash and cash equivalents	2,894.1	–	–	–	–	–	2,894.1
Loans and advances to banks	189.9	–	–	–	–	–	189.9
Loans and advances to clients	228.9	49.8	77.4	56.6	69.3	–	482.0
Debt securities	322.6	107.3	–	–	–	–	429.9
Other financial assets	13.9	–	–	–	–	–	13.9
Total financial assets	**3,649.4**	**157.1**	**77.4**	**56.6**	**69.3**	**–**	**4,009.8**
Liabilities							
Client accounts	3,550.3	–	–	–	–	–	3,550.3
Deposits by banks	72.8	–	–	–	–	–	72.8
Other financial liabilities	20.9	–	–	–	–	–	20.9
Total financial liabilities	**3,644.0**	**–**	**–**	**–**	**–**	**–**	**3,644.0**
Cumulative gap	**5.4**	**162.5**	**239.9**	**296.5**	**365.8**	**365.8**	**365.8**

	2019						
	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Assets							
Cash and cash equivalents	2,076.1	–	–	–	–	–	2,076.1
Loans and advances to banks	335.9	–	–	–	–	–	335.9
Loans and advances to clients	203.5	51.7	33.3	25.5	74.2	14.9	403.1
Debt securities	589.4	53.9	–	–	–	–	643.3
Other financial assets	12.4	–	–	–	–	–	12.4
Total financial assets	**3,217.3**	**105.6**	**33.3**	**25.5**	**74.2**	**14.9**	**3,470.8**
Liabilities							
Client accounts	3,041.3	–	–	–	–	–	3,041.3
Deposits by banks	97.1	–	–	–	–	–	97.1
Other financial liabilities	21.5	–	–	–	–	–	21.5
Total financial liabilities	**3,159.9**	**–**	**–**	**–**	**–**	**–**	**3,159.9**
Cumulative gap	**57.4**	**163.0**	**196.3**	**221.8**	**296.0**	**310.9**	**310.9**

Other activities

The Group's exposure to liquidity risk outside of its Wealth Management activities is low. Excluding the Life Company and consolidated funds, the Asset Management and Group segment together hold cash and cash equivalents of £527.8 million (2019: £502.3 million). Financial liabilities relating to other operating entities are £441.2 million (2019: £371.2 million).

The Group has a committed revolving credit facility of £595.0 million (2019: £510.0 million), which expires on 4 October 2024. The facility was undrawn at 31 December 2020 (31 December 2019: undrawn).

(iii) Market risk
Market risk is the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates.

Pricing risk
Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

In respect of financial instrument risk, the Group's exposure to pricing risk is principally through investments held in investment capital, seed and co-investment capital, deferred employee compensation in the form of fund awards and some investments held for regulatory capital purposes.

Notes to the accounts continued

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(iii) Market risk continued
Pricing risk continued

The Group does not hedge exposures to pricing risk except in relation to seed capital, where it is practical to do so, and in respect of deferred employee compensation awards, where these can be matched by interests in funds managed by the Group. Where financial instruments are held to hedge deferred compensation awards, movements in the fair value of the asset are normally offset by changes in the amounts payable to employees (see note 4).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Wealth Management activities

In Wealth Management, interest rate risk is monitored against policies and limits set by the relevant risk committee on a daily basis. Interest rate risk is managed within set limits by matching asset and liability positions and through the use of interest rate swaps.

Sensitivity-based and stress-based models are used for monitoring interest rate risk. These models assess the impact of a prescribed basis point rise in interest rates, and the potential impact of severe but plausible stress scenarios.

Other activities

Cash held by the other operating companies is not normally expected to be placed on deposit for longer than three months and is not exposed to significant interest rate risk.

The Group's capital includes investments in corporate investment-grade bonds managed by the Group's fixed income fund managers. The market risk (including interest rate risk) exposure of these investments is actively monitored against limits set by the Board.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Wealth Management activities

In Wealth Management, some loans and advances to clients, client deposits and a proportion of the treasury activities are undertaken in foreign currencies. This is managed by the treasury departments within agreed limits that are set and monitored by the relevant risk committees.

Other activities

The Group's policy in relation to foreign exchange risks arising from revenue, expenditure and capital currency exposure from its Asset Management activities is generally not to hedge. The Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered to be a normal part of the Group's business activities.

The Group also has exposure to foreign currency through investments in currencies other than sterling. The Group uses forward foreign exchange contracts with third parties to mitigate this exposure. The gain or loss on these contracts is included in the statement of other comprehensive income or the income statement, as appropriate. The use of such instruments is subject to approval by the GCC.

The sensitivities to market risk are estimated as follows:

		31 December 2020		31 December 2019	
Variable[1]		**A reasonable change in the variable within the next calendar year %**	**Increase/ (decrease) in post-tax profit £m**	A reasonable change in the variable within the next calendar year %	Increase/ (decrease) in post-tax profit £m
Interest rates[2]	-increase	0.2	1	0.8	4
	-decrease	(0.4)	(2)	(0.5)	(2)
US dollar against sterling	-strengthen	10	2	10	3
	-weaken	(10)	(2)	(10)	(2)
Euro against sterling	-strengthen	8	1	8	1
	-weaken	(8)	(1)	(8)	(1)
US dollar against Euro	-strengthen	10	4	10	3
	-weaken	(10)	(3)	(10)	(2)
FTSE-All Share Index[3]	-increase	20	38	20	39
	-decrease	(20)	(38)	(20)	(39)

1. The underlying assumption is that there is one variable increase/decrease with all other variables held constant.
2. Assumes that the fair value of assets and liabilities will not be affected by a change in interest rates.
3. Assumes that changes in the FTSE-All Share Index correlate to changes in the fair value of the Group's equity investments.

The reasonable changes in variables will have no impact on any other components of equity. These sensitivities concern only the direct impact on financial instruments and exclude indirect impacts on fee income and certain costs that may be affected by changes in the variable. The changes used in the sensitivity analysis were provided by the Group's Global Economics team who determine reasonable assumptions.

21. Share capital and share premium

Share capital represents the number of issued ordinary and non-voting ordinary shares in Schroders plc multiplied by their nominal value of £1 each. Share premium substantially represents the aggregate of all amounts that have ever been paid above nominal value to Schroders plc when it has issued ordinary and non-voting ordinary shares. There are certain circumstances in which the share premium can be reduced but these did not arise in 2019 or 2020. The Company has no authority to issue, buy back, or cancel ordinary shares in issue (including those held in trust) and has authority limited by shareholder resolution to issue or purchase non-voting ordinary shares, which may either be cancelled or held in treasury.

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2020	282.5	226.0	56.5	282.5	124.2
At 31 December 2020	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2019	282.5	226.0	56.5	282.5	124.2
At 31 December 2019	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	2020 Number of shares Millions	2019 Number of shares Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	282.5	**282.5**

The difference between the share classes

The non-voting ordinary shares carry the same rights as ordinary shares except that they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares.

Notes to the accounts continued

22. Own shares

Own shares are recorded by the Group when non-voting ordinary shares are acquired by the Company, or ordinary or non-voting ordinary shares are acquired through employee benefit trusts. This enables the Group to hold some of its shares in treasury to settle option exercises or for other permitted purposes. Own shares are held at cost and their purchase reduces the Group's net assets by the amount spent. When shares vest unconditionally or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost.

Movements in own shares during the year were as follows:

	2020 £m	2019 £m
At 1 January	(169.1)	(163.9)
Own shares purchased	(58.3)	(81.0)
Awards vested	67.6	75.8
At 31 December	**(159.8)**	**(169.1)**

During the year 2.4 million own shares (2019: 2.8 million own shares) were purchased and held for hedging share-based awards. 2.6 million shares (2019: 2.8 million shares) awarded to employees vested in the period and were transferred out of own shares.

The total number of shares in the Company held within the Group's employee benefit trusts comprise:

	2020			2019		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	2.4	6.2	8.6	2.0	6.3	8.3
Non-voting ordinary shares	0.1	–	0.1	–	0.1	0.1
	2.5	**6.2**	**8.7**	**2.0**	**6.4**	**8.4**

	2020			2019		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	58.1	159.6	217.7	43.9	168.4	212.3
Fair value	82.7	207.7	290.4	66.5	210.7	277.2
Non-voting ordinary shares:						
Cost	0.2	0.2	0.4	0.1	0.7	0.8
Fair value	0.6	0.3	0.9	0.7	1.0	1.7
Total:						
Cost	**58.3**	**159.8**	**218.1**	**44.0**	**169.1**	**213.1**
Fair value	**83.3**	**208.0**	**291.3**	**67.2**	**211.7**	**278.9**

23. Reconciliation of net cash from operating activities

This note should be read in conjunction with the Consolidated cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

	2020 £m	2019 £m
Profit before tax	610.5	624.6
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	168.8	138.7
Net gain on financial instruments	(71.6)	(28.3)
Share-based payments	56.1	61.6
Net release for provisions	(5.3)	(9.0)
Other non-cash movements	6.3	(20.9)
	154.3	**142.1**
Adjustments for which the cash effects are investing or financing activities:		
Net finance income	(1.1)	(8.3)
Interest expense on lease liabilities	12.0	12.4
Share of profit of associates and joint ventures	(43.1)	(27.2)
	(32.2)	**(23.1)**
Adjustments for statement of financial position movements:		
Decrease in loans and advances within Wealth Management	77.8	198.8
Increase in trade and other receivables	(6.9)	(101.0)
Increase/(decrease) in deposits and client accounts within Wealth Management	453.6	(101.5)
Decrease in trade and other payables, other financial liabilities and provisions	(26.7)	(57.5)
	497.8	**(61.2)**
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net decrease/(increase) in financial assets backing unit-linked liabilities	113.4	(795.6)
Net (decrease)/increase in unit-linked liabilities	(339.7)	1,170.0
Net (decrease)/increase in cash within consolidated pooled investment vehicles	(34.2)	48.8
	(260.5)	**423.2**
Tax paid	(137.4)	(103.6)
Net cash from operating activities	**832.5**	**1,002.0**

Notes to the accounts continued

24. Commitments

Commitments represent amounts the Group has contractually committed to pay to third parties but do not yet represent a liability or impact the Group's financial results for the year.

The Group's commitments primarily relate to investment call commitments, commitments for property, plant and equipment and future leases not yet commenced and commitments under IT service agreements.

The Group sublets a small number of its owned and leased properties where such properties, or parts of such properties, are not required for use by the Group. The table below discloses the commitments sub-lessees have made in respect of such arrangements. These commitments are not recorded on the statement of financial position in advance of the period to which they relate.

	2020			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	4.7	55.4	–	60.1
Investment call commitments	74.5	18.2	1.8	94.5
Commitments for property, plant and equipment and leases	16.4	26.1	21.3	63.8
Commitments under IT service agreements	12.0	22.5	–	34.5
Total commitments	**107.6**	**122.2**	**23.1**	**252.9**
Operating leases receivable as lessor	(1.3)	(3.0)	(1.3)	(5.6)
Net commitments payable	**106.3**	**119.2**	**21.8**	**247.3**

	2019			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	–	47.9	–	47.9
Investment call commitments	32.3	–	2.1	34.4
Commitments for purchase of property, plant and equipment	2.2	1.4	–	3.6
Commitments under IT service agreements	12.0	34.5	–	46.5
Total commitments	**46.5**	**83.8**	**2.1**	**132.4**
Operating leases receivable as lessor	(1.2)	(3.8)	(1.9)	(6.9)
Net commitments payable	**45.3**	**80.0**	**0.2**	**125.5**

Office property sub-leases have a weighted average term of 3 years (2019: 4 years) and rentals are fixed for a weighted average term of 3 years (2019: 4 years).

25. Retirement benefit obligations

The Group has two principal types of pension benefit for employees: defined benefit (DB), where the Group has an obligation to provide participating employees with pension payments that represent a specified percentage of their final salary for each year of service, and defined contribution (DC), where the Group's contribution to an employee's pension is measured as, and limited to, a specified percentage of salary.

Accounting for DB schemes requires an assessment of the likely quantum of future pension payments to be made. If ring-fenced assets are held specifically to meet this cost, the scheme is funded, and if not, it is unfunded. The Group periodically reviews its funded DB schemes using actuarial specialists to assess whether it is on course to meet the expected pension payments that current and former employees are, or will be, entitled to. In the case of a projected shortfall, a plan must be formulated to reverse the deficit.

The income statement charge or credit represents the sum of pension entitlements earned by employees in the period, plus a notional net interest charge (if the scheme is in deficit) or income (if it is in surplus) based on the market yields on high quality corporate bonds. Experience differences, principally the difference between actual investment returns and the notional interest amount, as well as actuarial changes in estimating the present value of future liabilities are recorded in other comprehensive income.

Assets or liabilities recognised in the statement of financial position represent the differences between the fair value of plan assets (if any) and the actuarially-determined estimates of the present value of future liabilities. The Group closed its largest DB scheme to future accrual on 30 April 2011, although it still operates some small unfunded schemes overseas. This means that no future service will contribute to the closed scheme member benefits but those members continue to have the benefits determined by the Scheme rules as at 30 April 2011.

The Group's exposure to funding DC pension schemes is limited to the contributions it has agreed to make. These contributions generally stop when employment ceases. The income statement charge represents the contributions the Group has agreed to make into employees' pension schemes in that period.

The disclosures within this note are provided mainly in respect of the principal DB scheme, which is the DB section of the funded Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2020 £m	2019 £m
Pension costs – defined contribution plans	55.0	51.6
Pension credit – defined benefit plans	(1.1)	(7.7)
Other post-employment benefits	0.2	0.2
	54.1	**44.1**

(a) Profile of the Scheme

The Scheme is administered by a trustee company, Schroder Pension Trustee Limited (the Trustee). The board of the Trustee comprises an independent chairman, three directors appointed by the employer and two directors elected by the Scheme members. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for setting the investment strategy and for the day-to-day administration of the benefits. The Trustee's investment committee comprises four of the Trustee directors and two representatives of the Group. This committee, which reports to the Trustee board, is responsible for making investment strategy recommendations to the board of the Trustee and for monitoring the performance of the investment manager.

Under the Scheme, employees are entitled to annual pensions on retirement based on a specified percentage of their final pensionable salary or, in the case of active members at 30 April 2011 (the date the DB section of the Scheme closed for future accrual), actual pensionable salaries at that date, for each year of service. These benefits are adjusted for the effects of inflation, subject to a cap of 2.5% for pensions accrued after 12 August 2007 and 5.0% for pensions accrued before that date.

As at 31 December 2020, there were no active members in the DB section (2019: nil) and 2,159 active members in the DC section (2019: 2,127). The weighted average duration of the Scheme's DB obligation is 19 years (2019: 18 years).

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2020	2019
Number of deferred members	1,199	1,251
Total deferred pensions (at date of leaving Scheme)	£8.2m per annum	£9.4m per annum
Average age (deferred)	52	52
Number of pensioners	937	885
Average age (pensioners)	70	70
Total pensions in payment	£20.8m per annum	£20.4m per annum

(b) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2017. The funding level at that date was 115% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2020 and will be performed in 2021.

25. Retirement benefit obligations continued

(c) Risks of the Scheme

The Company and the Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities of the Scheme.

The most significant risks to which the Scheme exposes the Group are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will reduce the surplus or may create a deficit. The Group manages this risk by holding 71% (2019: 64%) of Scheme assets in a liability matching portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but that can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Credit risk

The assets of the Scheme include LDI and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's liability matching portfolio, which comprises gilts, corporate bonds and other LDI instruments. The liability matching investments have been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the liability matching portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the liability matching portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2020, the liability matching portfolio was designed to mitigate 83% (2019: 83%) of the Scheme's exposure to changes in gilt yields.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, in most cases, caps on the level of inflationary increases are in place. The majority of the growth assets are either unaffected by or not closely correlated with inflation, which means that an increase in inflation will also decrease any Scheme surplus. The liability matching portfolio includes instruments such as index-linked gilts to provide protection against inflation risk. At 31 December 2020, the liability matching portfolio was designed to mitigate 83% (2019: 83%) of the Scheme's exposure to inflation risk.

Life Expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

(d) Reporting at 31 December

The principal financial assumptions used for the Scheme are:

	2020 %	2019 %
Discount rate	1.4	2.1
RPI inflation rate	2.8	3.1
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	2.7	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.0	2.2

Average number of years a current pensioner is expected to live beyond age 60:	**Years**	Years
Men	28	28
Women	29	29

Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	**Years**	Years
Men	29	29
Women	30	30

Net interest income is determined by applying the discount rate to the opening net surplus in the Scheme. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality, long dated corporate bonds that are denominated in the currency in which the benefits will be paid.

25. Retirement benefit obligations continued

Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out on page 150 to calculate the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates, which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2019: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2019: 0.5%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics. The latest base mortality tables have been adopted with no scaling (2019: previously latest available base tables scaled back by 2.5% for men and 7.5% for women) following a scheme specific review of the membership data.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Hewitt Limited, and is based on an assessment of the Scheme as at 31 December 2020.

The amounts recognised in the income statement are:

	2020 £m	2019 £m
Interest income on Scheme assets	(20.7)	(27.1)
Interest cost on Scheme liabilities	17.8	22.6
Net interest income recognised in the income statement in respect of the Scheme	**(2.9)**	**(4.5)**
Income statement charge/(credit) in respect of other defined benefit schemes	1.8	(3.2)
Total defined benefit schemes income statement credit	**(1.1)**	**(7.7)**

The amounts recognised in the statement of comprehensive income are:

	2020 £m	2019 £m
Gains on Scheme assets in excess of that recognised in interest income	(91.5)	(54.6)
Actuarial losses/(gains) due to change in demographic assumptions	0.6	(6.4)
Actuarial losses due to change in financial assumptions	74.8	90.4
Actuarial gains due to experience	(12.9)	(5.6)
Total other comprehensive (gain)/loss in respect of the Scheme	**(29.0)**	**23.8**
Other comprehensive gain in respect of other defined benefit schemes	(1.4)	(0.6)
Total other comprehensive (gain)/loss in respect of defined benefit schemes	**(30.4)**	**23.2**

The sensitivity of the Scheme pension liabilities to changes in assumptions are:

		2020		2019	
Assumption	**Assumption change**	**Estimated (increase)/ decrease in pension liabilities £m**	**Estimated (increase)/ decrease in pension liabilities %**	Estimated (increase)/ decrease in pension liabilities £m	Estimated (increase)/ decrease in pension liabilities %
Discount rate	Increase by 0.5% per annum	78.1	8.6	71.7	8.3
Discount rate	Decrease by 0.5% per annum	(87.7)	(9.6)	(84.0)	(9.7)
Expected rate of pension increases	Increase by 0.5% per annum	(80.7)	(8.9)	(65.3)	(7.5)
Expected rate of pension increases	Decrease by 0.5% per annum	62.3	6.9	67.3	7.8
Life expectancy	Increase by one year	(45.4)	(5.0)	(37.9)	(4.4)
Life expectancy	Decrease by one year	44.6	4.9	37.5	4.3

Notes to the accounts continued

25. Retirement benefit obligations continued

Movements in respect of the assets and liabilities of the Scheme are:

	2020 £m	2019 £m
At 1 January	1,001.5	951.2
Interest on assets	20.7	27.1
Remeasurement of assets	91.5	54.6
Benefits paid	(36.5)	(31.4)
Fair value of plan assets	**1,077.2**	**1,001.5**
At 1 January	(865.2)	(795.6)
Interest cost	(17.8)	(22.6)
Actuarial (losses)/gains due to change in demographic assumptions	(0.6)	6.4
Actuarial losses due to change in financial assumptions	(74.8)	(90.4)
Actuarial gains due to experience	12.9	5.6
Benefits paid	36.5	31.4
Present value of funded obligations	**(909.0)**	**(865.2)**
Net assets	**168.2**	**136.3**

The Group has not materially changed the basis of any of the principal financial assumptions underlying the calculation of the Scheme's net financial position during 2020, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

Administration expenses and the levy payable to the Pension Protection Fund are met directly by the Group.

The fair values of the Scheme's plan assets at the year end date are:

	2020		2019	
	Value £m	Of which not quoted in an active market £m	Value £m	Of which not quoted in an active market £m
Liability matching investments	762.4	–	643.2	–
Portfolio funds	286.9	38.8	345.6	6.1
Exchange-traded futures and over-the-counter derivatives	3.3	5.6	(7.8)	(8.1)
Cash	24.6	–	20.5	–
	1,077.2	**44.4**	**1,001.5**	**(2.0)**

26. Share-based payments

Share-based payments are remuneration payments to selected employees that take the form of an award of shares in Schroders plc. Employees are generally not able to exercise such awards in full until three years after the award has been made, although conditions vary between different types of award. The accounting for share-based awards settled by transferring shares to the employees (equity-settled) differs from the accounting for similar awards settled in cash (cash-settled). The charge for equity-settled share-based payments is determined based on the fair value of the award on the grant date. Such awards can include share options or share awards that may or may not have performance criteria. The initial fair value of the award takes into account the current value of shares expected to be issued (i.e. estimates of the likely levels of forfeiture and achievement of performance criteria), the contribution, if required, by the employee and the time value of money. This initial fair value is charged to the income statement reflecting benefits received from employment, where relevant, in the performance period and over the vesting period. The income statement charge is offset by a credit to the statement of changes in equity, where the award is expected to be settled through the issue of shares. Such awards constituted 6.4% (2019: 7.2%) of salaries, wages and other remuneration (see note 4).

The Group may make share-based payments to employees through awards over or linked to the value of ordinary shares and by the grant of market value share options over ordinary shares. These arrangements involve a maximum term of 10 years.

It is the Group's practice to hedge all awards to eliminate the impact of changes in the market value of shares between the grant date and the exercise date.

Awards that lapse or are forfeited during the vesting period result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Group recognised total expenses of £57.5 million (2019: £63.7 million) arising from share-based payment transactions during the year, of which £56.1 million (2019: £61.6 million) were equity-settled share-based payment transactions. In 2020, there were total exceptional costs of £2.0 million included within equity-settled share-based payments (2019: £4.6 million).

The Group has the following share-based payment arrangements (further details of the current schemes may be found in the Remuneration report):

(a) 2000 Equity Compensation Plan and 2011 Equity Compensation Plan

Awards over ordinary and non-voting ordinary shares made under the Group's Equity Compensation Plans are charged at fair value as 'Operating expenses' in the income statement. There are no performance conditions attached to the awards. For the 2000 Equity Compensation Plan the fair value of an award is calculated using the market value of the shares at the date of grant, discounted for the dividends forgone over the average holding period of the award. For the 2011 Equity Compensation Plan the fair value of an award is calculated using the market value of the shares on the date of grant. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting period of the awards. Awards are structured as nil-cost options.

	2020		2019	
	Number of ordinary shares Millions	**Number of non-voting ordinary shares Millions**	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	3.9	0.1	5.5	0.1
Granted	0.8	–	0.9	–
Forfeited	(0.1)	–	(0.1)	–
Exercised	(1.1)	–	(2.4)	–
Rights outstanding at 31 December	**3.5**	**0.1**	**3.9**	**0.1**
Vested	1.5	0.1	1.4	0.1
Unvested	2.0	–	2.5	–
Weighted average fair value of shares granted (£)	23.76	–	25.49	–
Weighted average share price at dates of exercise (£)	28.67	18.93	28.76	19.83

The weighted average exercise price per share is nil.

A charge of £10.3 million (2019: £21.6 million) was recognised during the financial year.

The table below shows the expected charges for awards issued under the Equity Compensation Plan to be expensed in future years:

	£m
2021	4.4
2022	1.3
2023	0.1
	5.8

Notes to the accounts continued

26. Share-based payments continued
(b) Deferred Award Plan

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as 'Operating expenses' in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2020 Number of ordinary shares Millions	2019 Number of ordinary shares Millions
Rights outstanding at 1 January	2.8	1.2
Granted	1.7	1.9
Forfeited	(0.1)	(0.1)
Exercised	(0.6)	(0.2)
Rights outstanding at 31 December	**3.8**	**2.8**
Vested	0.6	0.1
Unvested	3.2	2.7
Weighted average fair value of shares granted (£)	23.86	26.54
Weighted average share price at date of exercise (£)	27.43	27.35

The weighted average exercise price per share is nil.

A charge of £39.7 million (2019: £32.5 million) was recognised during the financial year.

The table below shows the expected charges for awards issued under the Deferred Award Plan to be expensed in future years:

	£m
2021	10.4
2022	4.1
2023+	3.2
	17.7

(c) Equity Incentive Plan

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value as 'Operating expenses' to the income statement, over a five-year vesting period. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. Awards are structured as nil-cost options.

	2020 Number of ordinary shares Millions	2019 Number of ordinary shares Millions
Rights outstanding at 1 January	1.4	2.0
Granted	0.2	0.2
Forfeited	(0.1)	(0.1)
Exercised	(0.2)	(0.7)
Rights outstanding at 31 December	**1.3**	**1.4**
Vested	0.4	0.4
Unvested	0.9	1.0
Weighted average fair value of shares granted (£)	27.82	32.19
Weighted average share price at dates of exercise (£)	30.24	31.08

The weighted average exercise price per share is nil.

A charge of £3.8 million (2019: £5.3 million) was recognised during the financial year.

26. Share-based payments continued
(c) Equity Incentive Plan continued

The table below shows the expected charges for awards issued under the Equity Incentive Plan to be expensed in future years:

	£m
2021	4.4
2022	3.1
2023	2.4
2024	1.6
2025	0.8
	12.3

(d) Long Term Incentive Plan

Awards over ordinary and non-voting ordinary shares made under the Group's Long Term Incentive Plan are charged at fair value to the income statement over a four-year vesting period. Fair value is calculated using the market value of the shares at the grant date, discounted for dividends forgone over the vesting period of the award and adjusted based on an estimate at the year end date of the extent to which the performance conditions are expected to be met. Awards are structured as nil-cost options.

	2020		2019	
	Number of ordinary shares Millions	**Number of non-voting ordinary shares Millions**	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	0.1	0.1	0.1	0.1
Granted	–	–	0.1	–
Forfeited	–	–	(0.1)	–
Exercised	–	–	–	–
Rights outstanding at 31 December	**0.1**	**0.1**	**0.1**	**0.1**
Vested	–	0.1	–	–
Unvested	0.1	–	0.1	0.1
Weighted average fair value of shares granted (£)	–	–	21.32	–
Weighted average share price at dates of exercise (£)	–	–	–	19.82

The weighted average exercise price per share is nil.

A charge of £0.3 million (2019: £0.4 million) was recognised during the financial year.

The table below shows the expected charges for awards issued under the Long Term Incentive Plan to be expensed in future years:

	£m
2021	0.2
2022	0.1
	0.3

(e) Share Incentive Plan

The employee monthly share purchase plan is open to UK permanent employees and provides free shares from the Group to match the employee purchase of shares up to a maximum of £100 per month. The shares vest after one year.

Pursuant to this plan, the Group purchased 73,339 ordinary shares in 2020 (2019: 68,291) at a weighted average share price of £29.22 (2019: £28.91). A charge of £2.0 million (2019: £1.8 million) was recognised during the financial year.

Notes to the accounts continued

26. Share-based payments continued
(f) Cash-settled share-based awards

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

At 31 December 2020, the total carrying value of liabilities arising from cash-settled share-based awards was £4.1 million (2019: £4.1 million). The total intrinsic value at 31 December 2020 of liabilities for which the employee's right to cash or other assets had vested by that date was £2.4 million (2019: £2.3 million).

A charge of £1.4 million (2019: £2.1 million) was recognised during the financial year. This charge has arisen as the liability was remeasured at the balance sheet date at a share price of £33.37 (31 December 2019: £33.34).

27. Related party transactions

Transactions between the Group and parties related to the Group are required to be disclosed to the extent that they are necessary for an understanding of the potential effect of the relationship on the financial statements. Other disclosures, such as key management personnel compensation, are also required.

The Group is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result the related parties of the Group are members of the Group, including associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

Cash transactions with associates or joint ventures are reported in the Consolidated cash flow statement and in note 10.

£40.4 million (2019: £56.5 million) was held in customer accounts in respect of amounts payable to key management personnel or their related parties.

Included within loans and advances to clients are amounts due from related parties of £1.6 million (2019: £0.4 million). All related party loans and advances were at commercial rates.

Some of the plan assets of the Schroders Retirement Benefit Scheme are invested in products managed by the Life Company (see note 15). At 31 December 2020, the fair value of these assets was £136.4 million (2019: £169.8 million).

On 31 January 2020, Peter Harrison disposed of his interest in an associate of the Group, RWC Partners Limited, at the same time and on the same terms as the Group disposed of its interest.

Transactions between the Group and its related parties were made at market rates. Any amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Key management personnel compensation

Key management personnel are defined as members of the Board or the Group Management Committee. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2020 £m	2019 £m
Short-term employee benefits	Salary and upfront bonus	23.3	22.3
Share-based payments	Deferred share awards	12.8	13.2
Other long-term benefits	Deferred cash awards	12.8	13.1
Termination benefits	Termination benefits	–	0.3
Post-employment benefits	Pension plans	0.1	0.1
		49.0	**49.0**

The remuneration of key management personnel is based on individual performance and market rates. The remuneration policy (which applies to Directors and management) is described in more detail at www.schroders.com/directors-remuneration-policy.

28. Interests in structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The Group has interests in structured entities as a result of contractual arrangements arising from its principal activity, the management of assets on behalf of its clients. AUM, excluding deposits by Wealth Management clients and some segregated client portfolios held within the Group's Asset Management business, is managed within structured entities. These structured entities typically consist of investment vehicles such as Open Ended Investment Companies, Authorised Unit Trusts, Limited Partnerships and Sociétés d'Investissement à Capital Variable, which entitle investors to a percentage of the vehicle's net asset value. The vehicles are financed by the purchase of units or shares by investors. The Group also has interests in structured entities through proprietary investments. These are mainly into vehicles that help facilitate the Group's stated aim of generating a return on investment capital and when it deploys seed and co-investment capital in developing new investment strategies or as it invests alongside its clients. Additionally, the Group holds interests in structured entities for liquidity management purposes, for example via investments in money market funds.

The Group does not guarantee returns on the investments it manages or commit to financially support its structured entities. A small proportion of the Group's AUM, principally real estate funds, is permitted to raise finance through loans from banks and other financial institutions. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings.

The business activity of all structured entities in which the Group has an interest, is the management of assets in order to generate investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, normally based on a percentage of the entity's net asset value, committed capital value or gross asset value and, where contractually agreed, a performance fee or carried interest, based on outperformance against predetermined benchmarks. In addition, where the Group owns a proportion of the structured entity it is entitled to receive investment returns.

(a) Interests arising from managing assets

The Group's interests in structured entities arising as a result of contractual relationships from its principal activity, the management of assets on behalf of its clients, are reflected in the Group's AUM.

	2020			
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	Total £bn
Asset Management	281.2	9.8	211.4	502.4
Wealth Management	65.3	–	6.7	72.0
	346.5	**9.8**	**218.1**	**574.4**

	2019			
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	Total £bn
Asset Management	222.4	10.4	200.7	433.5
Wealth Management	60.0	–	6.7	66.7
	282.4	**10.4**	**207.4**	**500.2**

Certain AUM is managed outside of structured entities. Within Asset Management, this occurs either because it is formed of segregated investment portfolios for Institutional clients comprising directly-held investments in individual financial instruments, or because the voting structures of the vehicles themselves allow the investment manager to be removed without cause. Within Wealth Management, AUM is not considered to be within structured entities as the contractual relationships exists directly with the client rather than with structured entities, for example discretionary and advisory asset management and banking services. In addition, Wealth Management AUM in the form of loans and advances to customers is conducted outside of structured entities.

Certain structured entities are deemed to be controlled by the Group and are accounted for as subsidiaries and consolidated in accordance with the accounting standards. AUM within consolidated structured entities represents the net assets of the beneficial interest in the consolidated structured entity owned by third parties.

AUM within unconsolidated structured entities constitutes the remaining balance, represented principally by the net asset value of pooled vehicles managed for Intermediary clients, as well as some assets invested in pooled vehicles on behalf of Institutional and Wealth Management clients. The Group's beneficial interest in structured entities is not included within AUM and is described separately overleaf.

The Group has no direct exposure to losses in relation to the AUM reported above, as the investment risk is borne by clients. The main risk the Group faces from its interest in AUM managed on behalf of clients is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations.

Notes to the accounts continued

28. Interests in structured entities continued
(a) Interests arising from managing assets continued

Fee income includes £1,290.6 million (2019: £1,346.7 million) of fees from structured entities managed by the Group. The table below shows the carrying value of the Group's interests in structured entities as a result of its management of assets, where income is accrued over the period for which assets are managed before being invoiced. The carrying value represents the Group's maximum exposure to loss from these interests.

	2020 £m	2019 £m
Fee debtors	20.1	24.5
Accrued income	272.6	239.9
Total exposure due to asset management activities	**292.7**	**264.4**

(b) Interest arising from the Group's investment in unconsolidated structured entities
The table below shows the carrying values of the Group's proprietary investments in unconsolidated structured entities, which resulted in a net gain on financial instruments and other income of £35.5 million (2019: loss of £3.1 million). The carrying values represent the Group's maximum exposure to loss from these interests.

	2020 £m	2019 £m
Cash and cash equivalents	203.4	141.2
Financial assets	693.9	446.2
Total exposure due to the Group's investments	**897.3**	**587.4**

The Group's proprietary investments include interests in unconsolidated structured entities in the form of cash and cash equivalents and financial assets. Cash and cash equivalents comprise investments in money market funds, none of which are managed by the Group (2019: £3.5 million). Financial assets comprise investments in pooled vehicles and legacy private equity investments and include seed and co-investment capital and hedges of deferred cash awards. Of the financial assets, £458.6 million (2019: £445.3 million) is invested in funds managed by the Group. The Group has no interest apart from its role as investor in those funds for which it does not act as manager. The main risk the Group faces from its interests in unconsolidated structured entities arising from proprietary investments is that the investments will decrease in value. Note 20 includes further information on the Group's exposure to market risk arising from proprietary investments.

The Group has contractual commitments to co-invest alongside its clients and provide a minimum level of capital for certain private assets and alternative vehicles. The Group's investment call commitments are set out in note 24.

The Group's statement of financial position also includes the Life Company assets of £12,086.2 million (2019: £12,425.9 million), which are included in AUM. The exposure to the risks and rewards associated with these assets is borne by unit-linked policyholders, or, where Life Company funds are consolidated, third-party investors in those funds.

Financial support for consolidated structured entities where there is no contractual obligation to do so
The Group supports some of its funds through the injection of seed capital in order to enable the funds to establish a track record before they are more widely marketed. During the year, the Group purchased units at a cost of £120.3 million (2019: £214.0 million) to provide seed capital to investment funds managed by the Group, of which £69.1 million (2019: £133.8 million) resulted in the consolidation of those funds and £51.2 million (2019: £80.2 million) did not.

29. Business combinations

The Group applies the acquisition method to account for business combinations. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and any equity interests issued by the Group. The consideration includes the fair value of any asset or liability resulting from contingent or deferred consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest at the fair value of the proportionate share of the acquiree's identifiable net assets.

The Group completed three business combinations during the year.

On 31 July 2020, the Group acquired 51% of the issued share capital of Pamfleet Holdings (Hong Kong) Limited (Pamfleet), a real estate asset management business, for a total consideration of £16.2 million. The acquisition contributed £0.6 billion of Asset Management AUM and strengthens the Group's Private Asset capabilities.

On 18 December 2020, the Group acquired 100% of the issued share capital of Sand Aire Limited (Sandaire), a UK wealth management business, for a total consideration of £34.7 million. The acquisition contributed £2.4 billion of discretionary Wealth Management AUM and increases the Group's scale and capability for its UK private clients.

The Group completed one further acquisition during the year for £2.4 million. The acquisition contributed £0.3 billion of Wealth Management AUM.

Net assets acquired

The fair values of the net assets acquired in the transactions together with the goodwill and intangible assets arising are as follows:

Net assets acquired:	Pamfleet £m	Sandaire £m	Other £m	Total £m
Cash	4.4	2.7	0.4	7.5
Trade and other receivables	0.5	3.5	0.1	4.1
Trade and other payables	(2.3)	(6.0)	(0.2)	(8.5)
Tangible net assets	**2.6**	**0.2**	**0.3**	**3.1**
Goodwill	10.4	21.5	1.4	33.3
Intangible assets arising on acquisition	10.9	16.0	2.2	29.1
Deferred tax arising on acquisition	(2.1)	(3.0)	(0.4)	(5.5)
Non-controlling interest	(5.6)	–	(1.1)	(6.7)
Total	**16.2**	**34.7**	**2.4**	**53.3**

Satisfied by:	£m	£m	£m	Total £m
Cash	16.2	33.7	1.5	51.4
Contingent consideration	–	1.0	–	1.0
Deferred consideration	–	–	0.9	0.9
Total	**16.2**	**34.7**	**2.4**	**53.3**

Notes to the accounts continued

29. Business combinations continued

The goodwill arising on the acquisitions is attributable to the value arising from:

- Additional investment capabilities;
- A broader platform for business growth;
- Talented management and employees; and
- Opportunities for synergies from combining certain activities.

Goodwill will not be deductible for tax purposes.

In the period between the acquisition dates and 31 December 2020, the three acquired businesses contributed £4.5 million to the Group's net income. The contribution to profit before tax and exceptional items was £1.5 million and exceptional costs of £0.8 million were incurred in respect of amortisation of the acquired intangible assets. Additionally, acquisition costs of £0.6 million were recorded within 'Operating expenses' and classified as exceptional in the Consolidated income statement.

If the acquisitions had been completed on 1 January 2020, the Group's pre-exceptional net income for the year would have been £2,193.8 million and the profit before tax and exceptional items for the year on the same basis would have been £705.3 million.

Estimates and judgements

The fair value of certain items of consideration, assets acquired and liabilities assumed requires some estimation. For intangible assets and contingent consideration payable, this estimation required assumptions regarding the level of future management fees that will be earned over the relevant period.

The net impact of changes to these assumptions would be to change the carrying value of individual assets and liabilities with a corresponding change to goodwill.

Presentation of the financial statements

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 and IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union.

The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are held at fair value through profit or loss or at fair value through other comprehensive income, liabilities in respect of deferred cash awards and certain deposits both with banks and by customers and banks (including those that relate to bullion).

The statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes. The Group's Life Company business is reported separately. If the assets and liabilities of the Group's Life Company business were to be included within existing captions on the Group's statement of financial position, the effect would be to gross up a number of individual line items to a material extent. By not doing this, the Group can provide a more transparent presentation that shows the assets of the Life Company and the related unit-linked liabilities as separate and distinct from the remainder of the Group's statement of financial position.

The Group's principal accounting policies have been consistently applied. Further information is provided below and highlighted in the notes to the accounts.

(b) Future accounting developments

The Group did not implement the requirements of any other Standards or Interpretations that were in issue but were not required to be adopted by the Group at the year end date. No other Standards or Interpretations have been issued that are expected to have a material impact on the Group's financial statements.

(c) Basis of consolidation

The consolidated financial information includes the total comprehensive gains or losses, the financial position and the cash flows of the Company and its subsidiaries, associates and joint ventures. This includes share ownership trusts established for certain share-based awards. In the case of associates and joint ventures, those entities are presented as single line items in the Income statement and Statement of financial position (see note 10). Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements. Details of the Company's related undertakings are presented in note 38.

The entities included in the consolidation may vary year on year due to both the restructuring of the Group (including acquisitions and disposals) and changes to the number of pooled investment vehicles controlled by the Group.

Where the Group controls a pooled investment vehicle, it is consolidated and the third party interest is recorded as a financial liability until the Group loses control. This consolidation has no net effect on the Group's Consolidated income statement. The cash flow statement separately presents acquisitions and disposals of interests in consolidated pooled vehicles. Cash movements within the pooled vehicles are shown net within cash flows from operating activities as the cash held within the underlying pooled investment vehicles is restricted and is not available to the Group for corporate purposes. This presentation provides more relevant information about the impact of the Group's investment in pooled vehicles on corporate cash resources than an analysis of the underlying cash flows of the vehicles.

The Group records any non-controlling interest at the proportionate share of the acquiree's identifiable assets. The most significant non-controlling interest relates to a third party interest of 19.1% in Schroders Wealth Holdings Limited (SWHL). The profit after tax of SWHL was £22.4 million for the year (2019: £7.0 million for the period from 3 October to 31 December 2019). The net assets of SWHL were £291.2 million at 31 December 2020 (31 December 2019: £264.3 million) and no dividends were paid to SWHL's non-controlling interest during the year (2019: same).

(d) Net gains and losses on foreign exchange

Many subsidiaries are denominated in currencies other than sterling. The results of these subsidiaries are translated at the average rate of exchange. At the year end, the assets and liabilities are translated at the closing rate of exchange. Gains or losses on translation are recorded in the Group's statement of comprehensive income and as a separate component of equity together with gains or losses on any hedges of overseas operations. Such gains or losses are transferred to the Income statement on disposal or liquidation of the relevant subsidiary.

Transactions undertaken in foreign currencies are translated into the functional currency of the subsidiary at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities, other than those measured at historical cost, are translated into the functional currency at the rates of exchange ruling at the year end date. Any exchange differences arising are included within 'Net gain on financial instruments and other income' in the Group's income statement.

(d) Estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies and in determining whether certain assets and liabilities should be recorded or an impairment recognised. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within the notes and identified under the title estimates and judgements. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates may not equal the related actual results.

Notes to the accounts continued

Presentation of the financial statements continued

The estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in the following notes, including sensitivities where relevant or material:

Note 2	Net operating revenue
Note 5	Tax expense
Note 8	Trade and other receivables
Note 9	Financial assets
Note 13	Goodwill and intangible assets
Note 17	Financial liabilities
Note 18	Provisions and contingent liabilities
Note 25	Retirement benefit obligations
Note 29	Business combinations

In applying IFRS 10 Consolidated Financial Statements, the Group uses judgement to determine whether its interests in funds (and other entities), including those held by the Life Company, constitute controlling interests. The Group has interests in funds through its role as fund manager and through its proprietary investments in pooled investment vehicles. The Group considers all relevant facts and circumstances in assessing whether it has power over these vehicles. This includes consideration of the purpose and design of an investee, the extent of the Group's exposure to variability of returns as an investor and, where appropriate, as a fund manager, and the Group's ability to direct the relevant activities, including whether it has substantive or protective rights through voting rights and potential voting rights. These considerations are reassessed if there are indications that circumstances have changed since the original assessment.

Schroders plc – Statement of financial position

at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Trade and other receivables	32	1,536.1	1,504.7
Retirement benefit scheme surplus	25	168.2	136.3
Investments in subsidiaries	38	3,092.6	3,092.6
Total assets		**4,796.9**	**4,733.6**
Liabilities			
Trade and other payables	33	25.2	29.4
Deferred tax	34	28.8	20.0
Total liabilities		**54.0**	**49.4**
Net assets		**4,742.9**	**4,684.2**
Equity at 1 January		4,684.2	4,632.6
Profit for the year		346.4	401.4
Dividends		(311.7)	(312.3)
Other changes in equity		24.0	(37.5)
Equity at 31 December		**4,742.9**	**4,684.2**

The financial statements were approved by the Board of Directors on 3 March 2021 and signed on its behalf by:

Richard Keers
Director

Schroders plc – Statement of changes in equity

for the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2020		**282.5**	**124.2**	**(151.9)**	**4,429.4**	**4,684.2**
Profit for the year		**–**	**–**	**–**	**346.4**	**346.4**
Items that will not be reclassified to the income statement:						
Net actuarial gain on defined benefit pension scheme	25	–	–	–	29.0	29.0
Tax on items taken directly to other comprehensive income		–	–	–	(4.9)	(4.9)
Other comprehensive income		**–**	**–**	**–**	**24.1**	**24.1**
Total comprehensive income for the year		**–**	**–**	**–**	**370.5**	**370.5**
Own shares purchased	36	–	–	(50.9)	–	(50.9)
Share-based payments		–	–	–	50.5	50.5
Tax in respect of share schemes		–	–	–	0.3	0.3
Dividends	7	–	–	–	(311.7)	(311.7)
Transactions with shareholders		**–**	**–**	**(50.9)**	**(260.9)**	**(311.8)**
Transfers		**–**	**–**	**58.7**	**(58.7)**	**–**
At 31 December 2020		**282.5**	**124.2**	**(144.1)**	**4,480.3**	**4,742.9**

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2019		282.5	124.2	(146.1)	4,372.0	4,632.6
Profit for the year		–	–	–	401.4	401.4
Items that will not be reclassified to the income statement:						
Net actuarial loss on defined benefit pension scheme	25	–	–	–	(23.8)	(23.8)
Tax on items taken directly to other comprehensive income		–	–	–	4.0	4.0
Other comprehensive income		–	–	–	(19.8)	(19.8)
Total comprehensive income for the year		–	–	–	381.6	381.6
Own shares purchased	36	–	–	(71.9)	–	(71.9)
Share-based payments		–	–	–	53.2	53.2
Tax in respect of share schemes		–	–	–	1.0	1.0
Dividends	7	–	–	–	(312.3)	(312.3)
Transactions with shareholders		–	–	(71.9)	(258.1)	(330.0)
Transfers		–	–	66.1	(66.1)	–
At 31 December 2019		282.5	124.2	(151.9)	4,429.4	4,684.2

The distributable profits of Schroders plc are £2.9 billion (2019: £2.9 billion) and comprise retained profits of £3.0 billion (2019: £3.0 billion), included within the 'Profit and loss reserve', less amounts held within the own shares reserve.

The Group's ability to pay dividends is however restricted by the need to hold regulatory capital and to maintain sufficient other operating capital to support its ongoing business activities. In addition, the Group invests in its own funds as seed capital for the purposes of supporting new investment strategies. An analysis of the Group's capital position is provided in note 20.

Schroders plc – Cash flow statement

for the year ended 31 December 2020

	2020 £m	2019 £m
Profit before tax	344.1	397.1
Adjustments for:		
Increase in trade and other receivables	(33.9)	(68.6)
(Decrease)/increase in trade and other payables	(3.0)	1.0
Net credit taken in respect of the scheme	(2.9)	(4.5)
Share-based payments	50.5	53.2
Amounts received in respect of Group tax relief	9.0	8.0
Net cash from operating activities	**363.8**	**386.2**
Cash flows from financing activities:		
Repayment of loan received from a Group company	(1.2)	(2.0)
Acquisition of own shares	(50.9)	(71.9)
Dividends paid	(311.7)	(312.3)
Net cash used in financing activities	**(363.8)**	**(386.2)**
Net decrease in cash and cash equivalents	**–**	**–**
Opening cash and cash equivalents	–	–
Net decrease in cash and cash equivalents	–	–
Closing cash and cash equivalents	**–**	**–**

30. Significant accounting policies

The separate financial statements of Schroders plc (Company) have been prepared on a going concern basis in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 (Act) applicable to companies reporting under IFRS. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement and statement of comprehensive income.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statement note disclosures, where applicable. In addition, note 38 sets out the accounting policy in respect of investments in subsidiary undertakings.

Schroders plc – Cash flow statement continued

31. Expenses and other disclosures

The auditor's remuneration for audit services to the Company was £0.6 million (2019: £0.6 million). There were no fees relating to further assurance services in the year (2019: nil).

Key management personnel compensation

The remuneration policy is described in more detail at www.schroders.com/directors-remuneration-policy. The Company has no employees. The key management personnel of the Company are defined as the Board of Directors. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2020 £m	2019 £m
Short-term employee benefits	Salary and upfront bonus	6.3	6.4
Share-based payments	Deferred share awards	3.6	4.1
Other long-term benefits	Deferred cash awards	3.0	3.8
		12.9	**14.3**

32. Trade and other receivables

	2020 £m	2019 £m
Amounts due from subsidiaries	1,525.0	1,496.3
Prepayments and accrued income	0.2	–
Other receivables	10.9	8.4
	1,536.1	**1,504.7**

Trade and other receivables are initially recorded at fair value and subsequently at amortised cost. All trade and other receivables are due within one year or repayable on demand.

Expected credit losses on trade and other receivables at 31 December 2020 were £1.2 million (2019: £1.2 million). Note 20 sets out the details of the expected credit loss calculation.

33. Trade and other payables

	2020			2019		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables held at amortised cost:						
Social security	1.6	1.1	2.7	1.5	1.5	3.0
Accruals	3.5	6.8	10.3	3.9	7.8	11.7
Amounts owed to subsidiaries	–	12.2	12.2	–	14.7	14.7
	5.1	**20.1**	**25.2**	**5.4**	**24.0**	**29.4**

The Company's trade and other payables mature in the following time periods:

	2020 £m	2019 £m
Less than one year	20.1	24.0
1 – 2 years	2.0	2.3
2 – 5 years	3.1	3.1
	5.1	**5.4**
	25.2	**29.4**

Amounts owed to subsidiaries include an interest-bearing loan of £3.8 million (2019: £5.0 million) that is repayable on demand.

34. Deferred tax

	2020			2019		
	Deferred employee awards £m	Pension surplus £m	Total £m	Deferred employee awards £m	Pension surplus £m	Total £m
At 1 January	(3.1)	23.1	20.0	(5.5)	26.4	20.9
Income statement charge	0.4	0.5	0.9	2.3	0.8	3.1
Income statement charge/(credit) due to changes in tax rates	(0.3)	3.3	3.0	0.1	(0.1)	–
Charge/(credit) to statement of other comprehensive income	–	5.5	5.5	–	(4.5)	(4.5)
(Credit)/charge to statement of other comprehensive income due to changes in tax rates	–	(0.6)	(0.6)	–	0.5	0.5
At 31 December	**(3.0)**	**31.8**	**28.8**	**(3.1)**	**23.1**	**20.0**

35. Financial instrument risk management

The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have adequate capital to maintain sufficient liquid funds to meet peak working capital requirements. Generally, surplus capital is loaned back to the Group's investment capital management entities.

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risks and mitigations' section within the Strategic report and the 'Risk and internal controls' section within the Audit and Risk Committee report as well as in note 20. The Company's specific risk exposures are explained below.

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its subsidiaries and therefore there is minimal external credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover its needs in the normal course of business. The Company can recall intercompany loans to subsidiaries or utilise the Group loan facility to maintain sufficient liquidity.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

At 31 December 2020, if interest rates had been 15 bps higher (2019: 75 bps higher) or 35 bps lower (2019: 50 bps lower) with all other variables held constant, the Company estimates that post-tax profit for the year would have increased by £1.8 million (2019: increased by £8.7 million) or decreased by £4.2 million (2019: decreased by £5.8 million) respectively. These changes are mainly as a result of net interest income on the Company's interest-bearing intercompany receivables and payables and cash. Other components of equity are not directly affected by interest rate movements.

The model used to calculate the effect on post-tax profits does not take into account the indirect effect of interest rates on the fair value of other assets and liabilities.

Foreign exchange and pricing risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is not directly exposed to foreign exchange or pricing risk. The Company's investments in its directly-held subsidiaries are in sterling and are held at historic cost. It has indirect exposure to foreign exchange and pricing risk in the Group, which could result in the impairment of these subsidiaries. There are currently sufficient resources in subsidiaries to absorb any normal market events.

36. Own shares

Movements in own shares during the year were as follows:

	2020 £m	2019 £m
At 1 January	(151.9)	(146.1)
Own shares purchased	(50.9)	(71.9)
Awards vested	58.7	66.1
At 31 December	**(144.1)**	**(151.9)**

During the year 2.1 million own shares (2019: 2.5 million own shares) were purchased and held for hedging share-based awards. 2.2 million shares (2019: 2.5 million shares) awarded to employees vested in the period and were transferred out of own shares.

Schroders plc – Notes to the accounts continued

36. Own shares continued

The total number of shares in the Company held within the Company's employee benefit trusts comprise:

	2020			2019		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	2.4	5.5	7.9	2.0	5.5	7.5
Non-voting ordinary shares	0.1	–	0.1	–	0.1	0.1
	2.5	**5.5**	**8.0**	**2.0**	**5.6**	**7.6**

	2020			2019		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	58.3	143.8	202.1	44.2	151.2	195.4
Fair value	82.7	182.6	265.3	66.4	184.6	251.0
Non-voting ordinary shares:						
Cost	0.3	0.3	0.6	0.2	0.7	0.9
Fair value	0.6	0.3	0.9	0.7	1.0	1.7
Total:						
Cost	**58.6**	**144.1**	**202.7**	**44.4**	**151.9**	**196.3**
Fair value	**83.3**	**182.9**	**266.2**	**67.1**	**185.6**	**252.7**

37. Related party transactions

The Company is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under IFRS. As a result, the related parties of the Company comprise principally subsidiaries, joint ventures and associates, key management personnel, close family members of key management personnel and any entity controlled by those parties.

The Company has determined that key management personnel comprises only the Board of Directors.

Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation (which is set out in note 31), are disclosed below:

	2020					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	370.9	18.9	4.1	0.1	1,525.0	(12.2)
Key management personnel	0.3	–	–	–	1.0	(30.7)

	2019					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	418.0	18.5	8.5	0.1	1,496.3	(14.7)
Key management personnel	0.3	–	–	(0.1)	–	(46.3)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash.

38. Subsidiaries and other related undertakings

The Group operates globally, which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures, associates and other qualifying undertakings. A full list of these undertakings, the country of incorporation, registered office, classes of shares held and the effective percentage of equity owned at 31 December 2020 is disclosed below.

Additionally, related undertakings include entities where the Company has a significant holding of a share class or unit class of a pooled vehicle. These holdings can arise through the Group's investment management activities on behalf of clients or as part of the stated aim of generating a return on investment capital. The seeding of structured entities in order to develop new investment strategies can give rise to these holdings. A listing of related undertakings arising from the Company's interest in structured entities along with registered offices is included on pages 177 to 179.

(a) Related undertakings arising from the Company's corporate structure

Principal subsidiaries

The principal subsidiaries listed below are those that, in the opinion of the Directors, principally affect the consolidated profits or net assets of the Company, or are regulated. The principal subsidiary entities are wholly-owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provision for impairment.

Name	Share class	Footnote	%	Address
UK				
Aspect8 Limited	OS	a	86.8%	Holmwood House, Langhurstwood Road, Horsham, RH12 4QP, England
Best Practice IFA Group Limited	OS	a	86.8%	
Bright Square Pensions Limited	OS	a	86.8%	
Evolution Wealth Network Limited	OS	a	86.8%	
Fusion Funds Limited	OS	a	86.8%	
Fusion Wealth Limited	OS	a	86.8%	
Mitchell & Company (IFA) Limited	OS	a	86.8%	
Leadenhall Securities Corporation Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Sand Aire Limited	OS	j	80.9%	
Schroder & Co. Limited	OS	j	80.9%	
Schroder Administration Limited	OS	b	100%	
Schroder Corporate Services Limited	OS		100%	
Schroder Financial Services Limited	OS		100%	
Schroder Investment Company Limited	OS		100%	
Schroder Investment Management Limited	OS		100%	
Schroder Investment Management North America Limited	OS		100%	
Schroder Pension Management Limited	OS		100%	
Schroder Real Estate Investment Management Limited	OS		100%	
Schroder Unit Trusts Limited	OS		100%	
Schroder Wealth Management (US) Limited	OS	j	80.9%	
Argentina				
Schroder Investment Management S.A.	OS		95%	Ing.Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
Schroder S.A. Sociedad Gerente de Fondos Comunes de Inversion	OS		95%	
Australia				
Schroder Investment Management Australia Limited	OS, CPS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Bermuda				
Schroders (Bermuda) Limited	OS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Brazil				
Schroder Investment Management Brasil Ltda	OS		100%	100 Joaquim Floriano, 14th Floor, Suite 142, Itaim Bibi, São Paulo, São Paulo, 04534000, Brazil
Cayman Islands				
Pamfleet China Investment Management Limited	OS	c	51%	PO Box 309, Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Pamfleet China Investment Management II Limited	OS	c	35.7%	
Pamfleet International Limited	OS	c	51%	
China				
Schroder Adveq Equity Investment Fund Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroder Investment Management (Shanghai) Co., Ltd.	OS		100%	

Schroders plc – Notes to the accounts continued

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Principal subsidiaries continued

Name	Share class	Footnote	%	Address
France				
Schroder AIDA SAS	OS		70%	1 rue Euler, 75008, Paris, France
Schroder Real Estate (France)	OS		100%	
Germany				
Schroder Real Estate Kapitalverwaltungsgesellschaft GmbH	OS		100%	Taunustor 1, 60310, Frankfurt, Germany
Guernsey				
Burnaby Insurance (Guernsey) Limited	OS		100%	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands
Schroders (C.I.) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Investment Company (Guernsey) Limited	OS		100%	
Schroder Investment Management (Guernsey) Limited	OS		100%	
Schroder Venture Managers (Guernsey) Limited	OS, NCRPS		100%	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
Secquaero Re (Guernsey) ICC Ltd	OS		100%	PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT, Channel Islands
Hong Kong				
Schroder & Co. (Hong Kong) Limited	OS		100%	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong
Schroder Adveq Management (Hong Kong) Limited (In Liquidation)	OS		100%	30th Floor, One Taikoo Place, 979 King's Road, Hong Kong, Hong Kong
Schroder Investment Management (Hong Kong) Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
Indonesia				
PT Schroder Investment Management Indonesia	OS		99%	30th Floor, Indonesia Stock Exchange Building, Tower 1, Jl Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
Ireland				
Schroder Investment Management (Ireland) Limited	OS		100%	George's Court, 54-62 Townsend Street, Dublin 2, Ireland
Japan				
Schroder Investment Management (Japan) Limited	OS		100%	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
Jersey				
Schroder Real Estate Managers (Jersey) Limited	OS		100%	47 Esplanade, St Helier, JE1 0BD, Jersey, Channel Islands
Luxembourg				
BlueOrchard Asset Management (Luxembourg) S.A.	OS	d, e	81.5%	1 rue Goethe, L-1637, Luxembourg City, Luxembourg
Schroder Investment Management (Europe) S.A.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder Real Estate Investment Management (Luxembourg) S.à.r.l.	OS		100%	
Schroder Real Estate SICAV-SIF	OS		100%	
Mexico				
Consultora Schroders, S.A. de C.V.	OS	f, g	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
Singapore				
Schroder & Co. (Asia) Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
Schroder Investment Management (Singapore) Ltd.	OS		100%	
South Korea				
Schroders Korea Limited	OS		100%	15th Fl., Centropolis A, 26, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea
Switzerland				
BlueOrchard Finance AG	OS		81.5%	Seefeldstrasse 233, 8008, Zurich, Switzerland
Schroder Adveq Management AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
Schroder & Co Bank AG	OS		100%	Central 2, 8021, Zurich, Switzerland
Schroder Investment Management (Switzerland) AG	OS		100%	Central 2, 8001, Zurich, Switzerland
Taiwan				
Schroder Investment Management (Taiwan) Limited	OS		100%	9/F, 108 Sec.5, Hsin-Yi Road, Hsin-Yi District, Taipei 11047, Taiwan
United States				
Schroder Adveq Management US Inc.	OS		100%	Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder Canada Inc.	OS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Fund Advisors LLC	COS		100%	
Schroder Investment Management North America Inc.	COS		100%	
Schroder US Holdings Inc.	COS		100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

38. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Fully-owned subsidiaries

Name	Share class	Footnote	%	Address
UK				
Adveq Founder Partner (GP) Limited	OS		100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Adveq Founder Partner Limited	OS		100%	
Adveq GP LLP	PI		100%	
Algonquin Management Partners (UK) Ltd	OS		100%	5 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England
Croydon Gateway Nominee 1 Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 2 Limited	OS		100%	
Gatwick Hotel Feeder GP LLP	PI		100%	
J. Henry Schroder Wagg & Co. Limited	OS		100%	
Ruskin Square Management Company Limited	OS		100%	
Schroder Financial Holdings Limited	OS		100%	
Schroder Infra Debt GP LLP	PI		100%	
Schroder International Holdings Limited	OS		100%	
Schroder Nominees Limited	OS	h	100%	
Schroder Pension Trustee Limited	OS		100%	
Schroder Private Assets Holdings Limited	OS		100%	
Schroder Wealth International Holdings Limited	OS		100%	
UK PEM Partners Limited	OS		100%	
Cazenove Capital Management Limited (In Liquidation)	OS		100%	CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Schroder Adveq Management (UK) Limited (In Liquidation)	OS		100%	
Australia				
Schroder Australia Holdings Pty Limited	OS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Austria				
Schroder Real Estate Asset Management Österreich GmbH	OS		100%	Zwerchäckerweg 2-10, 1220 Vienna, Austria
Belgium				
Algonquin Management Partners S.A.	OS		100%	Avenue Louise, 523 – 1050, Bruxelles, Belgium
Bermuda				
Schroder General Partner (Bermuda) Limited	OS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Schroder Management Company (Bermuda) Limited	OS		100%	
Schroder Venture Managers Limited	COS		100%	
SITCO Nominees Limited	OS		100%	
Canada				
Schroder Canada Investments Inc.	COS		100%	Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto, Ontario, M4W 3B8, Canada
Cayman Islands				
AEROW SMA Management I L.P.	PI		100%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
AEROW SMA Management II L.P.	PI		100%	
PEM Partners Ltd	OS		100%	
Schroder Adveq cPl Global Management III L.P.	PI		100%	
Chile				
Schroders Chile SpA	OS		100%	Avenida Cerro El Plomo 5420 Oficina 1104, Les Condes, Santiago, Chile
China				
Schroder Adveq Investment Management (Beijing) Co., Ltd.	OS		100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng District, Beijing, China
Curaçao				
cPI Schroder Adveq Investments Management B.V	OS		100%	Johan van, Walbeeckplein 11, Willemstad, Curaçao
Schroder Adveq Investors B.V.	OS		100%	
Schroder Adveq Management N.V	OS		100%	
France				
Holdco LC Paris Blomet SAS	OS		100%	1 rue Euler, 75008, Paris, France
Schroder Adveq France UP SAS	OS		100%	37 avenue Pierre 1er de Serbie, 75008 Paris, France
Germany				
Blitz 06-953 GmbH	OS		100%	Taunustor 1, 60310, Frankfurt, Germany
Real Neunzehnte Verwaltungsgesellschaft mbH	OS		100%	
Schroder Adveq Management Deutschland GmbH	OS		100%	
Schroder Eurologistik Fonds Verwaltungs GmbH	OS		100%	

Schroders plc – Notes to the accounts continued

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Fully-owned subsidiaries continued

Name	Share class	Footnote	%	Address
Germany (continued)				
Schroder Holdings (Deutschland) GmbH	CS		100%	Taunustor 1, 60310, Frankfurt, Germany
Schroder Italien Fonds Verwaltungs GmbH	OS		100%	
Schroder Real Estate Investment Management GmbH	OS		100%	
SIMA 5 Verwaltungsgesellschaft mbH	OS		100%	
SPrIM Holdings GmbH	OS		100%	
Schroder Real Estate Asset Management Austria GmbH	OS		100%	Maximilianstrasse 31, 80539 München, Germany
Schroder Real Estate Asset Management GmbH	OS		100%	
Guernsey				
CC Private Debt Feeder Company Limited	OS		100%	Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
CC Private Equity Feeder Company PCC Limited	OS		100%	
Schroder Investments (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Nominees (Guernsey) Limited	OS		100%	
SQ Revita I Limited	OS		100%	
Hong Kong				
Schroders Asia Nominees Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
S & C Nominees Limited	OS		100%	
India				
Schroders India Private Limited (In Liquidation)	OS		100%	1209, Navjivan Society, Bldg. No. 3, Lamington Road, Mumbai Central, Mumbai, Maharashtra-MH, 400008, India
Jersey				
AAF Management II L.P.	PI		100%	26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands
AAF Management III L.P.	PI		100%	
BKMS Management L.P.	PI		100%	
BKMS Management II L.P.	PI		100%	
Confluentes Partners I L.P.	PI		100%	
Cresta Management L.P.	PI		100%	
Cresta Management II L.P.	PI		100%	
EEM Management II L.P.	PI		100%	
EEM Opportunities Management L.P.	PI		100%	
Gemini Management L.P.	PI		100%	
GPEP Management I L.P.	PI		100%	
GPEP Management IV L.P.	PI		100%	
ICD Management L.P.	PI		100%	
IST3 Manesse PE Management L.P.	PI		100%	
IST3 Manesse PE2 Management L.P.	PI		100%	
Milele Partners L.P.	PI		100%	
PSY Private Equity Partners L.P.	PI		100%	
SA Co-Investment Management 1 L.P.	PI		100%	
SA-EL Asia Partners I L.P.	PI		100%	
SA-EL Partners II L.P.	PI		100%	
SA RP CO Management 1 L.P.	PI		100%	
SA TG Management L.P.	PI		100%	
SA VS Management L.P.	PI		100%	
Salève 2017 Management L.P.	PI		100%	
Salève 2020 Management L.P.	PI		100%	
Schroder Adveq Asia Partners V L.P.	PI		100%	
Schroder Adveq cPI Global Management S.à.r.l.	OS		100%	
Schroder Adveq cPI Global Partners IV L.P.	PI		100%	
Schroder Adveq Direct Partners III L.P.	PI		100%	
Schroder Adveq EEM Management I L.P.	PI		100%	
Schroder Adveq Europe Direct Partners II L.P.	PI		100%	
Schroder Adveq Europe Partners VII L.P.	PI		100%	
Schroder Adveq Europe Partners VIII L.P.	PI		100%	
Schroder Adveq Global Partners II L.P.	PI		100%	
Schroder Adveq Global Partners III L.P.	PI		100%	
Schroder Adveq Healthcare Partners I L.P.	PI		100%	

38. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Fully-owned subsidiaries continued

Name	Share class	Footnote	%	Address
Jersey (continued)				
Schroder Adveq Mature Secondaries (Orthros) Management L.P.	PI		100%	26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands
Schroder Adveq Mature Secondaries (Orthros) Management II L.P.	PI		100%	
Schroder Adveq Mature Secondaries (Orthros) Management III L.P.	PI		100%	
Schroder Adveq Mature Secondaries (Orthros) Management IV L.P.	PI		100%	
Schroder Adveq Multi Private Credit Management L.P.	PI		100%	
Schroder Adveq Santé Direct Partners L.P.	PI		100%	
Schroder Adveq Secondaries Management III L.P.	PI		100%	
Schroder Adveq Secondaries Partners IV L.P.	PI		100%	
Schroder Adveq Shanghai Private Equity Investment Management L.P.	PI		100%	
Schroder Adveq Technology Partners IX L.P.	PI		100%	
Schroder Adveq Technology Partners X L.P.	PI		100%	
Schroder Adveq US Partners V L.P.	PI		100%	
SC-SA Co-Invest Opportunities 2018 Management L.P.	PI		100%	
TMC Management III L.P.	PI		100%	
TMC Management IV L.P.	PI		100%	
TMCO Management I L.P.	PI		100%	
Wilmersdorf Secondary Management II L.P.	PI		100%	
Cazenove Capital Holdings Limited (In Liquidation)	OS		100%	44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands
Schroder Adveq Management Jersey Ltd	OS		100%	40 Esplanade, St Helier, Jersey, JE2 9WB, Channel Islands
Croydon Gateway GP Limited	OS		100%	47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands
Croydon Gateway Investments Limited	OS		100%	
Income Plus Real Estate Debt GP Limited	OS		100%	
UK Retirement Living Fund (ReLF) GP Limited	OS		100%	
Luxembourg				
Schroder Euro Enhanced Infra Debt Fund II GP S.à.r.l.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder Euro IG Infra Debt Fund V GP S.à.r.l.	OS		100%	
Schroder European Operating Hotel GP S.à.r.l.	OS		100%	
Schroder IFL S.à.r.l.	OS		100%	
Schroder Real Estate (CIP) GP S.à.r.l.	OS		100%	
SNI Management S.à.r.l.	OS		100%	
Confluentes Management S.à r.l.	OS		100%	6C rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
PSY Private Equity Management S.à.r.l.	OS		100%	
Schroder Adveq Asia Management V S.à.r.l.	OS		100%	
Schroder Adveq Direct Management III S.à.r.l.	OS		100%	
Schroder Adveq Europe Management VIII S.à r.l.	OS		100%	
Schroder Adveq Healthcare Management S.à.r.l.	OS		100%	
Schroder Adveq Management Luxembourg S.à.r.l.	OS		100%	
Schroder Adveq Technology Management X S.à r.l.	OS		100%	
Schroder Adveq US Management V S.à.r.l.	OS		100%	
UK Retirement Living GP S.à.r.l.	OS		100%	
Netherlands				
Schroder International Finance B.V.	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Singapore				
Schroder Singapore Holdings Private Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
SIMBL Nominees Private Limited (In Liquidation)	OS		100%	24 Raffles Place, #07-03, Clifford Centre, Singapore, 048621, Singapore
Switzerland				
Schroder Adveq Holding AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
Schroder Real Estate Management Switzerland GmbH	OS		100%	Lavaterstrasse 40, 8002, Zurich, Switzerland
Schroder Trust AG (In Liquidation)	OS		100%	P.O. Box 3655, 8 rue d'italie, 1204, Geneva, Switzerland

Schroders plc – Notes to the accounts continued

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Fully-owned subsidiaries continued

Name	Share class	Footnote	%	Address
United States				
Schroder Venture Managers Inc.	COS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroders Incorporated	COS		100%	
Schroder FOCUS II GP, LLC	PI		100%	1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder FOCUS II-L GP, LLC	PI		100%	
Schroder Helix Investment Partner LLC	OS		100%	
Schroder Securitized Credit Flexible Opportunities GP, LLC	PI		100%	
Schroder Taft-Hartley Income GP, LLC	PI		100%	

Subsidiaries where the ownership is less than 100%

Name	Share class	Footnote	%	Address
UK				
Alderbrook Financial Planning Limited (In Liquidation)	OS	a, h	86.8%	Holmwood House, Langhurstwood Road, Horsham, RH12 4QP, England
Benchmark Capital Limited	OS	g	86.8%	
Brian Potter Consultants Limited (In Liquidation)	OS	a, h	86.8%	
Chilcomb Wealth Ltd	OS	a	86.8%	
Creative Technologies Limited	OS	a	86.8%	
CT Connect Limited	OS	a, h	86.8%	
GYP Limited (In Liquidation)	OS	a	86.8%	
Invicta Independent Financial Advisers Limited (In Liquidation)	OS	a, h	86.8%	
Mitchell & Company Holdings (Reigate) Limited	OS	a	86.8%	
PP Nominees Limited	OS	a	86.8%	
PP Trustees Limited	OS	a	86.8%	
RIA Pension Trustees Limited	OS	a	86.8%	
Richard Martin Financial Solutions Limited (In Liquidation)	OS	a, h	86.8%	
Squirrel Financial Planning Limited (In Liquidation)	OS	a, f, g	86.8%	
Redbourne Wealth Management Ltd	OS	a	58%	Belmont House, Shrewsbury Business Park, Shrewsbury, SY2 SLG, England
Cazenove New Europe (CFM1) Limited	OS	h, j	80.9%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited	OS	h, j	80.9%	
Cazenove New Europe Staff Interest Limited	OS	h, j	80.9%	
CCM Nominees Limited	OS	h, j	80.9%	
Residential Land Development (GP) LLP	PI	i	67%	
Schroder & Co Nominees Limited	OS	h, j	80.9%	
Schroder Wealth Holdings Limited	OS		80.9%	
The Lexicon Management Company Limited	OS		50%	
British Virgin Islands				
Alpha Park Limited	OS	c	51%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Flete Holdings Limited	OS	c	51%	
Pamfleet China Limited	OS	c	51%	
Cayman Islands				
Schroder Adveq Asia Management I L.P.	PI		75%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Asia Management II L.P.	PI		65%	
Schroder Adveq cPl Global Management L.P.	PI		63%	
Schroder Adveq cPl Global Management II L.P.	PI		88%	
Schroder Adveq Europe Management II L.P.	PI		20%	
Schroder Adveq Europe Management IV A L.P.	PI		59%	
Schroder Adveq Europe Management IV B L.P.	PI		70%	
Schroder Adveq Technology Management V L.P.	PI		89%	
Schroder Adveq Technology Management VI L.P.	PI		65%	
Schroder Adveq US Management I L.P	PI		76%	
Schroder Adveq US Management II L.P.	PI		87%	

38. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure continued

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
China				
Pamfleet (Shanghai) Enterprise Management Limited	OS	c	51%	302 Block 9 No 697 Weihai Road, Jing'An, Shanghai, China
France				
Schroder Mid Core Infra II UP	OS		70%	1 rue Euler, 75008, Paris, France
Schroder Mid Infra UP	OS		70%	
Schroders IDF IV UP	OS		70%	
Terre et Mer Holding SAS	OS		80%	
Germany				
CM Komplementr 06-379 GmbH & Co KG	OS		95%	Taunustor 1, 60310, Frankfurt, Germany
Guernsey				
SV (Nominees) Limited	OS	e	50%	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
Hong Kong				
Pamfleet Asset Management (China) Limited	OS	c	51%	1803, 18/F Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	OS	c	51%	
Pamfleet (HK) Limited	OS	c	51%	
Pamfleet Holdings (Hong Kong) Limited	OS		51%	
Jersey				
AAF Management I L.P.	PI		48%	26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands
GPEP Management II L.P.	PI		70%	
GPEP Management III L.P.	PI		70%	
Schroder Adveq Asia Management III L.P.	PI		53%	
Schroder Adveq Asia Management IV L.P.	PI		70%	
Schroder Adveq Europe Co-Investments Management L.P.	PI		73%	
Schroder Adveq Europe Management III L.P.	PI		87.9%	
Schroder Adveq Europe Management V L.P.	PI		73%	
Schroder Adveq Europe Management VI L.P.	PI		74%	
Schroder Adveq Global Management L.P.	PI		71%	
Schroder Adveq Real Assets Harvested Resources Management L.P.	PI		73%	
Schroder Adveq Secondaries Management II L.P.	PI		53%	
Schroder Adveq Technology Management VII L.P.	PI		46%	
Schroder Adveq Technology Management VIII L.P.	PI		78%	
Schroder Adveq US Management III L.P	PI		51%	
Schroder Adveq US Management IV L.P.	PI		73%	
TMC Management I L.P.	PI		54%	
TMC Management II L.P.	PI		49%	
Wilmersdorf Secondary Management L.P.	PI		71%	
Luxembourg				
BlueOrchard Invest S.à r.l	OS	d, e	81.5%	1 rue Goethe, L-1637, Luxembourg
Schroder Property Services B.V.	OS		70%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
SRE Invest SCSp	PI		81.8%	
SRE ReLF (CIP) SCSp	PI		83.8%	
SRE SoHo (CIP) SCSp	PI		82.8%	
Netherlands				
NEOS Finance Group B.V.	OS		49%	The Hofpoort Building, Hofplein 20, 21st Floor, 3032 AC Rotterdam, Netherlands
Peru				
BlueOrchard America Latina S.A.C	OS	d	81.5%	184 Calle German Schreiber, Office 201, San Isidro, Lima, Peru
Singapore				
BlueOrchard Investments Singapore PTE Ltd	OS	d	81.5%	11 Amoy Street, #02-00, Singapore, 069931, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	OS	c	51%	3 Pickering Street, #02-37, Nankin Row, Singapore, 048660, Singapore

Schroders plc – Notes to the accounts continued

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Associates and joint ventures

Name	Share class	Footnote	%	Address
UK				
Algonquin (Liverpool) Limited (In Liquidation)	OS		20%	6 Snow Hill, City of London, London, EC1V 2AY, England
Clarke-Walker Financial Management Limited	OS	a	17%	125-135 Preston Road, Fifth Floor Telecom House, Brighton, BN1 6AF, England
Finura Partners Limited	OS	a	42.5%	15 Bowling Green Lane, London, EC1R 0BD, England
Kellands (Bristol) Limited	OS	a	27%	Quays Office Park, Conference Avenue, Portishead, Bristol, BS20 7LZ, England
Rayner Spencer Mills Research Limited	OS	a	43%	20 Ryefield Business Park, Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE, England
Regrowth Holdings Limited	OS	a	21%	New Barn Manor Farm Courtyard, Southam Lane Southam, Cheltenham, Gloucestershire, GL52 3PB, England
Retirement Planning Partnership Ltd	OS	a, f	45.8%	Kestrel House Alma Road, Romsey, Hampshire, SO51 8ED, England
Nippon Life Schroders Asset Management Europe Limited	OS	g	33%	1 London Wall Place, London, EC2Y 5AU, England
Ruskin Square Phase One LLP	PI		50%	
Social Supported Housing CIP LLP	PI		50%	
Social Supported Housing GP LLP	PI		50%	
Robertson Baxter Limited	OS	a	21%	Beck House, Abbey Road, Shepley, Huddersfield, HD8 8EP, England
Scottish Widows Schroder Wealth Holdings Limited	OS		49.9%	25 Gresham Street, London, EC2V 7HN, England
Waterhouse Financial Planning Limited	OS	a	17%	1 Carlisle Terrace, Derry, BT48 6JX, Northern Ireland
Belgium				
Algonquin Astrid	PS		33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
British Virgin Islands				
Graceful Lane Limited	OS		30%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
China				
Bank of Communications Schroder Fund Management Company Limited	OS		30%	2nd Floor Bank of Communications Tower, 188 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, China
France				
Algonquin France Hotels Services	OS		36%	1 rue Euler, 75008, Paris, France
JV Hotel La Villette SAS	OS		50%	
Guernsey				
Schroder Ventures Investments Limited	OS, R, D		50%	PO Box 255, Trafalgar Court Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
India				
Axis Asset Management Company Limited	OS	i	25%	1st Floor, Axis House C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli-Mumbai, 400025, India
Axis Mutual Fund Trustee Limited	OS	i	25%	
Jersey				
Bracknell General Partner Limited	OS	f	50%	47 Esplanade, St Helier, JE1 0BD, Jersey
UK Retirement Living (CIP) GP Limited	OS		50%	
Luxembourg				
Geres Investment II S.à.r.l	OS		40%	80, route d'Esch, L-1770 Luxembourg
Singapore				
Nippon Life Global Investors Singapore Limited	OS		33%	138 Market Street, #34-02, CapitaGreen, Singapore, 048946, Singapore
Planar Investments Private Ltd	OS		24.1%	1 Phillip Street, #06-00, Royal One Phillip, Singapore, 048692, Singapore
United States				
A10 Capital Parent Company LLC	COS		19.3%	1209 Orange Street, Wilmington, Delaware, 19801, USA

Share class abbreviations

CS	Capital shares.
COS	Common stock.
NCRPS	Non-cumulative redeemable preference shares.
CPS	Convertible preference shares.
D	Deferred shares.
OS	Ordinary shares.
PI	Partnership interest.
PS	Promote shares.
R	Redeemable preference shares.

Footnotes

a Owned through Benchmark Capital Limited.
b Held directly by the Company.
c Owned through Pamfleet Holdings (Hong Kong) Limited.
d Owned through BlueOrchard Finance AG.
e Financial year end 30 June.
f The Company holds ordinary A shares.
g The Company holds ordinary B shares.
h Dormant company.
i Financial year end 31 March.
j Owned through Schroder Wealth Holdings Limited.

38. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities

The Company's related undertakings also include funds in which it holds investments. These include fully and partially owned funds that are classified as subsidiaries. Due to the number of share classes or unit classes that can exist in these vehicles, a significant holding in a single share class or unit class is possible without that undertaking being classified as a subsidiary or associate.

Fully owned subsidiaries

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Advanced Beta Global Equity Value Fund	X Accumulation	100%	100%
Schroder Flexible Retirement Fund	X Accumulation	100%	100%
Australia			
Schroder Australian Equity Long Short Fund	P Accumulation	100%	100%
Brazil			
Schroder Best Ideas FIA	Unspecified	100%	100%
Schroder Core Plus FIC FIA	Unspecified	100%	100%
Schroder US Dollar Bond FIC FIM IE	Unspecified	100%	100%
Luxembourg			
Schroder ISF Dynamic Indian Income Bond	I Accumulation	100%	100%
Schroder ISF Sustainable Multi-Asset	I Accumulation	100%	100%
Schroder Property FCP – FIS – Schroder Property German Residential Fund	B	100%	100%
SIF Global Credit Opportunities	I Accumulation	100%	100%
US			
Schroder Global Sustainable Growth Fund (Canada)	Unspecified	100%	100%

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Advanced Beta Global Sovereign Bond Fund	X Accumulation	70%	28%
Schroder Advanced Beta Global Sovereign Bond Fund	I Accumulation	32%	19%
Schroder Diversified Growth Fund	I Accumulation	95%	95%
Schroder Dynamic Multi Asset Fund	Z Accumulation	63%	59%
Schroder Fusion Portfolio 3	F Accumulation	50%	47%
Schroder Global Emerging Markets Fund	A Accumulation	65%	36%
Schroder Multi-Asset Total Return Fund	X Accumulation	99%	83%
Schroder QEP Global Active Value Fund	I Accumulation	99%	55%
Schroder QEP Global Emerging Markets	I Accumulation	91%	87%
Schroder Responsible Value UK Equity Fund	I Accumulation	84%	74%
SPW Adventurous Portfolio Fund	X Accumulation	100%	80%
SPW Cautious Portfolio Fund	X Accumulation	100%	39%
SPW Discovery Portfolio Fund	X Accumulation	100%	65%
SPW Dynamic Portfolio Fund	X Accumulation	100%	92%
SPW Progressive Portfolio Fund	X Accumulation	100%	58%
Australia			
Schroder Absolute Return Income	Unspecified	64%	64%
Brazil			
Schroder Premium 45 Advisory FI RF CP LP	Unspecified	95%	95%
Wellington Schroder GAIA FIC FIM IE	Unspecified	79%	79%
Japan			
Schroder YEN Target	Unspecified	54%	54%
Schroder YEN Target (Annual)	Unspecified	40%	40%
Schroder YEN Target (Semi-Annual)	Unspecified	80%	80%
Luxembourg			
Schroder GAIA Helix	E Accumulation	100%	50%
Schroder GAIA Helix	C Accumulation GBP Hedged	99%	1%
Schroder ISF Alternative Risk Premia	I Accumulation	56%	56%
Schroder ISF Changing Lifestyles	I Accumulation	100%	94%
Schroder ISF European Alpha Focus	I Accumulation	100%	34%
Schroder ISF European Alpha Focus	C Accumulation	10%	3%
Schroder ISF European Large Cap	I Accumulation	70%	64%
Schroder ISF European Sustainable Equity	I Accumulation	57%	57%

Schroders plc – Notes to the accounts continued

38. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities continued

Subsidiaries where the ownership is less than 100% continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Luxembourg (continued)			
Schroder ISF Global Credit Income Short Duration	I Accumulation	80%	65%
Schroder ISF Global Disruption	I Accumulation	52%	43%
Schroder ISF Global Managed Growth	I Accumulation	100%	99%
Schroder ISF Global Sustainable Convertible Bond	I Accumulation	66%	44%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation GBP Hedged	100%	57%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation EUR Hedged	87%	1%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation	12%	4%
Schroder ISF Smart Manufacturing	I Accumulation	95%	54%
Schroder ISF Sustainable Multi-Asset Income	C Accumulation	100%	45%
SSSF Wealth Management USD Cautious	S Accumulation	95%	74%
SSSF Wealth Management USD Growth	S Accumulation	80%	72%
SSSF Wealth Management USD Balanced	S Accumulation	92%	45%
United States			
Hartford Schroders China A Fund	SD Accumulation	100%	44%
Hartford Schroders Opportunistic Income Fund	SD Distribution	100%	49%
Schroder Securitized Credit Fund Limited	A Distribution	85%	85%

Associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder All Maturities Corporate Bond Fund	X Accumulation	33%	22%
Schroder All Maturities Corporate Bond Fund	I Accumulation	44%	12%
Schroder Fusion Managed Defensive Fund	F Accumulation	25%	25%
Schroder India Equity	X Accumulation	23%	23%
Schroder Long Dated Corporate Bond Fund	I Accumulation	56%	26%
SPW Balanced Portfolio Fund	X Accumulation	100%	24%
Japan			
Schroder Global CB Fund PPIT Unhedged	Unspecified	24%	24%
Luxembourg			
ICBC (Europe) UCITS SICAV	X Accumulation USD	33%	33%
Schroder ISF Healthcare Innovation	I Accumulation	100%	21%
United States			
Schroder Absolute Return Emerging Markets Debt Portfolio LP	Unspecified	30%	30%

Significant holdings in structured entities not classified as subsidiaries or associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Absolute Return Bond Fund	X Income	100%	19%
Schroder Advanced Beta Global Corporate Bond Fund	X Accumulation	37%	9%
Schroder European Fund	I Income	33%	0%
Schroder Global Equity Fund	I Accumulation	37%	1%
Schroder Global Multi-Factor Equity Fund	X Accumulation	39%	8%
Schroder Institutional Pacific Fund	I Accumulation	42%	8%
Schroder Institutional UK Smaller Companies Fund	X Accumulation	100%	6%
Schroder QEP Global Core Fund	I Accumulation	41%	4%
Schroder Sterling Broad Market Bond Fund	I Accumulation	35%	4%
Schroder US Equity Income Maximiser	L Accumulation GBP Hedged	89%	0%
Cayman Islands			
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	B	100%	0%
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	C	100%	1%

38. Subsidiaries and other related undertakings continued

(b) Related undertakings arising from the Company's interests in structured entities continued

Significant holdings in structured entities not classified as subsidiaries or associates continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Luxembourg			
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	97%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	99%	5%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation EUR Hedged	92%	1%
Schroder GAIA BlueTrend	C Accumulation CHF Hedged	43%	0%
Schroder GAIA II Specialist Private Equity	I Accumulation	89%	8%
Schroder GAIA II Specialist Private Equity	C Accumulation	43%	2%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	1%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%
Schroder ISF EURO High Yield	I Accumulation	77%	0%
Schroder ISF Global Credit Income	I Accumulation	28%	0%
Schroder ISF Global Energy	I Accumulation	32%	0%
Schroder ISF Global Equity Yield	I Accumulation EUR	99%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Gold	I Accumulation	100%	1%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	42%	0%
Schroder ISF Global Multi Credit	I Accumulation EUR Hedged	98%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	88%	0%
Schroder ISF Global Recovery	I Accumulation	23%	2%
Schroder ISF Global Sustainable Growth	I Accumulation GBP	54%	14%
Schroder ISF Inflation Plus	I Accumulation	24%	8%
Schroder ISF Middle East	I Accumulation	100%	0%
Schroder ISF Multi-Asset Total Return	I Accumulation EUR Hedged	96%	0%
Schroder ISF QEP Global Value Plus	I Accumulation	100%	3%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable Swiss Equity	I Accumulation	20%	2%
Schroder Property FCP – FIS – Schroder Property Eurologistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP – FIS – Schroder Property Eurologistics Fund No.1 (B)	B	100%	3%

The registered offices for each of the related undertakings listed on pages 177 to 179 are reflected by country below:

UK
1 London Wall Place, London, EC2Y 5AU, England

Australia
Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia

Brazil
The registered office for the Brazil related undertakings is Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil, except for the following:

The registered office for the following related undertaking is Núcleo Cidade de Deus, Prédio Amarelo, 1o andar, Vila Yara, Osasco, SP, Brazil

Schroder Best Ideas FIA

Cayman Islands
Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

Japan
The registered office for the following related undertaking is 1-8-3 Marunouchi Chiyoda-Ku, Tokyo, Japan

Schroder Global CB Fund PPIT Unhedged

The registered office for the following related undertakings is 1-1 Chuo-ku, Saitama City, Saitama Shintoshin Godo Choushya 1st Building, Saitama Prefecture, 330-9716, Japan

Schroder YEN Target
Schroder YEN Target (Annual)
Schroder YEN Target (Semi-Annual)

Luxembourg
The registered office for the Luxembourg related undertakings is 5 rue Höhenhof, L-1736 Senningerberg, Luxembourg, except for the following:

The registered office for the following related undertakings is 80, route d'Esch, L-1470 Luxembourg

ICBC (Europe) UCITS SICAV
Schroder Property FCP-FIS – Schroder Property German Residential Fund
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)

United States
The registered office for the United States related undertakings is 7 Bryant Park, New York, New York, 10018, USA, except for the following:

The registered office for the following related undertakings is 690 Lee Road, Wayne, Pennsylvania, 19087, USA

Hartford Schroders China A Fund
Hartford Schroders Opportunistic Income Fund

Independent auditor's report to the members of Schroders plc

Opinion

In our opinion:

- Schroders plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroders plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2020	Schroders plc – Statement of financial position at 31 December 2020
Consolidated statement of comprehensive income for the year ended 31 December 2020	Schroders plc – Statement of changes in equity for the year ended 31 December 2020
Consolidated statement of financial position at 31 December 2020	Schroders plc – Cash flow statement for the year ended 31 December 2020
Consolidated statement of changes in equity for the year ended 31 December 2020	Schroders plc – Notes to the accounts 30 to 38
Consolidated cash flow statement for the year ended 31 December 2020	
Notes to the accounts 1 to 29 and Presentation of the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and, as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting, we have:

- assessed the assumptions used in management's five-year forecast and determined that the models are appropriate to enable management to make an assessment on the going concern and viability of the Group. We also performed back-testing on prior year forecasts;
- evaluated the capital and liquidity position of the Group by reviewing the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment Process and the Recovery Plan;
- assessed the appropriateness of the stress and reverse stress test scenarios that consider the key risks identified by management. We evaluated management's analysis by testing the clerical accuracy and assessing the conclusions reached in the stress and reverse stress test scenarios;
- assessed the plausibility of available options to mitigate the impact of the key risks by comparing them to our understanding of the Group;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed the management paper approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of Covid-19 on the business; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is signed.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– The Group is comprised of over 290 legal entities domiciled in 31 countries. – We performed an audit of the complete financial information of six legal entities and audit procedures on specific balances for a further 19 legal entities. – The legal entities where we performed full or specific audit procedures accounted for 96% of profit before tax and exceptional items, 92% of revenue and 95% of total assets. – Certain of the Group's processes over financial reporting are centralised in the finance operations hubs of London, Luxembourg, Singapore and Zurich and as a result, the majority of our testing was performed in these locations.
Key audit matters	– Improper recognition of revenue – Improper recognition of cost of sales
Materiality	– Overall Group materiality of £35 million, which represents 5% of profit before tax and exceptional items.

An overview of the scope of the Parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as the impact of the Covid-19 pandemic or recent Internal Audit results, when assessing the level of work to be performed at each entity.

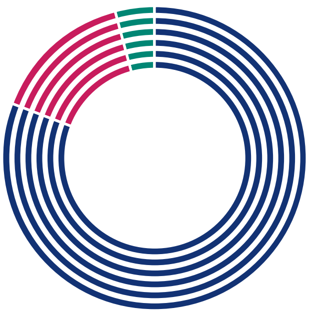
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 25 legal entities within the following countries: United Kingdom, Luxembourg, Switzerland, Singapore, Australia, China, Guernsey, Indonesia, Japan, and United States of America.

Of the 25 legal entities selected, we performed an audit of the complete financial information of six legal entities (full scope entities) which were selected based on their size or risk characteristics. For the remaining 19 legal entities (specific scope entities), we performed audit procedures on specific accounts within that legal entity that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

For the remaining entities that together represent 4% of the Group's profit before tax and exceptional items, we performed other Group procedures, including: analytical review, testing of consolidation journals and intercompany eliminations, centralised processes and controls, and foreign currency translation recalculations, to respond to potential risks of material misstatement to the Group financial statements.

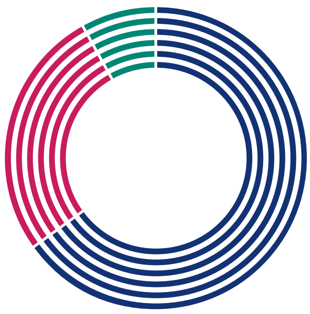
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Profit before tax and exceptional items



Full scope components	81% (2019: 90%)
Specific scope components	15% (2019: 8%)
Other procedures	4% (2019: 2%)

Revenue



Full scope components	65% (2019: 67%)
Specific scope components	27% (2019: 25%)
Other procedures	8% (2019: 8%)

Changes from the prior year

Schroder (C.I.) Limited was considered a specific scope entity for the current year audit. It was previously considered to be full scope.

Schroder Private Assets Holdings Limited was previously considered to be a specific scope entity, but was not considered to be specific or full scope for the current year audit.

Schroder Singapore Holdings Private Limited and Fusion Wealth Limited were considered specific scope entities for the current year audit. Both entities were previously considered to be neither specific nor full scope.

Independent auditor's report to the members of Schroders plc continued

The audit was largely conducted remotely using video calls, share-screen functionality, secure encrypted document exchanges and read-only access to Schroders systems to avoid any limitation on the audit evidence required.

Involvement with overseas teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the legal entities by us, as the Group audit team, or by local auditors from other EY global network firms operating under our instruction.

Schroders has centralised processes and controls over financial reporting within the finance operations hubs of London, Luxembourg, Singapore and Zurich. Our teams in these locations performed centralised testing in the finance hubs for certain accounts including revenue, costs of sales, administrative expenses, variable compensation, provisions and intercompany transactions.

For non-centralised processes, the audit work was performed by legal entity auditors. The Group audit team was responsible for the scope and direction of the audit process in each entity, interacting regularly with the local EY teams during each stage of the audit and reviewing key working papers. This, together with the additional procedures performed at Group level, and the centralised testing, gave us appropriate evidence for our opinion on the Group financial statements.

During 2020, it was not possible for the Senior Statutory Auditor, Julian Young, and other Group audit team members to visit component teams outside the UK, as has occurred in previous years. The Group team maintained oversight of component teams through remote collaboration platforms and regular meetings, in particular with the Luxembourg, Zurich, and Singapore audit teams. This allowed the Group team to gain a greater understanding of the business issues faced in each location, discuss the audit approach with the local team and any issues arising from their work, virtually attend meetings with local management, and review key audit working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Group only risk: **Improper recognition of revenue (£2,512.7 million, 2019: £2,537.0 million)** *Refer to the Audit and Risk Committee report (page 69) and Note 2 of the Consolidated financial statements (pages 114 to 117)* Schroders manages funds in numerous domiciles, which consist of many share classes. Schroders also manages segregated portfolios for a range of institutions and provides wealth management services. The inputs and calculation methodologies that drive the fees vary significantly across this population. In particular, performance fees and segregated accounts have a range of calculation methodologies due to the number of bespoke arrangements. For certain revenue streams, management must apply judgment in accordance with IFRS 15 – Revenue from contracts with customers ('IFRS 15') to determine whether it is highly probable that a significant reversal will not occur in the future. The following are identified as the key risks or subjective areas of revenue recognition: – not all agreements in place have been identified and accounted for; – fee terms have not been correctly interpreted or entered into the fee calculation and billing systems; – assets under management ('AUM') has not been properly attributed to fee agreements; – errors in manually calculated revenues, such as performance fees and carried interest; and – inappropriate judgments are made by management in the calculation and recognition of carried interest. There is also the risk that management may influence the timing or recognition of revenue in order to meet market expectations or net operating revenue-based targets.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the revenue process, including those impacted by operational changes due to COVID-19, both at Schroders, through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – IT systems: tested the controls over access to, and changes to, the systems underpinning the revenue process, including testing controls over the flow of data between systems for completeness and accuracy; – fee agreements: tested the controls over new and amended fee agreements. For a sample of fees, agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the revenue systems or in management's manual calculations; – calculation: tested automated controls over the arithmetical accuracy of a sample of fee calculations within the relevant systems; – AUM: tested the controls in place for the calculation and existence of AUM used in the fee calculations. For a sample of fees, tested the completeness and accuracy of AUM included in the fee calculation systems to administrator reports or Schroders' investment management systems; – billing: tested controls over the billing and cash management process. For a sample of fees, agreed the amounts recorded to the invoice sent to the client, as well as assessing the recoverability of debtors through testing of subsequent cash receipts and inspection of the aged debtors report; – carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest receivable, including the constraints applied under IFRS 15. For a sample of Schroder Adveq funds, agreed the inputs used in the carried interest calculations to third party sources, where applicable, and legal agreements; recalculated the value of the carried interest receivable; and traced the discounted carried interest income to the revenue recorded; – performance fees: for a sample of performance fees, we have agreed the inputs used in the performance fee calculations to accounting records, third party sources and legal agreements; recalculating the value of the fee; and tracing the amounts invoiced to the revenue recorded;

Risk	Our response to the risk
The risk has increased in the current year due to the COVID-19 pandemic as management's processes and controls may not operate as they were designed to due to changes in operations as a result of remote working.	– review of other information: inspected the global complaints register and operational incident log to identify errors in revenue or control deficiencies due to changes to operations as a result of remote working; and – management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes throughout the year and performed journal entry testing. We performed full and specific scope audit procedures over this risk area in five locations, which covered 92% of the total revenue. Due to the centralised nature of the revenue process, the majority of our testing was performed in London and Luxembourg for Asset Management revenue and Zurich for Wealth Management revenue.

Key observations communicated to the Schroders Audit and Risk Committee
All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Revenue has been recorded materially in accordance with IFRS 15.

Based on the procedures performed, we have no matters to report in respect of revenue recognition.

Risk	Our response to the risk
Group only risk: **Improper recognition of cost of sales (£453.1 million, 2019: £484.6 million)** *Refer to the Audit and Risk Committee report (page 69) and Note 2 of the Consolidated financial statements (pages 114 to 117)* Schroders has fee expense agreements in place with many parties. These expenses include: commissions, carried interest payable, external fund manager fees, and distribution fees payable to financial institutions, investment platform providers and financial advisers. The expenses are generally based on AUM. The following are identified as the key risks or subjective areas in correctly recognising fee expense: – not all agreements in place have been identified and accounted for; – fee expense terms have not been correctly interpreted; – AUM has not been properly identified or attributed to clients or third parties with fee expense arrangements; and – inappropriate judgments are made by management in the calculation of carried interest payable. There is also the risk that management may influence the timing or recognition of cost of sales in order to meet market expectations or net operating revenue-based targets. The risk has increased in the current year due to the COVID-19 pandemic as management's processes and controls may not operate as they were designed to due to changes in operations as a result of remote working.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the cost of sales process, including those impacted by operational changes due to COVID-19, both at Schroders, through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – IT systems: tested the controls over access to, and changes to, the systems underpinning the fee expense process, including testing controls over the flow of data between systems to test completeness and accuracy; – fee expense agreements: tested the controls over new agreements and amended fee expense agreements. For a sample of fee expenses performed by Schroders and an additional sample performed by external third parties, agreed the fee expense terms used in the calculation to IMAs, fee letters or rebate agreements. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the fee expense systems; – calculation: tested automated controls over the arithmetical accuracy of a sample of fee expense calculations within the relevant systems; – AUM: tested the controls in place for the calculation and existence of AUM used in the fee expense calculations. For a sample of fee expenses, tested the completeness and accuracy of the AUM included in the calculation to Schroders' transfer agency or investment management systems; – billing: tested controls over the cash management process. For a sample of fee expenses, agreed the amount recorded to the rebate statement sent to the client; – carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest liability. For a sample of Schroder Adveq funds: agreed the inputs used in the carried interest calculations to accounting records, third party sources and legal agreements; recalculated the value of the carried interest liability; and traced the discounted carried interest expense to the cost of sales recorded; – review of other information: inspected the global complaints register and operational incident log to identify errors in fee expense or control deficiencies due to changes to operations as a result of remote working, and to verify that fee expense errors have been appropriately addressed; and – management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes throughout the year and performed journal entry testing. We performed full and specific scope audit procedures over this risk area in London and Luxembourg, which covered 94% of total cost of sales.

Key observations communicated to the Schroders Audit and Risk Committee
All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Revenue has been recorded materially in accordance with IFRS 15.

Based on the procedures performed, we have no matters to report in respect of revenue recognition

Independent auditor's report to the members of Schroders plc continued

Prior year comparison

In the prior year, our auditor's report included a key audit matter in relation to 'Accounting for corporate activity'. This is not considered to be a key audit matter in the current year as the total number and materiality of transactions undertaken during the year has decreased.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £35 million (2019: £35 million), which is 5% (2019: 5%) of profit before tax and exceptional items. We believe that profit before tax and exceptional items is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent company to be £47 million (2019: £47 million), which is 1% (2019: 1%) of net assets. The Parent company primarily holds the investments in Group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.

During the course of our audit, we reassessed initial materiality based on 31 December 2020 profit before tax and exceptional items, and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £26 million (2019: £26 million).

Audit work at entity level, for the purpose of obtaining audit coverage over significant financial statement accounts, is undertaken based on a percentage of total performance materiality. The performance materiality set for each entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement at that entity. In the current year, the range of performance materiality allocated to individual entities was £5.2 million to £14.3 million (2019: £5.2 million to £14.3 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.8 million (2019: £1.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 106 and 187 to 192 including the Strategic report, Governance, and Shareholder information sections, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information in the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 105;
- Directors' explanation as to its assessment of the Parent company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 56:
- Directors' statement on fair, balanced and understandable, as set out on page 106;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on page 56;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 73; and
- the section describing the work of the Audit and Risk Committee, as set out on page 69.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 106, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Schroders plc continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Parent company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules and relevant Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') rules and regulations.
- We understood how Schroders plc is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, General Counsel, Company Secretary, Head of Compliance, Head of Risk, Head of Internal Audit and the Chairman of the Audit and Risk Committee. We corroborated our understanding through our review of board and committee meeting minutes, papers provided to the Audit and Risk Committee, and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how senior management monitors these controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management, including those at full and specific scope entities; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Parent company on 9 March 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. Our appointment as auditor was approved by shareholders at the Annual General Meeting on 26 April 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 2018 to 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.
- The audit opinion is consistent with the Audit Results Report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Young (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

3 March 2021

Shareholder information

Schroders plc

Registered in England and Wales Company No. 3909886

Registered office

1 London Wall Place, London, EC2Y 5AU
Tel: +44 (0) 20 7658 6000
Email: companysecretary@schroders.com
Website: schroders.com

Share Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

UK Shareholder helpline:

Freephone (UK callers only): 0800 923 1530
International: +44 117 378 8170
Fax: +44 (0) 870 703 6101
Website: investorcentre.co.uk

Financial calendar

Ex-dividend date	25 March 2021
Record date	26 March 2021
DRIP election date deadline	14 April 2021
Annual General Meeting	29 April 2021
Final dividend payment date	6 May 2021
Half-year results announcement	29 July 2021
Interim dividend paid*	September 2021

* Date to be confirmed.

Annual General Meeting

Our AGM will be held at 11.30 a.m. on 29 April 2021 at 1 London Wall Place, London, EC2Y 5AU.

Investor Centre

Computershare is the Company's share registrar. Investor Centre is Computershare's free, self-service website where shareholders can manage their interests online.

The website enables shareholders to:

- View share balances
- Change address details
- View payment and tax information
- Update payment instructions
- Update communication instructions

Shareholders can register their email address at investorcentre.co.uk to be notified electronically of events such as AGMs, and can receive shareholder communications such as the Annual Report and Accounts and the Notice of Meeting online.

Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque. Applications for an electronic mandate can be made by contacting the Registrar.

If your dividend is paid directly into your bank or building society account, you will receive an annual consolidated dividend confirmation, which will be sent to you in September each year at the time the interim dividend is paid.

Dividend confirmations are available electronically at investorcentre.co.uk to those shareholders who have their payments mandated to their bank or building society accounts and who have expressed a preference for electronic communications.

The Company operates a Dividend Reinvestment Plan (DRIP), which provides shareholders with a way of increasing their shareholding in the Company by reinvesting their dividends. A copy of the DRIP terms and conditions and application form can be obtained from the Registrar.

Details of dividend payments can be found in the Directors' report on page 104.

Schroders offers a service to shareholders in participating countries that enables dividends to be received in local currencies. You can check your eligibility and/or request a mandate form by contacting the Registrar.

Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting register.fca.org.uk
- Report the matter to the FCA by calling 0800 111 6768 or visiting fca.org.uk/consumers/report-scam-unauthorised-firm
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at fca.org.uk/consumers/unauthorised-firms-individuals#list.

More detailed information on this or similar activity can be found on the FCA website at fca.org.uk/consumers/protect-yourself-scams.

Capital gains tax

Capital gains tax values for the Company's shares as at 31 March 1982 and values relating to the disposal of the investment banking business in 2000 can be found on the Company's website.

Five-year consolidated financial summary

Before exceptional items	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Profit before tax	**702.3**	701.2	761.2	800.3	644.7
Tax	**(133.5)**	(140.5)	(163.3)	(171.6)	(132.4)
Profit after tax	**568.8**	560.7	597.9	628.7	512.3

After exceptional items	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Profit before tax	**610.5**	624.6	649.9	760.2	618.1
Tax	**(124.5)**	(128.9)	(145.2)	(165.8)	(127.9)
Profit after tax	**486.0**	495.7	504.7	594.4	490.2

Pre-exceptional earnings per share:	2020 Pence	2019 Pence	2018 Pence	2017 Pence	2016 Pence
Basic earnings per share[1]	**200.8**	201.6	215.8	226.9	186.3
Diluted earnings per share[1]	**197.2**	198.0	211.8	222.4	182.4

Post-exceptional earnings per share:	2020 Pence	2019 Pence	2018 Pence	2017 Pence	2016 Pence
Basic earnings per share[1]	**172.4**	178.9	183.1	215.3	178.3
Diluted earnings per share[1]	**169.3**	175.8	179.7	211.0	174.5

Dividends:	2020	2019	2018	2017	2016
Cost (£m)	**311.7**	312.3	311.7	267.6	236.6
Pence per share[2]	**114.0**	114.0	114.0	98.0	87.0
Total equity (£m)	**4,085.9**	3,847.5	3,621.2	3,471.0	3,152.8
Net assets per share (pence)[3]	**1,446**	1,362	1,282	1,229	1,115

Group employees at year end 31 December	2020 Number	2019 Number	2018 Number	2017 Number	2016 Number
United Kingdom	3,188	3,284	2,798	2,535	2,264
Europe, Middle East and Africa	938	964	873	822	716
Americas	379	376	369	353	331
Asia Pacific	1,066	1,049	999	909	834
	5,571	5,673	5,039	4,619	4,145

1. See note 6 for the basis of this calculation.
2. Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates.
3. Net assets per share are calculated by using the actual number of shares in issue at the year end date (see note 21).

Exchange rates – closing 31 December	2020	2019	2018	2017	2016
Sterling:					
Euro	**1.12**	1.18	1.11	1.13	1.17
US dollar	**1.37**	1.32	1.27	1.35	1.24
Swiss franc	**1.21**	1.28	1.26	1.32	1.26
Australian dollar	**1.77**	1.88	1.81	1.73	1.71
Hong Kong dollar	**10.60**	10.32	9.97	10.57	9.58
Japanese yen	**141.13**	143.97	139.73	152.39	144.12
Singaporean dollar	**1.81**	1.78	1.74	1.81	1.79
Chinese renminbi	**8.89**	9.23	8.74	8.81	8.59

Exchange rates – average	2020	2019	2018	2017	2016
Sterling:					
Euro	**1.13**	1.14	1.13	1.15	1.23
US dollar	**1.29**	1.28	1.33	1.30	1.36
Swiss franc	**1.21**	1.27	1.30	1.27	1.34
Australian dollar	**1.87**	1.84	1.78	1.69	1.83
Hong Kong dollar	**10.05**	10.03	10.44	10.10	10.52
Japanese yen	**137.89**	139.63	147.17	145.42	149.31
Singaporean dollar	**1.78**	1.74	1.80	1.79	1.88
Chinese renminbi	**8.93**	8.83	8.82	8.75	8.99

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Alternative performance measures

An alternative performance measure (APM) is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Certain of the Group's APMs exclude exceptional items which are defined in note 1(b) on page 113 and presented separately in the Consolidated income statement. The Group's APMs are defined below.

Annualised net new revenue
The net operating revenue that would be earned over a one year timeframe if the net new business was all transacted on the same day and there were no market movements or other changes to assets under management or fee rates over that year. It is calculated as gross new funds from clients multiplied by the applicable net operating revenue margin for each flow, less gross funds withdrawn multiplied by the applicable net operating revenue margin for each flow. This measure provides additional information to better assess the impact of net new business on the Group's net operating revenue.

Basic or diluted earnings per share before exceptional items
Profit after tax but before exceptional items divided by the relevant weighted average number of shares (see note 6 on page 121). The presentation of earnings per share before exceptional items provides transparency of recurring revenue and expenditure from our operational activities to aid understanding of the financial performance of the Group.

Payout ratio
The total dividend per share in respect of the year (see note 7 on page 121) divided by the pre-exceptional 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.

Ratio of total costs to net income
Total Group costs before exceptional items divided by net income before exceptional items (see note 4 on page 119). A 65% ratio is targeted to ensure costs are aligned with net income, although we recognise that in weaker markets the ratio may be higher than our long-term target.

Total compensation ratio
Pre-exceptional compensation costs (see note 4 on page 119) divided by pre-exceptional net income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.

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

AIFMD
The Alternative Investment Fund Managers Directive was implemented in the UK in July 2013 and is a regulatory framework for alternative investment fund managers, including managers of hedge funds, private equity firms and investment trusts.

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

Assets under management (AUM)
The aggregate value of assets managed on behalf of clients. In Wealth Management this includes assets where Schroders provides advisory services but the investment decisions are made by the client as well as assets held in custody where the client independently makes investment decisions, whether it is through direct contact with Schroders or via the Fusion wealth platform.

For Schroder Adveq, the aggregate value of assets managed is based on committed funds by clients. 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.

Basis point (bps)
One one-hundredth of a percentage point (0.01%).

Beta
Market returns.

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 & Alternatives fee structures.

CDP
The Carbon Disclosure Project 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. 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 years and five years reporting periods. Where performance figures are stated to 31 December 2019 they have been restated to include Wealth Management and Solutions assets in line with the five business areas aligned to our strategic priorities.

Applicable assets under management excludes £32.5 billion of assets, principally comprising those managed by third parties, hotel assets managed by Algonquin and Wealth Management assets held on a custody-only, advisory or execution-only basis.

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 74% 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 9% of assets in the calculation.

– Assets with no specific outperformance objective, including those with a buy and maintain objective, that are measured against a cash alternative, if applicable. This applies to 8% of assets in the calculation.

Glossary

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.

Compensation cost
Total cost of employee benefits.

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.

ESG
Environmental, social and governance.

ESG integration
ESG integration refers to the incorporation of ESG factors into investment decision-making with the aim of delivering better risk-adjusted returns to our clients. For certain businesses acquired during the course of 2020 we have not yet integrated ESG factors into investment decision-making. A small portion of our business for which ESG integration is not practicable or possible, for example our legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

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

FCA
Financial Conduct Authority of the United Kingdom.

Fitch investment management quality rating
A forward-looking, relative assessment of an investment manager's investment capabilities and the strength of its operational platform. Ratings have five key pillars: investment process; investment resources; risk management; investment performance and the company, including client servicing. Ratings are assigned on a five tiered scale from 'Excellent' to 'Weak'. Excellent indicates that the investment manager has extremely strong investment capabilities and operational characteristics.

FRC
Financial Reporting Council.

GAIA
Global Alternative Investor Access.

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

Global Transformation Range
The Global Transformation Range is a suite of thematic strategies.

GCC
Group Capital Committee.

GMC
Group Management Committee.

GOC
Global Operations Committee.

GRC
Group Risk Committee.

ICAAP
Internal Capital Adequacy Assessment Process.

IFRS
International Financial Reporting Standards.

ILAAP
Internal Liquidity Adequacy Assessment Process.

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.

LGBTQ+
Lesbian, Gay, Bisexual and Transgender and other groups of sexual and gender minorities.

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.

MiFID II
The second iteration of the Markets in Financial Instruments Directive. MiFID II is an EU directive which standardises regulation for investment services throughout the European Economic Area.

Net income
A sub-total comprising net operating revenue, net gains on financial instruments and other income and share of profit of associates and joint ventures.

Net new business
New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative). New funds and funds withdrawn are calculated as at 31 December 2020 on the basis of actual funding provided or withdrawn.

Net zero target
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.

Net operating revenue
A sub-total consisting of revenue less cost of sales as defined in note 2 of the financial statements.

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

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

Pillar 1
The minimum capital requirements in relation to credit risk, operational risk and market risk taken by the Group as principal.

Pillar 2
The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

Pillar 3
This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. Schroders' Pillar 3 disclosures are available at schroders.com/ir.

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.

PRA
Prudential Regulation Authority.

PRIIPs
Packaged Retail Investment and Insurance-based Products. PRIIPs make up a broad category of financial assets that are regularly provided to consumers in the EU. It covers all packaged, publicly marketed financial products that have exposure to underlying assets, provide a return over time and have an element of risk.

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 47.93% of the ordinary shares of Schroders plc.

RCA
Risk and Control Assessment.

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.

Schroders Personal Wealth
Schroders Personal Wealth (SPW) is a joint venture between Lloyds Banking Group and Schroders. It provides personal wealth planning, advice and investment management services to clients in the UK.

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.

Seed 1
All direct greenhouse gas emissions from company facilities and vehicles from e.g. gas and oil.

Seed 2
Indirect greenhouse emissions from consumption of purchased electricity, heat or steam.

Seed 3
Other indirect emissions, such as the emissions associated with our investments, electricity-related activities, waste disposal, business travel, employee commuting, employee homeworking etc.

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
Members of the GMC (including the executive Directors of Schroders plc), the direct reports of members of the GMC and the direct reports one level below that, in each case excluding administrative and other ancillary roles.

SMCR
Senior Managers and Certification Regime. FCA regulation which aims to strengthen market integrity by making senior individuals more accountable for their conduct and competence.

Sustainalytics
Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies.

SustainEx™
SustainEx™ is Schroders' proprietary measure of the social and environmental impact that a company may create. Based on independent data and research, the model combines measures of both the harm companies can do (for example, through activities like carbon emissions) and the good they can bring (for example, through paying a "living wage") to produce an aggregate measure of each company's social and environmental impact. The aim of the model is to allow our investors to target their ESG investments effectively by assessing the extent to which companies are in credit or deficit having regard to such measures, and the risks they face if the social and environmental "costs" they externalise are pushed into their own financial costs.

TCFD
The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative to help investors understand their financial exposure to climate risk and help companies disclose this information in a clear and consistent way.

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.

Total equity
Total assets less total liabilities.

Transfer Agent
A trust company, bank or financial institution that maintains investors' financial records and tracks their account balance.

UCITS
Undertakings for the Collective Investment in Transferable Securities. The UCITS directive is a regulatory framework of the European Union that creates a harmonised regime throughout Europe for the management and sale of investment funds.

Glossary

UCITS/AIF MRTs
Employees deemed to be material risk takers under the UCITS Directive or AIFMD.

UK Stewardship Code
A set of principles or guidelines from the Financial Reporting Council directed at institutional investors who hold voting rights in United Kingdom companies.

UN PRI
The United Nations-supported Principles for Responsible Investment Initiative is an international network of investment companies working together to implement the six Principles for Responsible Investment. Its goal is to understand the implications of sustainability and support signatories to incorporate these issues into their investment decision making and ownership practices.

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