Annual Report and Accounts 2021

Schroders

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Our Annual General Meeting (AGM) will be held as a hybrid meeting at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 28 April 2022 at 11:30am.

A glossary of terms used throughout the Annual Report and Accounts, including details of Alternative Performance Measures, can be found from page 186.

AS AN ACTIVE INVESTMENT MANAGER WE MAKE DECISIONS EVERY DAY ON BEHALF OF SAVERS AND INVESTORS AROUND THE WORLD.

We make these choices carefully and deliberately – because they affect the financial future of our clients and they impact the wider world.

Our clients include individuals who invest directly and those who invest through businesses or financial advisers. We also serve the investment needs of institutions like insurance companies, pension funds and charities.

They depend on our broad investment expertise across public and private markets to manage their wealth or investments and achieve long-term financial goals. The diversity of our business across important growth areas helps us stand apart from traditional asset managers.

We employ 5,750 people across 37 locations globally. Our success depends on the decisions they make every day.

ACCELERATING POSITIVE CHANGE

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

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

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

The heart of our strategy is simple – grow our business and deliver long-term value for all our stakeholders. We have three strategic priorities:

Build closer relationships with end clients

Build client longevity and sustainable margins through trusted adviser relationships in Wealth Management

Grow Asset Management

Focus on developing distinctive capabilities that enable us to deliver excellent investment performance

Expand Private Assets and Alternatives

Meet increasing client demand for additional portfolio building blocks and alternative sources of return

Read more about our strategy on page 18 and how we track our progress on page 22.

Clients are the focus of our business. When we deliver for them, it benefits all our stakeholders:

CLIENTS | SHAREHOLDERS | OUR PEOPLE

WIDER SOCIETY | EXTERNAL SUPPLIERS | REGULATORS

Read more about our stakeholders on page 46.

We translate our purpose and strategy into action for all stakeholders by:

BUILDING	DEVELOPING	EVOLVING	ADDRESSING	EMPOWERING
lasting client relationships through our increasingly diverse and expanding global distribution network	our investment products continuously to ensure that they continue helping clients meet their long-term financial goals	our business model in response to market disruption with new capabilities in key growth areas	climate change impacts by using science-based targets to decarbonise our investments and operations	our people and supporting wider society by creating opportunities to share in our growth and success

HOW WE HAVE DELIVERED IN 2021

Over the last five years we have made bold investments in the high growth areas of private assets, wealth management and sustainable investment. These investments have allowed us to deliver strong performance for our stakeholders.

Financial highlights

Net income before exceptional items **£2,568.8M** (2020: £2,179.2m)	Profit after tax **£623.8M** (2020: £486.0m)	Total dividend per share **122P** (2020: 114p)
Profit before tax and exceptional items **£836.2M** (2020: £702.3m)	Basic earnings per share before exceptional items **244.8P** (2020: 200.8p)	Total equity **£4.4BN** (2020: £4.1bn)
Profit before tax **£764.1M** (2020: £610.5m)	Basic earnings per share **220.8P** (2020: 172.4p)	Total capital ratio **27.7%** (2020: 26.2%)

Investment highlights

Assets under management	Net new business	Over three years
£731.6BN	**£35.3BN**	**79%**
(2020: £663.0bn)	(2020: £54.9bn)	of clients assets outperformed their respective benchmarks[1]

Assets under management

By business area[2]

Private Assets and Alternatives	7%
Solutions	27%
Mutual Funds	16%
Institutional	23%
Wealth Management	11%
Joint Ventures and Associates	16%

By asset class

Equities	35%
Multi-asset	26%
Fixed Income	21%
Private Assets and Alternatives	7%
Wealth Management	11%

By region

UK	40%
Asia Pacific	30%
Europe, Middle East and Africa	16%
Americas	14%

1. Read more about client investment performance in our glossary on page 186.
2. Read more about our business areas in our glossary on page 186.

Non-financial highlights[3]

Sustainalytics ESG rating
Low risk
low risk rating for two years in a row

95%
of employees proud to be associated with Schroders

MSCI ESG Rating
AAA
putting us in the top 3% of our sector

33%
female representation in senior management

94%
retention of highly rated employees

84%
renewably sourced electricity

SBTi targets validated
1.5°C -aligned

£60.5BN
of AUM in SISF funds classified as Article 8 or 9

CDP climate score
A-
leadership level rating for the second year running

3. Find out more about these non-financial measures in our glossary on page 186.

DELIVERING ON OUR GROWTH STRATEGY

2021 was another strong year for Schroders both in terms of our financial results and in extending our opportunities for future growth.

Net operating revenue was up 17% at £2,403.1 million (2020: £2,059.6 million), profit before tax and exceptional items was up 19% at £836.2 million (2020: £702.3 million) and profit after tax was up 28% at £623.8 million (2020: £486.0 million). Net new business was £35.3 billion (2020: £54.9 billion) and assets under management ended the year at £731.6 billion (2020: £663.0 billion).

Investment performance for clients was generally strong across the board with 79% of assets under management outperforming their benchmark over three years and 78% over five years.

This led to good growth in our traditional asset management businesses and in wealth management, and high levels of new business in Schroders Capital, our private assets business, which has been a strategic priority for us in recent years.

Our strategic partnerships with major financial institutions in China, India, Japan, the US and the UK are performing well and are an increasingly important source of assets under management and revenue, representing a significant long term growth opportunity.

We agreed three acquisitions in 2021, River and Mercantile's solutions business, Cairn, a Dutch real estate investor, and Greencoat Capital, a leader in European renewables. These meet our strategic goals of getting closer to end clients, extending our capabilities in private assets and building out our range of thematic and sustainability funds.

Dividend

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a pay out ratio of around 50%. The Board increased the interim dividend to 37 pence per share (2020: 35 pence), and will recommend to shareholders at the Annual General Meeting a final dividend of 85 pence per share (2020: 79 pence), taking the full year dividend to 122 pence per share (2020: 114 pence), an increase of 7%. The final dividend will be paid on 5 May 2022 to shareholders on the register on 25 March 2022.

The Board

Elizabeth Corley joined the Board on 1 September as an independent non-executive Director and will succeed me as Chair at the conclusion of the Annual General Meeting on 28 April 2022, subject to shareholder approval. Ian King, the Senior Independent Director, led the search and his report on the process is included in the Nominations Committee report on page 69.

Matthew Westerman will succeed Damon Buffini as Chairman of the Remuneration Committee after the Annual General Meeting. I would like to thank Damon for his contribution in this important role and we will continue to benefit from his experience in this regard as he will remain a member of the Committee.

We are very pleased that Paul Edgecliffe-Johnson, Chief Financial Officer of InterContinental Hotels Group plc, has agreed to join the Board as a non-executive Director, effective 1 July 2022.

Looking forward

As Schroders continues to grow we become increasingly aware of the positive role we can play to the benefit of all our stakeholders. We assist a very broad range of clients meet their financial goals; we channel capital to companies to support them in investing for growth and engage with them on their path to sustainability; we offer employees a rewarding and challenging career path; and we work constructively with counterparties and suppliers – all fundamental aspects of creating long-term value for shareholders and a long term future for the Company.

I will step down from the Board at the conclusion of the Annual General Meeting in April. It has been a privilege to have been at Schroders for 21 years, first as Chief Executive and, for the last six years, Chairman. Although the Company is much larger than the one I joined in 2001, our culture has not changed in that we continue to put our clients first and think long term in everything we do. The consistent support of the Principal Shareholder Group has been an important part of this.

It is a pleasure to see Schroders in this position of strength with so many growth opportunities ahead. I extend my best wishes to Elizabeth Corley, Peter Harrison and all the talented people who have created this success.

Michael Dobson
Chairman

2 March 2022

LOOKING AHEAD FROM A POSITION OF STRENGTH

Our industry has been disrupted over recent years, and a polarisation between the winners and losers has emerged. A major influence has been the increasing importance of sustainability. In the past our industry was focused on just two outputs: investment performance and the risk taken to achieve this performance. The owners of assets, our clients, are rightly now demanding a new perspective, a third factor – impact. The impact on society of the companies we invest in is of material importance. We are focused on delivering excellent risk-adjusted investment performance and are doing this in a manner which aims to improve the world in which we live. The progress on many fronts is pleasing but we are a restless and forward-looking organisation. Whilst today's successes are celebrated, we also use them to set the bar for tomorrow.

Today, our 20-year outlook is dominated by the challenge of decarbonisation. We have published detailed plans explaining how we, as a corporate entity, will reach net zero. Of perhaps greater significance, given the sheer scale of investments that we manage, is our plan to influence the companies in which we invest to reduce their impact on the planet. We hold sway with thousands of companies around the world.

We apply our influence every day; we apply it as bond and stock market investors but also as investors in infrastructure projects, of real estate, and as major private equity investors.

When reviewing 2021, we can be particularly proud with what we have achieved. The Group has generated record profits of £836.2 million (2020: £702.3 million) which represents a 19% increase versus the previous year.

Delivering strong investment performance

We have always strived to provide excellent investment returns for our clients and generate value for our shareholders.

Client investment performance*

	1 year	3 years	5 years
2019	70%	70%	72%
2020	75%	72%	81%
2021	74%	79%	78%

* For more information about how we calculate client investment performance see the glossary on page 186.

Our three years investment performance is a key performance indicator for the Group and I am pleased to see that it continues to improve, as 79% of our AUM outperformed their respective benchmarks. This is helped by our culture at Schroders where ideas and decisions are challenged and tested openly. Each desk is also supported by the science of the Data Insights Unit and the in-depth knowledge of our ESG specialists. Taken together it gives us a petri dish for bold decision-making.

Tilting our business towards the fast-flowing waters of the industry

The foundations for our position today were laid a number of years ago, when we sought to anticipate the challenges faced by traditional asset managers and set out plans to accelerate our investment to drive future growth. This included developing new Private Asset capabilities, expanding our wealth business and materially overhauling the product offering in our Asset Management business. We have invested heavily in expanding our geographic footprint, particularly in China and other emerging markets, and set about building new partnerships such as that with Lloyds Banking Group. We recognise that to be competitive we require a strong technology platform, a deep ability to gather and analyse data and a passionate desire to deliver investment performance for our clients.

Over the last five years, our AUM has grown from £453.6 billion to £731.6 billion, which represents an impressive compound annual growth rate of 10%. Once again, our organic growth has been strong. Indeed, almost every channel and region showed good organic growth, despite the disruption that is evident in many parts of the industry. We attracted net new business of £35.3 billion, with strong contributions from our range of mutual funds, private asset products, wealth management offering and our various partnerships, predominantly in China and India.

AUM growth year-on-year

10%

This progress has been made in the grip of the Covid-19 pandemic. I would like to pay a very sincere tribute to our employees who have contributed so much during such a disrupted period. Our strong corporate culture is a sustaining competitive advantage, and its strength has been hugely evident over the past two years. In the same spirit of partnership, we have been able to share the success of the firm with our employees globally through the widespread award of shares. At the end of the year, a staggering 84% of employees were shareholders in the firm, ensuring that the alignment of interest across all stakeholders is embedded in our structure.

Reaping the rewards from our organic investments

2021 was a year when several growth drivers came together. Developed equity markets posted another year of strong returns, whilst the bond markets weakened and concerns about inflation rose. We came into the year with strong investment performance and managed to sustain this for another year. Our new products saw good client demand, and the investments we had made in increasing our geographic footprint also paid off.

Schroders has found success in developing close partnerships with local champions around the world, and many of our strong country positions owe much to these relationships. We celebrated 50 years of business operations in Hong Kong, having started there in partnership with the Kadoorie family and Standard Chartered. Today we have important strategic partnerships in several countries: with Bank of Communications in China, Axis Bank in India, Nippon Life in Japan, Hartford Funds in the US and Lloyds Banking Group in the UK. We deeply value these strategic partnerships which have all contributed to our progress.

"As a UK PLC and a global investor, we have a fundamental role to play in decarbonising the economy."

Last year, we saw good growth across all regions. We have been reaping the rewards from relatively new areas of strategic focus, such as Latin America, Israel and our US institutional businesses.

In our EMEA markets, we saw strong contributions from clients based in Central and Emerging Europe, the Middle East and Israel. These are some of our newer client relationships and they have contributed a combined net new business of over £1.0 billion. We also saw good contributions from our wholly-owned China business, India, Thailand and Malaysia, reaching nearly £1.0 billion of net new business. In the US, our net sales continue to benefit from our long-standing relationship with Hartford, which provides a diverse set of actively managed mutual funds to advisers and clients. Net new business from North American clients reached a total of £3.2 billion, which contributed to AUM reaching nearly £90 billion. Latin America, another region where we foresee key geographic expansion, has also performed strongly, with £2.1 billion of net new business. In addition, our Asset Management partnerships contributed £20.2 billion of net new business in 2021.

Over the past three years, we have invested heavily in our Global Transformation product range. We have been amongst the most active of all asset managers in revitalising our product range to make it appropriate for our clients' demands. We now have a broad offering of thematic and sustainability funds which attracted high levels of net new business last year as they delivered competitive investment performance. Our thematic range achieved net new business of £4.4 billion in 2021. This is a great result and an example of how the organic investments we have made in our business over the last few years are now bearing fruit.

We have also revamped our European fund range to comply with new regulation. I sincerely believe that in several years' time, every product will be ESG compliant by default, as this is where client sentiment is turning. We have reclassified a number of funds in our European fund range as either Article 8 or Article 9 under the EU's Sustainable Finance Disclosure Regulation (SFDR). These products have attracted good client demand of £5.7 billion and have grown their AUM to £60.5 billion at the end of 2021.

We set out to broaden our investment capabilities towards private assets several years ago and have made a number of bolt-on acquisitions. Having spent much time and effort integrating these businesses, I am delighted at the contribution Schroders Capital is making. Net new business flows were over £7.4 billion in 2021, mainly driven by high demand for securitised credit, private equity and real estate.

Our Wealth Management business also contributed meaningfully, as net new business exceeded 5% at £4.1 billion. Our AUM reached £81.2 billion, as all franchises generated positive net new business. We have several strategic initiatives underway, such as building our presence outside of London and South-East England as well as growing Schroders Personal Wealth, our partnership with Lloyds Banking Group.

It is important to note that none of these numbers would have been achieved had we not made the decision to invest in our business to generate future growth.

The virtuous cycle of investing for growth

We defined our strategic growth areas in 2016, as we recognised that there were some key changes we had to make to address the challenges our traditional asset management business was facing. Firstly, we set out to grow our Wealth Management segment due to its high client longevity and proximity. We have grown the business from £31.6 billion at the end of 2015 to £81.2 billion now. We have made a number of acquisitions over the last few years in this area and I believe there is considerable room for further growth. At our capital markets day in October, we stated that our ambition was to achieve net new business growth of at least 5% per annum from 2022. This will be an important driver of future growth. We foresee our Wealth Management AUM reaching £115 billion by 2025, which will also be supported by market growth and acquisitions. We made a good start by generating net new business of £4.1 billion in 2021 or put another way, 5.7% of opening AUM.

Secondly, we set out to grow our private markets capabilities, which we built through a series of acquisitions. These businesses are now unified under one brand called Schroders Capital, which we launched in mid-2021. Given the high quality of the underlying businesses which are backed by Schroders' global brand, our operational strength and global distribution footprint, the net new business opportunities are quite remarkable. We have grown twice as fast as the market since 2016 through acquisitions and organic investments with the ambition to double our AUM again by 2025. To achieve that, Schroders Capital is aiming to generate strong net new business flows over the coming years.

Our focus on sustainability has been relentless – we believe this will be a defining attribute of success over the next 20 years. Our analytical capabilities have contributed to us becoming leaders in ESG measurement through our proprietary tools. Recognising that social impacts are becoming financial costs, we developed SustainEx™, a tool that scores every company based on the impacts that company is having on society and the environment.

This information influences the decision we make on which companies we invest in. It also puts us in a strong position to engage effectively with them. Furthermore, we can demonstrate the sustainability profile and impacts of the portfolios we manage.

After a year in which we achieved strong net new business flows, we are looking to the future from a position of strength. It is hugely encouraging that this growth was delivered across all areas of strategic importance to us, such as thematic investing, private assets, wealth management and, of course, ESG. Apart from our Wealth Management business, these are areas which made limited contributions to our results three years ago. These areas are now having a significant impact on our flows. Looking internationally, I have been pleased by the performance of our joint ventures and associates such as Bank of Communications in China and Axis in India. Despite some macroeconomic challenges, both businesses have performed strongly.

Net new business

£35.3bn

Investing for future growth

We are pleased that many of our initiatives over past years are bearing fruit. But we are not just harvesting; we are still planting and planning for a brighter future for us, our clients, investors and our planet. I truly believe that using positive cashflow generated by the Group to invest in further growth gets the business into a virtuous circle of strong performance. Hence, we have taken this opportunity to reinvest into our business for further growth initiatives.

Assets under management

£731.6bn

This includes our investments in China, where we are on track to build our wholly-owned fund management company and our wealth management company venture with Bank of Communications. Our wealth management company venture with Bank of Communications, received regulatory approval to commence business operations in January 2022. Through our engagement, we can contribute to the process of rapid modernisation of China's investment markets, helping Chinese families and savers to achieve more financial security and assisting Chinese businesses in factoring sustainability increasingly into their business models, in line with Chinese and global climate policy goals.

Having a dedicated ESG team in-house enables us to put ESG at the heart of all our investment decisions. Aside from our dedicated ESG team, we have also increased the number of people across the firm who have a clear focus on sustainability, specifically in our product and sales teams. We continue to build upon our success and launched a further 14 sustainable funds in Europe last year with more to come in 2022.

Elsewhere, we have also announced the acquisition of three businesses, which are all an excellent cultural fit and provide strong follow-on growth potential.

We announced the acquisition of River and Mercantile's UK Solutions business, which is a leader in UK fiduciary management and completed the acquisition on 31 January 2022. It was one of the first businesses to set up in this space in the UK market and is a specialist in solving difficult problems for pension trustees. The business comes with highly talented people who have generated strong growth over the past few years. We believe that the Schroders brand, our position in the pensions market in the UK and our technology will create an even stronger business proposition. It fits our strategy of growing solutions and getting closer to end clients. Upon completion, the acquisition will add £43.1 billion to our existing Solutions business.

In order to further strengthen our Private Asset capabilities, we also announced the acquisition of Cairn Real Estate, a Dutch real estate specialist with €1.3 billion of AUM. The acquisition, which completed on 31 January 2022, will expand Schroders Capital in a key European growth market.

"I truly believe that using positive cash flow generated by the Group to invest in further growth gets the business into a virtuous circle of strong performance"

We also announced that we reached agreement to acquire a 75% interest in Greencoat Capital, a leader in European renewables. As at the end of 2021, the business had £6.8 billion of AUM and was growing rapidly in one of the most relevant markets of the future, supplying the world with assets which are critical to achieve net zero and global climate goals.

We are excited about the inorganic investments we were able to announce in 2021 and are looking forward to working with our new colleagues from River and Mercantile, Cairn Real Estate and Greencoat Capital.

We will also continue to lead on climate change solutions with the crucial aim of helping clients to decarbonise their portfolios. We have entered into a pioneering investment partnership with Conservation International that will channel capital into conservation projects. Clients will be able to offset carbon emissions, protect biodiversity and support indigenous communities whilst making a return.

Leading the transition to a sustainable world

On a broader note, 2021 has left me optimistic. The investment industry has a purpose beyond profit and investment returns. It is no longer just about securing our clients' financial futures; it is also about securing a better future for all stakeholders.

In climate change, the world faces an enormous existential challenge. Rather than being part of the problem, the financial services industry is becoming part of the solution. As an industry, we must step up and seize the opportunity. Where and how capital is deployed will be crucial in determining the pace at which the world fights climate change. Too often capitalism is the object of climate debate criticism, when its raw power could be targeted on the aim of capping temperature increases at 1.5°C above pre-industrial levels.

In 2020, we became a founding member of the Net Zero Asset Manager (NZAM) initiative. We believe we have a fundamental role to play in supporting companies in their transition to net zero greenhouse gas emissions. We have published our own path to net zero, and I feel strongly that we must do this for both our business and our investments (see pages 32-34). In February 2022 our science-based targets were validated and provide a defined pathway to net-zero by 2050.

The next two decades will be crucial for climate change. It will also be a period of immense change for our industry. Savers will increasingly want to know the impact of their investments and will want portfolios that reflect, in detail, their world view.

The successes of today enable the investments required to create the capabilities for the long term. But those investments will also shape our future 20 years down the line.

I would like to thank Mike Dobson for his enormous contribution to the firm for more than 20 years. The firm was transformed under his leadership, and I am personally hugely grateful for his mentorship over the years as Chairman of the Board. I wish him every success for the future. I am also pleased to welcome Dame Elizabeth Corley who has already joined the Board as Chair designate. Elizabeth brings a wealth of industry experience, especially in sustainability and I am truly looking forward to working with her in the future to build on Schroders' success and create sustainable value for all stakeholders.

Peter Harrison
Group Chief Executive

2 March 2022

A TIME TO REFLECT ON OUR MILESTONES

Mike joined Schroders as a non-executive Director in 2001 going on to serve as CEO and subsequently Chairman from 2016. In the years under his leadership and influence, the firm has undergone a significant journey of transformation, growth and diversification. Today, the strength and long-term direction of the business stands as testament to Mike's contribution.

2001 — £110.0bn

Michael Dobson appointed as Chief Executive

2004

Schroders celebrates its 200th anniversary

200th ANNIVERSARY

We look back at our history as a trusted partner to our clients, successfully navigating markets in all conditions and adapting continually through periods of profound change.

2005 — £122.5bn

交银施罗德
BOCOM Schroders

Partnership with Bank of Communications in China

Building on our existing foundations in China, this deal enables us to invest directly in its onshore markets for the first time, with the help of a strong local player. Schroders was an early entrant in this important market and China remains one of our main areas of strategic focus.

2008

Navigating the financial crisis

During a period of extreme market turbulence and uncertainty, we successfully guide our clients and their investments through the storm. At the same time, we keep an eye on the future by focusing on our employees and retaining key talent.

2009 — £148.4bn

Launch of the GAIA platform

Bringing liquid hedge fund strategies to a wider audience and giving our clients access to a curated selection of third-party managers, this platform launch makes a major step towards the democratisation of private assets and alternatives – a trend which continues to gather pace. The platform has now grown to more than £2.7 billion of AUM.

2010

Broadening our global outlook

We sign an important joint venture agreement with the asset management arm of Nippon Life to create Nissay Schroders Asset Management Europe Limited. This partnership with a local champion in the important Japanese market gives their clients access to our investment expertise. Their strategic stake in our business also strengthens the relationship.

NISSAY

2012 — £212.0bn

Asset management partnership with Axis in India

Taking a step into India, one of the most exciting high-growth markets in the world. Our partnership with Axis has been highly successful, making an important contribution to the Group's AUM and profits.

AXIS MUTUAL FUND

PROFITS BACK UP TO PRE FINANCIAL CRISIS LEVEL

£360m

	2001	2011	2021
Profit before tax and exceptional items	£36.1m	£407.3m	£836.2m
Employees	2,890	2,900	5,750

Cazenove Capital

A year of significant progress and diversification
Strengthening our North American and Wealth Management businesses. The strategic acquisition of Cazenove Capital brought a leading UK wealth brand on board in a big step to diversify our capabilities. Wealth Management has since grown its assets under management from £16.9 billion to £81.2 billion at 31 December 2021.

2013 — £262.9bn

Peter Harrison joins as Global Head of Equities

2015 — £313.5bn

TRIPLED AUM IN TIME AS CEO

CEO of the Decade Award for Excellence in Asset Management – Financial News
Achievement for 'his transformation of Schroders' after steadily rebuilding profits since 2001.

2017 — £435.7bn

Expanding private assets
The acquisition of Adveq supports our key strategic aim of building a leading private markets offering. Schroder Adveq has since grown from £6 billion to £10 billion of AUM today and is a key pillar of Schroders Capital, our unified private assets brand.

Schroders capital

2019 — £500.2bn

UK's largest asset management mandate win

£80bn

Winning a competitive tender process to manage Scottish Widows and Lloyds insurance and wealth-related assets. The win cements our position as a significant investment solutions provider and provides the platform for a strategic joint venture with Lloyds Banking Group.

Schroders personalwealth

2021 — £731.6bn[1]

Investing for long-term growth
Expanding our capabilities in key growth areas by agreeing to acquire River and Mercantile, leaders in UK fiduciary management; Cairn, a Dutch real estate specialist; and Greencoat Capital, a leader in European renewables.

RECORD AUM AND PROFITS

SHARE PRICE QUADRUPLED SINCE 2001

AUM

1. 2021 AUM includes joint ventures and associates.


WE LOOK BEYOND SHORT-TERM PERFORMANCE

Our strategy for growth is built on the long-term interests of our stakeholders.

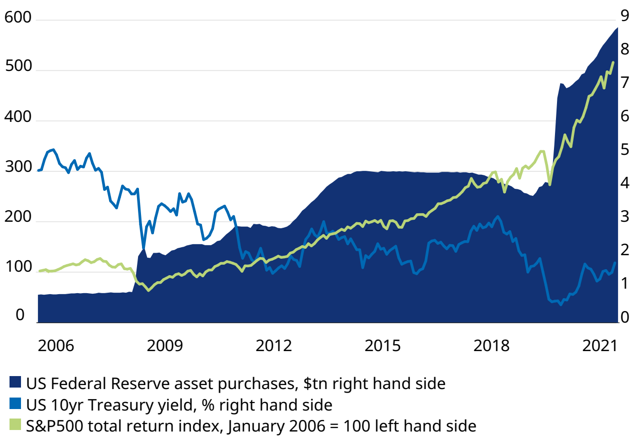
We continuously evolve our business in response to the market but we always take the long view.

AN EVENTFUL YEAR FOR MARKETS

The global economy and financial markets entered uncharted territory in 2021 as the pandemic persisted into its second year.

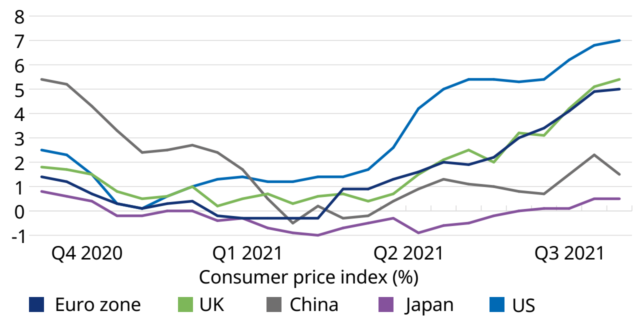
Asset purchases by central banks, known as quantitative easing, continued apace. Having such a huge buyer of bonds meant yields sank to historic lows, while pushing the prices of assets such as equities ever higher as investors sought returns elsewhere.

Equities rise and bond yields fall against the backdrop of quantitative easing



Inflation rose as economies opened up and energy prices soared. Meanwhile, monetary policy around the world grew less accommodative. The Federal Reserve set out its plan to wind down its asset purchase programme and indicated rate hikes would start in March 2022. In the UK, the Bank of England responded to the threat of inflation by raising rates in December, providing a boost to the financial sector.

Inflation rises in major economies in 2021



The rollout of Covid-19 vaccines was remarkably successful in many parts of the world. It added impetus to financial markets and led to a recovery in global growth as economies re-opened. Nevertheless, there were bouts of Covid-induced volatility, especially in November when the new Omicron variant was discovered. Markets recovered quickly as investors focused on the economic rebound.

The result was a solid year for global stock markets overall, with the MSCI World index returning a healthy 21.8% in US dollar terms. The main driver was a seemingly endless supply of monetary and fiscal support.

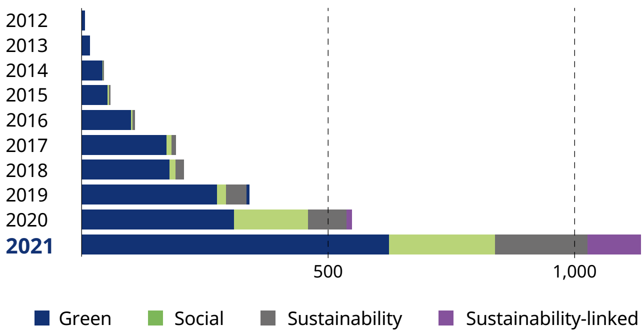
It was something of a different story in emerging markets. The MSCI Emerging Markets Index fell 2.5% (in US dollar terms) over the year. One of the worst performers was China amid a combination of unexpected government intervention in various sectors and a crisis in the property sector.

Over the year investor interest in several growth areas across the industry gathered pace. This tied in with some of our areas of focus, such as thematics. Net flows into thematic equity mutual funds globally (both active and passive) totalled £189 billion over 2021, up from £149 billion in 2020 and £22 billion in 2019.

Sustainability, another strategic priority for Schroders, continued to be the area of growing investor interest that trumped all others in 2021. The pandemic intensified focus on ESG issues as many investors saw it as an opportunity to build a more socially responsible form of capitalism, particularly in relation to climate change.

According to analysis by Bloomberg, ESG assets soared to an unprecedented $37.8 trillion by the end of 2021 and are predicted to grow to $53 trillion by 2025, which would be a third of all global assets under management.

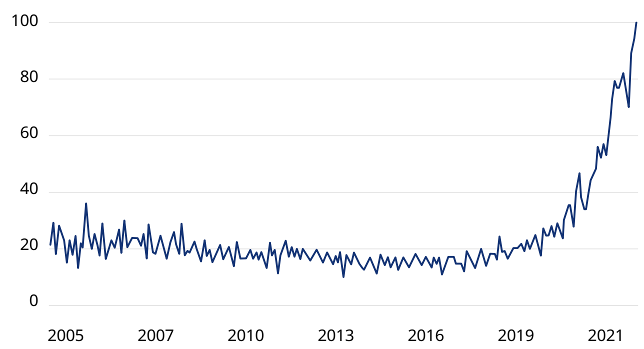
ESG labeled debt, $bn



Source: Bloomberg, Morgan Stanley Research

The chart below shows the explosion in the number of Google searches for the term "ESG" in recent years.

Searches for "ESG" globally



The y-axis shows popularity of ESG searches; 100 represents peak popularity, and all other numbers are relative to this.

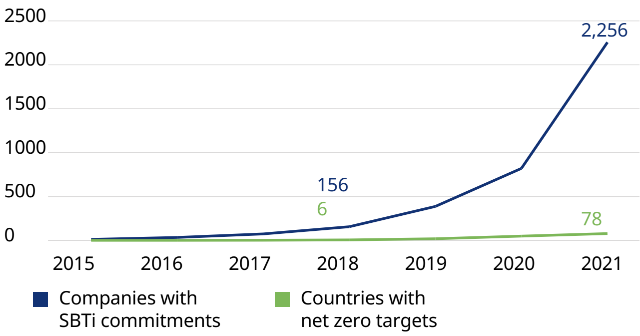
Bond issuance was especially strong. More than $1 trillion worth of ESG-labelled debt was issued in 2021, a 95% increase on 2020.

The interest in sustainability in 2021 is perhaps unsurprising given the publicity surrounding COP26, the United Nations climate summit, held in November.

It underlined the growing expectations on the private sector to pick up the mantle of action on climate change. So, it is now companies, rather than governments, making commitments around sustainability issues such as carbon emissions, deforestation and methane.

For example, a growing number of companies, more than 2,000, including Schroders, have adopted climate action targets through the Science Based Targets initiative (SBTi). This is in line with the Paris Agreement goals to limit global warming to well below 2°, preferably to 1.5°C, compared to pre-industrial levels.

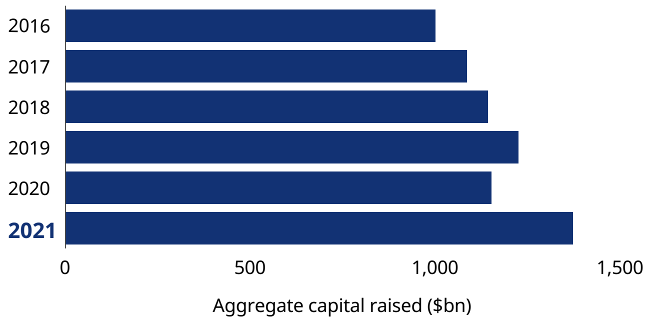
Number of countries with net zero ambitions and companies with science-based targets



Elsewhere, private assets continued to pique investors' interest in 2021, as their relatively attractive yields and low correlations to public markets became ever more enticing. Over 40% of institutional manager searches conducted by a consulting firm, bfinance over the 12 months to the end of September 2021 related to private assets. The burgeoning growth in this area is expected to continue, with some forecasting a near doubling of AUM by the end of 2025.

While access to private assets is largely limited to sophisticated clients, there has been a clear 'democratisation' of the asset class in the past few years, enabling a different class of investor to gain access. 2021 saw this trend continue as more liquid and semi-liquid structures came to market. These included those with monthly or quarterly subscriptions and redemptions. As well as listed vehicles, including investment trusts, where investor decisions to buy or sell their holdings do not require the trust to sell portfolio investments. Both structures mean it is easier for retail investors to invest in private equity. Alongside this, regulators are aiding this evolution and recognising the potential private markets' assets have to bolster returns. The US regulator, the SEC, for example, has opened the door for limited exposure to private equity in 401k pension plans.

Historical fundraising



The chart represents capital raised in private equity, real estate, infrastructure and private debt taken from Preqin data. The numbers are for illustration purposes and do not capture all private markets.

Looking ahead

At the time of writing, the tragic events in Ukraine are bringing turbulence and uncertainty to markets and society. We hope for a peaceful de-escalation of the conflict.

The global economy is at an inflection point where the future of inflation is of critical importance. High energy prices, tight supply chains and labour shortages are all conspiring to drive inflation up. How central banks respond with higher interest rates and reductions in quantitative easing will have important implications.

We believe it will fall on the shoulders of the private sector to create sustainable economic growth as governments remain under pressure. Financing the transition to net zero will be an important part of this and offer many opportunities for investors. As ever, the outlook is uncertain, but real opportunities do exist.

OUR STRATEGY IS FOCUSED ON KEY GROWTH OPPORTUNITIES

BUILD CLOSER RELATIONSHIPS WITH END CLIENTS

OUR FOCUS

Read more about our business model on pages 20-21.

Build client longevity and sustainable margins through trusted adviser relationships in Wealth Management

We continue to build our leading Wealth Management business, in which clients can benefit from the breadth of our expanding investment capabilities.

OUR PROGRESS IN 2021

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

Our achievements in establishing a leading position in wealth management is sustained by our long history of family ownership, international institutional investment expertise, private assets capabilities and our leadership in sustainability.

Accelerating our UK wealth management growth: We have expanded our presence in the high-net-worth segment, by setting up four additional hubs outside of London and the South East. The acquisition of Sandaire in 2020 was part of a strategic plan to expand our family office capabilities and gain share of this growing market.

Building relationships with financial advisers: We have attracted new financial advisers to our technology-driven wealth management business, Benchmark Capital and have taken advantage of opportunities to expand our service offering across the network.

Generating client referrals via Schroders Personal Wealth: Referrals have increased and net new business has turned positive in our joint venture with Lloyds Banking Group, Schroders Personal Wealth. Opportunities in the UK advice market remain strong and through Schroders Personal Wealth we focus on accelerating future growth.

GROWTH OPPORTUNITIES

Page 51 provides details of the risks that are mitigated by our strategy.

- Positioning for accelerated growth in the affluent sector through Schroders Personal Wealth and Benchmark Capital.
- Increasing client longevity from family office services in Europe and Asia by building on our acquisition of Thirdrock in Asia and Sandaire in the UK, as well as our existing Swiss and Channel Islands businesses.
- Increasing market share through our UK regional wealth expansion plans outside of London and South East.

At the heart of our strategy is our desire to build long-term value for our clients, shareholders and other stakeholders. This thinking drives the decisions we take to invest in the future, further diversify our business and take advantage of new and emerging opportunities.

GROW ASSET MANAGEMENT

Focus on developing distinctive capabilities that enable us to deliver excellent investment performance

Product innovation – with a focus on sustainability – allows us to be distinctive, while expanding geographically enables us to deliver our investment capabilities to new clients. We invest seed capital to support these initiatives.

We are increasing our focus on complete investment solutions, ensuring we remain relevant and centred on our clients' needs. We aim to increase client longevity and use our data and digital capabilities as a competitive advantage.

Building our sustainability ambitions: We have broadened our sustainability offering with a number of funds in our European fund range now classified as either Article 8 or Article 9 under the EU's Sustainable Finance Disclosure Regulation (SFDR), and we expect to launch more funds in 2022 globally.

Evolving our Solutions capabilities: We announced the acquisition of River and Mercantile's UK solutions business, which will enhance our ability to meet the increasingly complex needs of our pension fund clients.

Innovating and renewing our Mutual Fund product set: We launched a number of thematic funds and aim to maintain relevance to the needs of our clients through innovation in our Mutual Fund product set.

Growing our business in North America: We reached nearly £90 billion of AUM in North America, driven by strong inflows from institutional clients and our relationship with Hartford, totalling £3.2 billion of net new business.

Progressing our presence in China: We continued to progress the set up of our wholly-owned fund management company business and new wealth management company venture with Bank of Communications. The latter gained regulatory approval to commence operations in January 2022.

- Further product innovation to build and maintain a distinctive offering in sustainable investing.
- Position our capabilities as a strong solutions provider globally.
- Continue to diversify our global footprint with opportunities in the Americas and Asia, particularly China.

EXPAND PRIVATE ASSETS AND ALTERNATIVES

Meet increasing client demand for additional portfolio building blocks and alternative sources of return

Our Private Assets and Alternatives business area consists of our private markets business (Schroders Capital) and our liquid alternatives business. Schroders Capital gives investors access to an additional range of portfolio building blocks and customised private asset strategies whilst our alternatives business offers clients access to liquid third-party hedge funds and other investments.

Our Private Assets and Alternatives teams have a track record of delivering good investment performance for our clients. We now have a presence in all private market asset classes, including private equity, real estate, private debt and infrastructure. The GAIA (Global Alternative Investor Access) platform gives clients access to alternative investments via Schroders and third-party funds.

Strengthening the range of our capabilities: Our range of asset classes now includes private equity, impact investing, insurance linked securities, securitised credit, infrastructure and real estate, across which we have experienced strong organic growth, contributing positively to the Group.

Launching Schroders Capital: We unified the way we present our private assets capabilities, gathering all of our existing private assets businesses under a single brand. The brand was created to deliver an enhanced service for our clients.

Expanding our capabilities with strategic acquisitions: We reached an agreement to acquire Cairn Real Estate, which will provide us with Dutch real estate expertise.

We also announced the acquisition of a leading European renewable infrastructure specialist, Greencoat Capital. Channelling private capital for the energy transition required to achieve a net zero future will become increasingly important as governments around the world look to accelerate towards this goal.

Growing organically across the platform: Public-private strategies, Australian private debt, real estate debt, securitised credit and impact investing have all continued to contribute to our organic expansion across the platform.

- Scope to scale the comprehensive product set we have built by leveraging our global distribution strength.
- Material opportunities to benefit from widening accessibility of private markets in the future.

OUR BUSINESS MODEL IS DESIGNED TO DELIVER FOR OUR STAKEHOLDERS

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 invest in 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 invest in forward-thinking companies, but we also support them in their journey to a fully sustainable future.

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. Our approach is underpinned by our capabilities, which opens up our expertise to every client.

By active and intelligent use of technology

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

By motivating and nurturing employees

The success of our business model relies on our people. 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

For more than two centuries we have evolved our understanding of markets and the offering we take to clients. The products we offer span private assets and alternatives, fixed income, equities and multi-asset.

Actively driving the growth of our business

We have expanded 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.

Our global expertise

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

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 £700 billion of assets, we can channel money to benefit society. The decisions we make as both a corporate and an investor are mindful of the impact and implication for the world beyond Schroders.

Taking decisions to benefit our people

We champion inclusion and diversity and make health and wellbeing a priority. That creates the conditions for our people to thrive. Our culture is the cornerstone of our business.

Our business structure is designed to help every client access our expertise

ASSET MANAGEMENT

Our investment teams manage investments for institutions and private investors throughout the client lifecycle. We manage private assets, institutional portfolios, mutual funds and client solutions.

Our distribution teams service clients including insurance companies, pension schemes, sovereign wealth funds, distributors, financial advisers and fund platforms.

Net income (before exceptional items)

£2,138.0m

WEALTH MANAGEMENT

We provide a wide range of wealth management services, which focus on preserving and growing our clients' wealth. Our strategic ambition is to provide wealth management services across the wealth spectrum in the UK and for high net worth clients in the Channel Islands, Switzerland and Asia.

Net income (before exceptional items)

£433.7m

INFRASTRUCTURE

Our infrastructure teams provide critical services that support the business and include capabilities across Technology, Operations, Finance, Risk, Human Resources, Compliance, Legal, Governance, Internal Audit and Tax.

GROUP

The overall governance and corporate management of the Group is driven by the Chairman, Group Chief Executive and Chief Financial Officer, as well as employees involved in treasury, corporate development, governance and strategy.

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 fund management company venture with Bank of Communications in China continues to deliver strong performance and AUM growth. Our wealth management company venture with the bank will commence business activities in the first half of 2022.

AXIS MUTUAL FUND

Our venture with Axis in India has been growing its market share steadily to 6.7%, ranking 7th in India in terms of AUM.

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 2021, the funds achieved £2.2 billion of net inflows with AUM reaching over £11 billion.

NISSAY ASSET MANAGEMENT

Our joint venture with Nissay, the asset management arm of Nippon Life, delivered good performance for clients in 2021. Our business with Nippon Life continues to grow.

Schroders personalwealth

Our joint venture with Lloyds Banking Group, Schroders Personal Wealth, now employs over 300 financial advisers and reached £14.7 billion of AUM at the end of 2021.

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 (%)

79%

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

Investment performance over a three-year period remained strong in 2021, with 79% of assets outperforming their stated comparator. We have been above our target for the past five years.

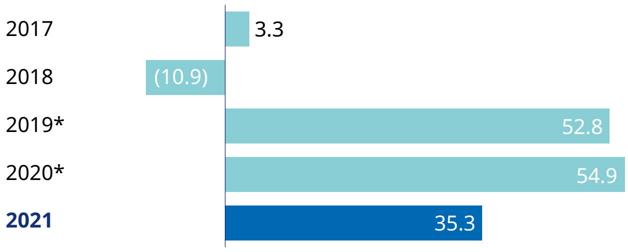
The five-year investment outperformance was 78% and it was 74% over one-year.

More details on our performance reporting can be found on page 186.

Net new business[1] (£bn)

£35.3bn

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



Overall, total net inflows reached £35.3 billion for the year, of which our joint ventures and associates contributed £20.2 billion.

In 2021, our Mutual Fund business area contributed most strongly generating £8.1 billion of net new business.

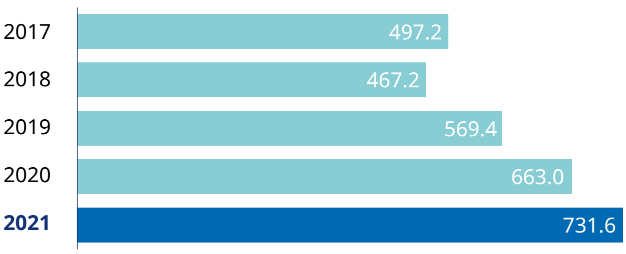
Wealth Management contributed £4.1 billion of net flows, while our Private Assets and Alternatives business contributed £6.9 billion.

*2019 and 2020 net new business included £44.6 and £28.2 billion from the transfer of the Scottish Widows mandate.

Assets under management[1] (£bn)

£731.6bn

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



AUM increased by 10% in 2021 to £731.6 billion.

Investment performance and currency movements increased AUM by £33.2 billion and net new business added a further £35.3 billion.

Dividend per share (p)

122p

Our policy is to provide shareholders with a progressive and sustainable dividend, targeting a payout ratio of around 50%. For more information see page 29.

The Board recommends a final dividend of 85 pence per share, bringing the total dividend for the year to 122 pence per share. This represents a payout ratio of 50%.

1. These KPIs were amended to include joint ventures and associates. Prior year numbers have been restated.

Basic earnings per share* (p)

244.8p

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

In 2021, basic earnings per share before exceptional items was 244.8 pence.

Ratio of total costs to net income* (%)

67%

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.

In 2021, our ratio of total costs to net income was 67%. This represents an improvement of 1% compared to the previous year despite our strategical investments in the future growth of the business.

Net income* (£m)

£2,568.8m

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

Net income before exceptional items increased £389.6 million from 2020 to £2,568.8 million.

Client demand for equity products drove net operating revenue increasing from £2,059.6 million in 2020 to £2,403.1 million in 2021. Net income was supported by an increased contribution from joint ventures and associates and positive net gains on financial instruments.

Retention of key talent (%)

94%

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

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

* Before exceptional items.

DELIVERING PERFORMANCE AND SUSTAINABLE GROWTH

The Group has enjoyed a successful year that has seen us deliver a very strong set of results.

Our strategic areas of focus, namely Private Assets and Wealth Management, continued to grow strongly. Alongside this, the return of risk appetite at the start of the year benefited our traditional equities offerings, which were in high demand.

We achieved a pre-exceptional profit before tax of £836.2 million, an increase of 19% on 2020 (2020: £702.3 million). Profit after tax and exceptional items was £623.8 million, 28% higher than the previous year (2020: £486.0 million).

In view of this growth, the Board recommends increasing the final dividend by 6 pence to 85 pence per share (2020: 79 pence per share). This means a total dividend for the year of 122 pence per share (2020: 114 pence per share), an increase of 8 pence, and a payout ratio of 50% (2020: 57%).

Growing our strategic areas of focus

As set out earlier in the Annual Report, a large part of our strategy is focused on the growth of both Private Assets and Wealth Management. These are higher margin businesses with greater longevity where we expect demand to remain strong. We have continued to make good progress in these areas.

During the year, we unified our specialist private assets offerings under the newly launched Schroders Capital brand. This showcases our entire private assets capability and underscores our ambition as a leading private markets business. The business continued to perform well, with particularly good growth in private equity, real estate and securitised credit, helping increase our Private Assets and Alternatives AUM by 16% to £53.7 billion (2020: £46.1 billion).

The more traditional parts of our Asset Management segment also delivered significant growth. Notably, we experienced high levels of demand in our Mutual Funds business area as a result of both strong investment performance and increased investor risk appetite at the start of the year. Overall, across our Asset Management segment, we generated £11.0 billion of net new business, which together with investment returns, enabled us to grow our Asset Management AUM to £534.0 billion (2020: £502.4 billion).

In Wealth Management, we continued to build out the regional presence of our UK high net worth brand Cazenove Capital through strategic hires and a focus on successful business owners. We also successfully integrated Sandaire which we acquired at the end of 2020, and expanded our Global Family Office Service. Our joint venture with Lloyds Banking Group, Schroders Personal Wealth (SPW), showed good progress, helped by the easing of Covid-19 related restrictions which enabled an increase in the number of referrals received from the Lloyds banking network. Overall, these factors contributed to net new business of £4.1 billion which, along with strong investment returns, drove an increase in AUM of 13%. AUM for the Wealth Management segment therefore closed at £81.2 billion (2020: £72.0 billion).

Developing our strategic global partnerships remains an important way for us to execute the Group's strategy. Our joint ventures and associates have again shown high growth, with AUM increasing by 31% to £116.4 billion (2020: £88.6 billion). Our long-standing venture with Bank of Communications in China contributed significantly to this thanks to strong flows into higher-margin equity products.

Overall, these developments, combined with strong investment returns, helped us increase our Group AUM by 10% to a record high of £731.6 billion (2020: £663.0 billion).

Delivering strong financial results

Our closing AUM figure is important in showing the scale and growth of the Group. Just as important is our average AUM, as this is key in understanding the development of our management fees through the year. As a result of the strategic developments set out above, our average AUM excluding joint ventures and associates increased by 15% to £597.0 billion (2020: £520.8 billion). This helped us generate £2,201.1 million of management fees, 16% higher than 2020 (2020: £1,889.7 million).

Performance fees and net carried interest grew to £126.3 million (2020: £95.7 million). This was not only due to the strong investment performance we generated for our clients, but also reflects the increasing scale of Schroders Capital. Overall, net operating revenue increased 17% to £2,403.1 million (2020: £2,059.6 million).

As set out earlier, our joint ventures and associates again showed strong growth. They delivered income, before exceptional items, of £88.2 million, an increase of 38% (2020: £64.1 million). We had net gains on financial instruments and other income of £77.5 million (2020: £55.5 million). This was largely due to strong returns from our proprietary investments. These principally comprise seed capital, co-investments and our investment capital portfolio. These gains contributed to net income before exceptional items increasing 18% to £2,568.8 million (2020: £2,179.2 million).

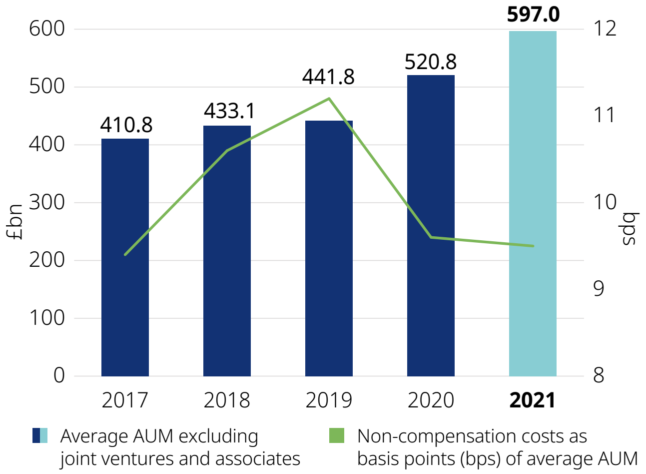
This increase in net income was partly offset by higher operating expenses, reflecting the growth in the overall size of the business. Despite the organic investment we have made in strategic growth areas such as Wealth Management and China, we were able to keep our compensation ratio stable at 45%. This includes the cost of our Share in Success award made at the end of the year. This was a one-off grant of Schroders shares to all our employees which enables them to share in the future success of the business. The award recognises the fantastic effort our people have put into driving our strategy forward.

Our non-compensation costs before exceptional items were higher at £564.5 million (2020: £502.2 million). This was principally due to higher marketing expenses following the easing in Covid-19 related restrictions in the second half of the year, and increased IT costs. The increased IT costs reflect both higher depreciation due to the investment in our technology infrastructure we have made in recent years, and expenses incurred in the commencement of our cloud migration programme, the costs of which are not capitalised. Once implemented, the transition to the cloud is expected to result in increased operational agility as well as cost savings.

Given the nature of our business, understanding non-compensation costs as a percentage of our AUM provides a good indicator for our operational leverage. As shown in the chart below, this has fallen in recent years and continued to reduce slightly in 2021, despite the investment we are making in our transition to the cloud. This operational leverage is further illustrated in the reduction of our total cost to income ratio which fell from 68% to 67%.

Overall, these movements resulted in a total profit before tax and exceptional items of £836.2 million (2020: £702.3 million). Exceptional items mainly relate to acquisition-related costs, including the amortisation of intangible assets. In 2021, the total cost of exceptional items was £72.1 million (2020: £91.8 million), which meant a profit before tax of £764.1 million, up 25% on 2020. Profit after tax was £623.8 million (2020: £486.0 million).

Non-compensation costs as basis points of average AUM (excluding joint ventures and associates)



Leveraging our strong capital position

The sustainability of our business model has helped us build a strong capital position in recent years, with a capital surplus of £1,454 million as at 31 December 2021 (2020: £1,231 million). This enables us to invest in both organic and inorganic opportunities. In 2021 we announced three strategic acquisitions, namely River and Mercantile's solutions business; Cairn Real Estate; and Greencoat Capital (subject to regulatory approval). As further explained in the Group Chief Executive's statement, these acquisitions support our strategy of growing our capabilities in Solutions and Private Assets. The impact of these acquisitions is not reflected in the year-end capital position as the transactions were yet to complete at that date.

Leading by example on climate change

Underpinning these strong results is our commitment to sustainability. The Group Chief Executive's statement sets out the progress we have made in bringing sustainability into the heart of the way we invest on behalf of our clients. We joined the Net Zero Asset Managers initiative in 2020, which has now grown to over 200 signatories representing more than $57 trillion of assets, underlining the important role that we as active asset managers can play in tackling the impact of climate change to align to limit global warming to 1.5°C. It is just as important that we lead by example in the way we approach our own operations.

Further demonstrating our commitment regarding climate change, we have become one of the first asset managers to have our emissions targets approved by the Science Based Targets initiative. These targets define our longer-term roadmap towards achieving the goal of net zero emissions by 2050 or sooner. Further information on this can be found on pages 32-34.

The year has demonstrated the importance of remaining focused on our long-term goals. We have delivered growth in the strategically important areas of private assets and wealth, while continuing to build a resilient global operating platform and advancing our work in sustainability. This has enabled us to deliver a strong set of results and ultimately, deliver strong investment performance for our clients as we accelerate positive change for all of our stakeholders.

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 www.schroders.com/taxstrategy, sets out our approach to tax matters across the Group more generally. This strategy is reviewed and approved annually by the Audit and Risk Committee.

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 2021 was £308.9 million (2020: £245.9 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 2021 was £268.8 million (2020: £240.7 million). The combined taxes borne by us as a business and the amounts collected by us on behalf of tax authorities in 2021 was £577.7 million (2020: £486.6 million).

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

Movements in AUM

£bn	Private Assets and Alternatives	Solutions	Mutual Funds	Institutional	**Asset Management**	**Wealth Management**	**Total (excluding joint ventures and associates)**	Joint ventures and associates	**Group Total**
Opening AUM	**46.1**	**192.3**	**104.2**	**159.8**	**502.4**	**72.0**	**574.4**	**88.6**	**663.0**
Gross inflows	13.1	19.7	48.3	25.3	106.4	11.0	117.4	199.1	316.5
Gross outflows	(6.2)	(21.2)	(40.2)	(27.8)	(95.4)	(6.9)	(102.3)	(178.9)	(281.2)
Net new business	**6.9**	**(1.5)**	**8.1**	**(2.5)**	**11.0**	**4.1**	**15.1**	**20.2**	**35.3**
Acquisitions	–	–	–	–	–	–	–	0.1	0.1
Investment returns[1]	0.7	7.3	3.7	8.9	20.6	5.1	25.7	7.5	33.2
Closing AUM	**53.7**	**198.1**	**116.0**	**166.2**	**534.0**	**81.2**	**615.2**	**116.4**	**731.6**

1. Includes currency movements which decreased AUM by around £3.6 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 £68.6 billion, or 10%, to close 2021 at a record high of £731.6 billion (2020: £663.0 billion). We achieved £35.3 billion of net inflows and generated investment returns, after foreign exchange, of £33.2 billion for our clients.

In the Asset Management segment, AUM increased by £31.6 billion, or 6%, to £534.0 billion at 31 December 2021 (2020: £502.4 billion). We generated £11.0 billion of net new business.

Within Private Assets and Alternatives, we generated strong demand in Schroders Capital which had net inflows of £7.4 billion, with particularly strong growth across our securitised credit, private equity and real estate capabilities. This excludes £2.5 billion of client commitments in private debt funds where we only earn fees once the capital is invested. These commitments will be recognised as net new business as we deploy the capital.

We had net outflows of £1.5 billion in our Solutions business. This principally reflects expected attrition of the Scottish Widows mandate. Solutions remains a core part of our growth strategy as underlined by the acquisition of River and Mercantile's UK solutions business, which will supplement our growth ambitions for this business area.

We experienced net outflows of £2.5 billion in our Institutional business, although this was more than offset by £8.9 billion of investment returns we generated for our clients, net of currency movements.

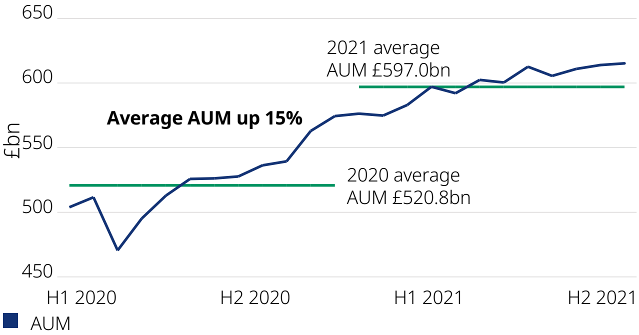
Our Mutual Funds business performed very strongly, with a high level of demand on the back of good investment performance and increased risk appetite at the start of the year. We achieved net new business of £8.1 billion largely into equity products, and generated £3.7 billion of investment returns for our clients.

Our Wealth Management segment also had strong growth in AUM. We generated £4.1 billion of net new business in 2021, with £3.1 billion from our Schroder Wealth business, and good growth in both Benchmark and SPW. Growth in AUM was further enhanced by the £5.1 billion investment returns we generated in this segment.

Our joint ventures and associates also continued their positive growth trajectory of recent years. Our existing ventures with Axis Bank in India and Bank of Communications in China generated combined net flows of £19.5 billion, with particularly strong growth in higher-margin equity products.

The chart below shows how these movements drove the evolution of our AUM (excluding joint ventures and associates) through the year, resulting in a 15% increase in average AUM, the key driver of our management fees.

Average AUM excluding joint ventures and associates



Asset Management results

Asset Management net income before exceptional items was significantly higher than the prior year at £2,138.0 million (2020: £1,786.9 million), with net operating revenue increasing 17% to £2,043.1 million (2020: £1,747.2 million). This increase was principally due to higher average AUM as a result of both robust net new business and the investment returns we generated on behalf of our clients.

Performance fees increased to £94.2 million (2020: £85.8 million) as a result of our strong investment performance. Of these, £12.1 million (2020: £0.7 million) were earned in Private Assets and Alternatives, where strong investment performance also enabled us to generate £31.9 million of net carried interest (2020: £8.8 million). Real estate transaction fees grew significantly to £11.1 million (2020: £3.4 million) as the number of property transactions returned to more normalised levels following the onset of the global pandemic. As a result, Private Assets and Alternatives net operating revenue increased by 20% to £350.7 million (2020: £293.3 million). The net operating revenue margin excluding performance fees and carried interest was flat at 62 basis points (2020: 62 basis points).

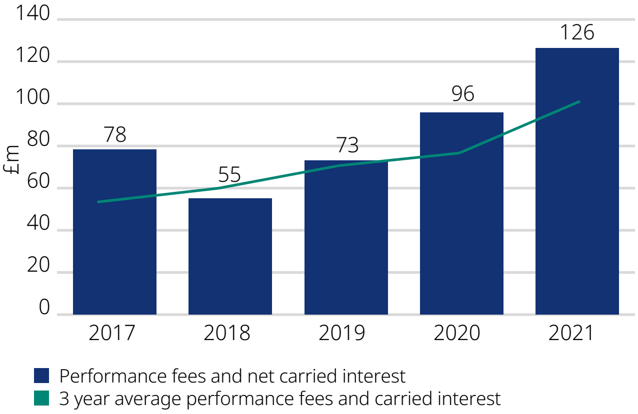
Net operating revenue in our Solutions business grew 9% to £276.4 million (2020: £253.0 million) as a result of higher management fees due to higher average AUM. The net operating revenue margin reduced in line with our expectations to 14 basis points (2020: 15 basis points).

The growth in AUM in the Mutual Funds business area resulted in management fees increasing by 20% to £811.6 million (2020: £675.5 million). Net operating revenue therefore increased to £815.0 million (2020: £686.4 million). Excluding performance fees, the net operating revenue margin increased to 72 basis points as a result of the change in mix of AUM towards higher margin equity products (2020: 71 basis points).

In our Institutional business, management fees increased by 19% due to higher average AUM and performance fees remained robust at £78.7 million (2020: £74.2 million). This resulted in net operating revenue of £601.0 million (2020: £514.5 million), an increase of 17% on the previous year. The net operating revenue margin excluding performance fees was stable at 31 basis points (2020: 31 basis points).

The growth in overall Asset Management net operating revenue was further buoyed by an increase in our share of profits from joint ventures and associates, which grew by 49% to £73.9 million (2020: £49.5 million), with continued strong returns from our long-standing venture with Bank of Communications in China.

Performance fees and carried interest



Operating expenses before exceptional items increased to £1,424.8 million (2020: £1,213.6 million). This reflects the increase in the scale of the business. As a result, profit before tax and exceptional items increased by 24% to £713.2 million (2020: £573.3 million).

Exceptional items of £40.2 million increased by 35%, principally due to higher acquisition related costs. After exceptional items, profit before tax increased to £673.0 million (2020: £543.5 million).

Wealth Management results[1]

Wealth Management net income increased by 13% to £433.7 million (2020: £382.7 million), as we generated good overall growth in Schroder Wealth, Benchmark and SPW. Management fees grew by £64.0 million to £373.1 million (2020: £309.1 million), which more than offset a small reduction in net banking interest as a result of the low interest environment. The net operating revenue margin excluding performance fees reduced to 55 basis points (2020: 56 basis points). This was principally due to lower net banking interest and transaction fees.

Operating expenses before exceptional items were £305.1 million, up 12% (2020: £272.2 million), in part reflecting the investment in this strategic growth area including through the build-out of our UK regional presence during the year. Profit before tax and exceptional items increased 16% to £128.6 million (2020: £110.5 million).

Exceptional items within Wealth Management decreased by £13.9 million to £31.8 million mainly due to the acquired Cazenove intangible assets becoming fully amortised in June 2021. The remaining exceptional items mainly comprise costs incurred in relation to acquisitions, including amortisation of other acquired intangible assets. After exceptional items, profit before tax increased to £96.8 million (2020: £64.8 million).

Group segment results

The Group segment comprises central management costs and returns on investment and seed capital. Net income for the Group segment decreased by £9.5 million to £48.6 million (2020: £58.1 million). Costs in the Group segment increased to £53.6 million (2020: £39.6 million) including charitable contributions of £4.9 million (2020: £4.9 million). This resulted in a loss before tax of £5.0 million (2020: profit of £18.5 million).

1. 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 joint ventures and associates. A reconciliation between the two different presentations is shown in the segmental note on page 109.

Financial strength and liquidity

The Group's net assets increased by £339.8 million during 2021 to £4,425.7 million (2020: £4,085.9 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	13.5	–	13.5
Other Asset Management	–	520.5	520.5
Total Asset Management	13.5	520.5	534.0
Wealth Management	3.7	77.5	81.2
Joint Ventures and Associates	–	116.4	116.4
Total AUM	**17.2**	**714.4**	**731.6**
Investment capital	0.8		
Seed and co-investment capital	0.7		
Other assets	5.6		
Total Group assets excluding clients' investments	7.1		
Total Group assets	**24.3**		

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.

Reflecting these structures, the Group's total assets increased to £24.3 billion at 31 December 2021 (2020: £21.7 billion). Excluding those assets that form part of AUM, the Group's total assets increased to £7.1 billion (2020: £6.0 billion), principally due to both the impact of a greater number of funds requiring consolidation, and 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.

As at 31 December 2021, investment capital is mainly comprised of cash, cash-like funds and other funds managed by the Group. During 2021, investment capital increased by £421 million to £838 million (2020: £417 million) and our seed and co-investment capital increased to £666 million (2020: £612 million).

Other assets support our ongoing operating activities in the form of working capital, including assets that are inadmissible for regulatory purposes.

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, and due to the strong growth in profits for the year, the Board recommends a final dividend of 85 pence per share (2020: 79 pence per share), an increase of 6 pence per share. It means a total dividend for the year of 122 pence per share (2020: 114 pence per share), up 8 pence per share representing a payout ratio of 50% (2020: 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 £2.8 billion (2020: £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.

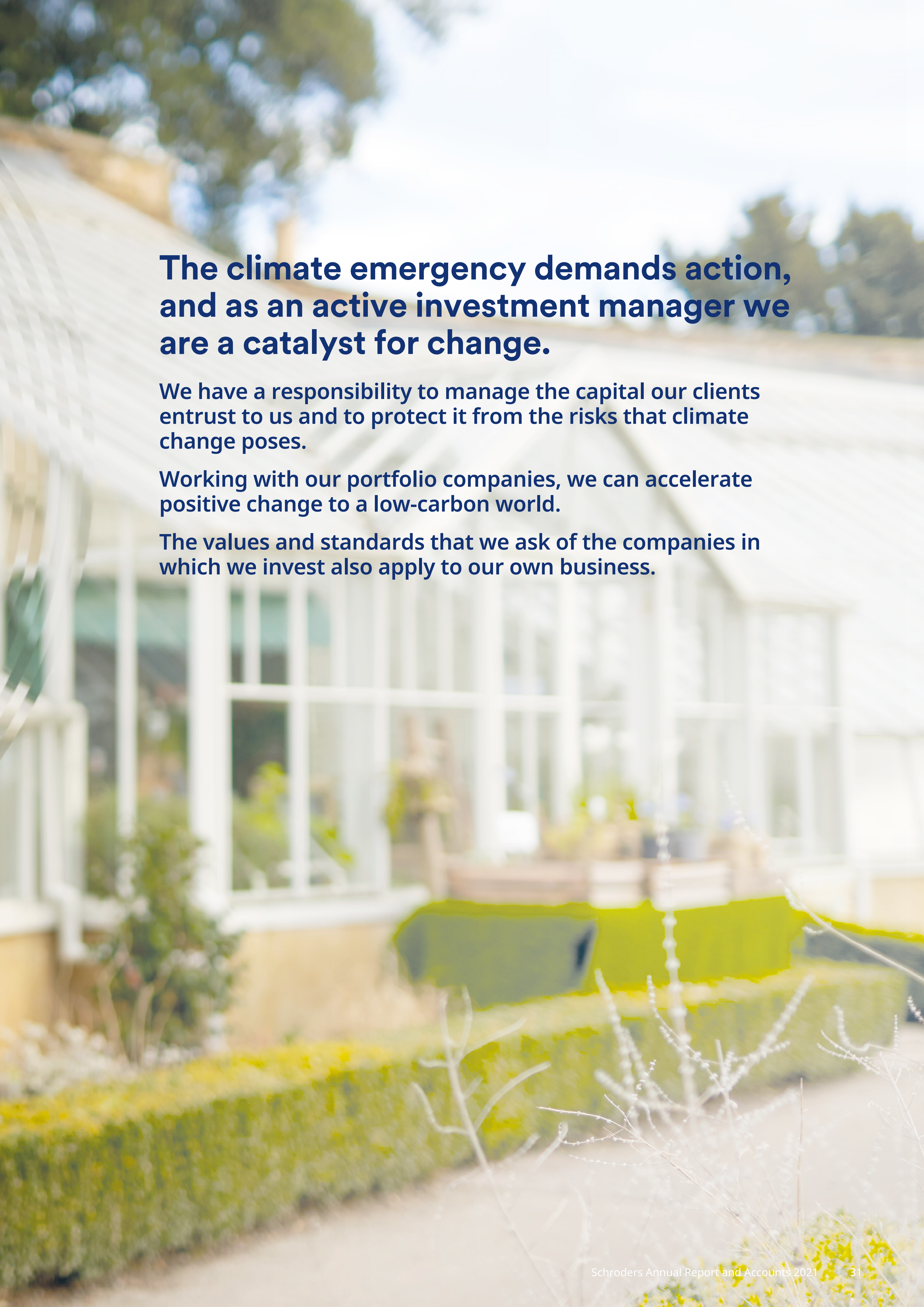
There are certain circumstances that could adversely impact the Group's ability to pay dividends in line with the policy. These include a combination of significantly increased costs and a prolonged deterioration in markets or performance leading to reduced revenues and a consequential increase in the ratio of total costs to net income.

Overall, I am pleased with these results which demonstrate significant progress against our strategic priorities. We believe that our focus on long-term goals and strong investment performance continues to provide a sound platform for future growth.

Richard Keers
Chief Financial Officer

2 March 2022


WE LOOK
BEYOND
TOMORROW



The climate emergency demands action, and as an active investment manager we are a catalyst for change.

We have a responsibility to manage the capital our clients entrust to us and to protect it from the risks that climate change poses.

Working with our portfolio companies, we can accelerate positive change to a low-carbon world.

The values and standards that we ask of the companies in which we invest also apply to our own business.

OUR ROLE IN TACKLING CLIMATE CHANGE

We have set science-based targets for our investment activities and operations to lead the transition to a low-carbon economy.

Addressing the risks posed by climate change will require huge structural shifts in societies and economies, a source of both value creation and destruction across industries, companies and investment portfolios.

We have a responsibility to set out our path to net zero and deliver investment performance for our clients over the longer term by contributing to a sustainable future.

The scale of the challenge

Since the industrial revolution, greenhouse gas emissions have risen with the growth of the global economy and there is widespread scientific and political consensus that, unchecked, the impact on our climate will be severe. Limiting global warming to well below 2°C compared to pre-industrial levels will demand a reversal of the carbonising impact of our economic journey in under a generation. It is increasingly clear that investment managers can be a catalyst for change.

Analysis by our economists of the implications of a climate transition for potential economic growth in major economies and financial markets has concluded that long run returns will be materially different with climate impact taken into account. Every economy, industry and company will need to plot a net zero path to remain competitive.

Our carbon exposure and role in the transition

As an investment manager, our greenhouse gas emissions are the result of two factors: our operations and the investments we manage. The environmental impact of our own business operations accounts for under 1% of the Group's total greenhouse gas emissions. Our operations principally generate emissions from energy consumption in our buildings, our car fleet, business travel and our supply chain.

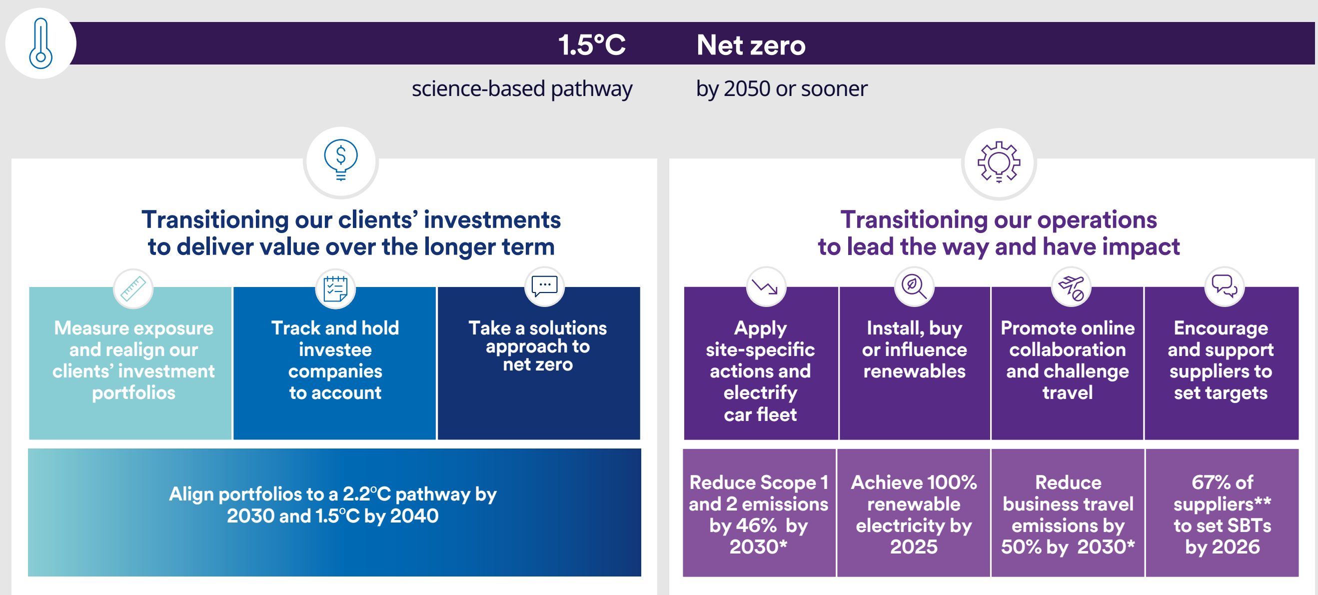
The remaining over 99% arise from financed emissions, which are the Scope 1 and Scope 2 emissions generated by our investee companies in their own operations. Currently, our financed emissions principally include listed common stock, preferred stock and corporate bonds (more than 60% of AUM), however we will increase the scope of assets included in our financed emissions as new methodologies are released.

We believe that as a Group committed to sustainability, we should reduce our operational footprint and lead by example by setting ambitious targets and actions. It is in our financed emissions, however, where we have the opportunity to make the greatest difference. Our role as an active investment manager gives us the potential to drive significant change across multiple industries.

Our clients expect us to manage their capital in a way that supports long-term investment performance, while protecting it from climate risks. We seek value in the potential opportunities created and aim to develop investment strategies that will help clients meet their own investment and climate goals. By doing so, we can deliver value for all our stakeholders and play a critical role in influencing and accelerating decarbonisation in the real economy.

Science Based Targets initiative (SBTi)

We have built on years of climate research, risk analysis and action to establish a robust view of our current emissions. We are one of the largest investment managers by AUM to have their targets validated by SBTi. This will put us on a 1.5°C emissions reduction pathway and help us reach net zero across our value chain by 2050, or sooner. Our Corporate Responsibility Committee, chaired by our Group Chief Executive, recommends our climate change strategy and monitors progress towards our science-based near-term targets and net zero.



For more information on our climate transition action plan, see www.schroders.com/ctap

* From a 2019 base year ** by emissions

Our clients' investments

The largest part of our exposure to carbon emissions comes from the investments we manage for our clients, equating to 35.4 million tCO_2e. In 2021 our total Scope 1 and Scope 2 carbon emissions associated with our investments decreased by 4.6% year-on-year, and our exposure to carbon-intensive companies, Weighted Average Carbon Intensity (WACI), fell 7.4% year-on-year to 163.61 tCO_2e/$m of investee company revenue. Moreover, we have seen an upward trend in data quality during the year.

However, we continue to look forward and during 2021 we established our long-term strategy to work in partnership with our clients to transition the assets we manage to net zero by 2050 or sooner, focusing on three elements: prioritising active engagement; holding companies to account; and continuing to develop climate products and solutions.

Prioritising active engagement

We can use our voice and influence to propel companies to establish detailed transition plans and require them to demonstrate near-term delivery of goals. An engagement strategy is more challenging than simply reallocating investments to low-carbon sectors, but we have a responsibility to engage with the companies facing the most pressure to decarbonise, and by doing so we believe we can create more value for our clients.

During 2021, climate was one of the key topics that we engaged with companies on. Across our business, we had more than 450 engagements on this subject. This included the letter our Group Chief Executive wrote to FTSE 350 companies, urging them to publish detailed plans for how they intend to transition their business towards net zero emissions by 2050.

Holding companies to account

In the past few years, we have seen an increase in the number of climate-related shareholder resolutions submitted to companies' AGMs. There is increased scrutiny over the way in which we vote in these resolutions. We have adopted a 'support or explain' approach to environmental shareholder resolutions aiming to vote for where they align with our sustainability agenda. Our voting records, along with our rationale, are available via our website[1].

Developing climate products and solutions

We recognise a growing awareness and demand from our clients for climate-focused products. We have responded to this demand for many years by offering products which contribute to the reduction of carbon emissions, or those which actively commit to rapid decarbonisation. We continue to expand the options for clients, benefitting from the growth in those markets.

This year we launched a number of new strategies targeted on climate action, including our first fixed income climate-focused solutions. These latest additions to our climate-focused products identify companies that are leading the way in reducing carbon emissions, both in the scale of their future commitments and timeframes to achieve them. We seek to identify the companies that will obtain a competitive advantage from their climate transition.

We understand that our clients are all at different stages of their net zero transition journey. This is why we are building out our climate solutions approach by expanding the options available to our clients and ensuring we provide products that not only look to reduce carbon emissions but also products that contribute to environmental or nature-based solutions.

1. www.schroders.com/ao

Our solutions		Area of future innovation
Reducing GHG emissions	**Contributing to environmental solutions**	
Designed for clients that want to support the transition to net zero. These solutions invest in companies who are actively transitioning to a lower-carbon business model and are reducing their exposure to greenhouse gas emissions.	**Designed for clients who want to contribute to environmental solutions.** We do this by investing in companies that have products and services that actively contribute to specific climate-related outcomes through technological development and innovation.	**Designed for clients who want to invest in our nature based solutions.** We recognise the important role they will play in mitigating climate risk. We focus on analysing natural capital assets and identify the best way to maximise carbon capture and sequestration.
Comprises our Sustainable solutions (Article 8 under SFDR) and includes strategies such as Global Climate Change and Global Climate Leaders	Comprises our Impact Goals solutions (Article 9 under SFDR) and includes strategies such as the Global Energy Transition, Global Cities and BlueOrchard Emerging Market Climate Bond	Comprises our investment in Natural Capital Research where our aim is to provide access to conservation projects through high quality carbon credits that benefit local communities.

Our operations

Reducing energy consumption in our properties and fleet

In 2021, our operational emissions (Scope 1 and 2) decreased by 14% compared to 2019, but did however increase by 10% from 2020. The increase this year is primarily due to a one-off accidental release of two fire suppression units. Excluding this incident, our emissions have decreased by 4%. Reduced occupancy of our offices continued through 2021 due to the ongoing pandemic leading to lower energy consumption. Additionally, we achieved improved energy efficiency across our larger properties as part of the measures we implemented following ISO 14001 certification, the international standard for effective environmental management systems.

We have increased the percentage of renewable electricity used across our global offices from 50% in 2019 to 84% in 2021. We are a member of RE100 and have committed to sourcing 100% renewable electricity for all of our owned and leased properties by 2025.

With new emissions reduction targets to meet, we are drawing up site-specific action plans. These will include further energy efficiency measures, building on known and emerging good practice, and will take advantage of emerging technologies. As we look to electrify our buildings to reduce the use of fuel sources, including gas, our renewable electricity plan will become more important. We will look at opportunities to install onsite renewables and continue our progress in sourcing 100% renewable electricity.

In 2021, our homeworking emissions decreased from 1,838 tCO_2e in 2020 to 480 tCO_2e. This is due to an improvement in our methodology as we captured the number of employee homes that use gas or cooling energy. Our data shows that fewer of our employees' homes used gas than estimated in 2020. The decrease in emissions has also been driven by a reduction in average time working from home per week. We will continue to develop and monitor this emerging category of greenhouse gas emissions reporting.

We have also set ourselves a new target to transition our car fleet to fully electric by 2030.

"For us and our industry, the disruption from climate change is creating new risks and new opportunities. Understanding the data on both is key."

PETER HARRISON, GROUP CHIEF EXECUTIVE

Reducing our footprint from business travel and suppliers

Our corporate value chain emissions (Scope 3 categories 1-14) are almost 40 times larger than our energy-related emissions (Scope 1 and Scope 2). As 98% of our operational Scope 3 emissions arise from our business travel and supply chain spend, we have therefore chosen to set additional targets for these areas. We will engage and support our people and suppliers in joining the net zero journey with us.

Our business travel emissions have decreased by 92% compared to 2019 and by 54% compared to 2020 due to the impact of the pandemic on global travel. We do anticipate these will bounce back to a certain extent once travel restrictions are lifted.

Our target is a 50% reduction in business travel by 2030, from a 2019 base year. Our Travel policy requires justification for business travel and we will continue to invest in communication technologies so that our employees can meet and collaborate effectively online.

In 2021, 45 of our suppliers have set science-based targets, compared to five in 2019. This increase reflects the current momentum in the market of companies making climate commitments.

Starting this year, we will engage with our suppliers to understand their existing sustainability targets and commitments and support them in setting science-based targets through information sharing, guidance and collaboration.

Climate neutral operations and the role of carbon offsetting

Our primary focus is on our decarbonisation plan, leveraging our own actions and influence to reduce greenhouse gas emissions. However, we believe that as we go through our transition process, there is a role for carbon offsetting both to compensate for emissions that will still be released on our transition pathway and to neutralise residual emissions for net zero. As such, we continue to operate our business on a climate neutral basis, buying carbon credits equivalent to our greenhouse gas emissions (except supplier and financed emissions where we have engagement targets).

Transparency and accountability

We believe in the power of corporate transparency and accountability to help drive action across the economy. On behalf of our clients, we hold the companies we invest in to account. We also believe in leading by example and seek to report and disclose our own progress as transparently as possible.

We align our reporting to the Task Force on Climate-related Financial Disclosures (TCFD) and submit the annual CDP climate change questionnaire, in which we achieved a leadership level score of A- for our most recent (2021) response. Our science-based targets have been validated by the SBTi. Schroders is proud to be one of the first three asset managers to have their targets validated.

The below information outlines our metrics related to the greenhouse gas emissions generated from both our operations and investments.

Our operations

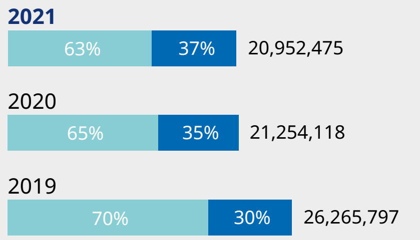
Greenhouse gas emissions (tCO_2e)	2021	2020*	2019*
Building-related gas and fuel	533	382	488
Cars (company-owned or leased)	419	366	326
Fugitive emissions	1,028	240	296
Total Scope 1 emissions	**1,980**	**988**	**1,110**
Electricity (location-based)	3,438	3,863	5,034
Purchased heat (location-based)	470	493	684
Total Scope 2 emissions (location-based)	**3,908**	**4,356**	**5,718**
Electricity (market-based)	593	1,114	2,571
Purchased heat (market-based)	470	493	684
Total Scope 2 emissions (market-based)	**1,063**	**1,607**	**3,255**
Business travel	1,722	3,713	21,852
Supply chain (categories 1, 2 and 4)	231,004	225,941	229,632
Other	3,954	3,097	5,106
Total Scope 3 operational emissions	**236,680**	**232,751**	**256,590**
Total operational emissions (location-based)	**242,568**	**238,095**	**263,418**
Metrics			
Scope 1 and 2 emissions (tCO_2e) per employee	1.04	0.96	1.27
Renewable electricity consumption (RE100)	84%	75%	50%

Our investments

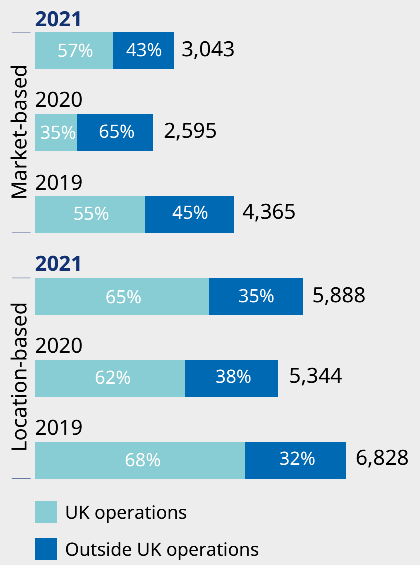
Greenhouse gas emissions (tCO_2e)			
Financed emissions (Scope 1 and 2)	35,448,064	37,171,418	39,056,268
Metrics**			
Financed emissions (tCO_2e) per £m of AUM	94.68	106.43	126.51
WACI (tCO_2e per \$m of investee company revenue)	163.61	176.72	N/A
Portfolio temperature score (°C)	2.82	2.85	2.92

* Prior year numbers have been re-presented.
** Relate to Scope 1 and 2 financed emissions, for more information, see our TCFD report (www.schroders.com/tcfd).

Energy consumption (kWh)



Scope 1 and 2 emissions (tCO_2e)



Additional information

Reporting period	The reporting period is 1 January to 31 December inclusive.
Baseline year	We have chosen 2019 as our baseline year as it is a reasonable representation for our business.
Reporting boundary	The financial control boundary approach has been applied to our greenhouse gas inventory, which follows our accounting consolidation approach. No category of emissions has been excluded from this boundary. Scope 3 Categories 9, 10, 11, 12 and 14 have been assessed and are not relevant to our business. Scope 3 Category 15 has been defined below under financed emissions.
Emission factors	We have used a variety of greenhouse gas conversion factors for calculating our emissions. Emissions factors are determined by the emissions source and the emissions location so that the most accurate factor is applied. Sources of emissions factors used are: Defra, IEA, EPA, EPA eGRID, CGGI, NGA, Green-e.
Reporting methodology	We have reported on the emissions sources required under the Companies Act 2006 Strategic Report and Directors' Report Regulations 2013. We followed the requirements of the Streamlined Energy and Carbon Reporting (SECR). We comply with the requirements of the Task Force on Climate-related Financial Disclosures. We report our global emissions inventory using the GHG Protocol Corporate Standard, the GHG Protocol Scope 3 Calculation guidance, the GHG Protocol Corporate Value Chain (Scope 3) Standard and the Global GHG Accounting and Reporting Standard for the Financial Services Industry.
Metrics	We have used these metrics as they are common business metrics for our industry sector.
Average employees	The average number of employees for our reporting period are: 2021: 5,650, 2020: 5,556, and 2019: 5,359.
Financed emissions	Financed emissions represent the Group's emissions from common stock, preferred stock, corporate bonds, REITs and ETF exposure, which makes up over 60% of our AUM excluding associates and joint ventures. This is due to the lack of available greenhouse gas accounting methodologies.
Data restatements	As part of our SBTi submission, the Group undertook an inventory review of its greenhouse gas emissions in 2021. The reported emissions for 2019 and 2020 have been restated following this review taking into account hotels and taxis in business travel, fugitive emissions and a number of data improvements.
Base year recalculation policy	We have used 2019 as the base year for our greenhouse gas emissions calculations. In order to accurately track progress towards our greenhouse gas targets, we will adjust the base year to account for significant changes such as structural changes, calculation methodology changes, or data errors.
Independent assurance	Incendium Consulting Ltd provided assurance over all of our operational emissions. This assurance was provided in accordance with AA1000AS (2008) Type 2 assessment.

Task Force on Climate-related Financial Disclosures

Summary disclosures

The following summary read together with our detailed report, which can be found on our website[1], is our response to, and is consistent with, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These disclosures set how the Group incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to the expectations of our stakeholders.

We have produced a supplemental detailed TCFD report to provide a more comprehensive and tailored view for our stakeholders. The summary disclosure below should therefore be read in conjunction with our TCFD report.

Governance

Disclose the organisation's governance around climate-related risks and opportunities. Read more on pages 5–10 of our TCFD report.	The Board of Schroders plc has collective responsibility for the management, direction and performance of the Group, and is accountable for our business strategy. We embed climate-related risks and opportunities into our strategy. In discharging their Directors' duties, the Board is therefore ultimately accountable for the oversight of climate-related risks and opportunities that could impact our business. The Group has a well-defined governance framework based on delegated authority. The Board has reserved certain matters to itself and has also delegated specific responsibilities to Board committees, notably the Nominations Committee, the Audit and Risk Committee and the Remuneration Committee and also to the Group Chief Executive. The Group Chief Executive is responsible for proposing the strategy for the Group and for its execution. Through this framework the Board receives regular briefings on sustainability matters including climate-related issues. Our Corporate Responsibility Committee advises and assists the Group Chief Executive, who chairs the Committee, in discharging his responsibilities regarding corporate responsibility which includes climate-related issues. Our climate targets are managed in this forum with progress reported to the Board. For a number of years, our executive Directors have had sustainability-related measures included within their annual bonus scorecard. The measures are reviewed each year by the Remuneration Committee to align with our key priorities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. Read more on pages 11–33 of our TCFD report.	The climate-related risks to our investee companies include the physical risks from climate change affecting their operations, and transition risks from the move to a net zero economy affecting their business proposition. These outcomes could negatively impact security valuations, which in turn would put our investment performance at risk. Fortunately, opportunities arise in sectors that stand to benefit from the transition to a net zero economy, such as those focused on energy efficiency, renewable energy infrastructure, or climate change resilience/adaptation. We identify these climate risks through our proprietary Climate Risk Toolkit and act to respond to those risks, in particular through company engagement and voting activities. By using five different transition and physical risk scenarios to assess the impact of climate on our client's assets (including under a 1.5°C, 2°C and Nationally Determined Contributions scenarios) we can direct our climate-related engagement efforts to where they will be most effective. Our climate change strategy is to continuously develop our Climate Risk Toolkit to effectively measure risk exposure and identify opportunities, to track and hold companies to account through engagement activities, and to offer client solutions aligned to a net zero pathway. The primary focus of our climate-related engagement strategy will be to drive adoption of and adherence to science-based targets by our investee companies. By doing so, we can use our position as a global investment manager to drive positive change across multiple industries. We know that there is demand from many clients for opportunities to invest in climate solutions and we continue to expand the options available. Our climate solutions framework is designed to help our clients tackle the climate challenge, whether by reducing greenhouse gas emissions or by actively contributing to environmental solutions. For our own operations, we measure the physical risks on our owned and leased offices against multiple risk indicators, which review both acute risks (e.g. wildfire hazard) and chronic stresses (e.g. air quality). Outputs from our assessments will then inform the prioritisation of site-specific target setting which are managed by business functions. Transition risks include increased costs to implementing low-carbon technology, increased regulatory requirements, and reputational risks associated with not responding to climate change appropriately. Transition opportunities include increases in energy efficiency and renewable electricity for our owned and leased offices and the subsequent decrease in greenhouse gas emissions. We have set science-based targets for our operations and will continue to be climate neutral as we transition to net zero. We will look to align with the SBTi's net zero standard. We will also encourage and support our supply chain to join the net zero journey with us.

1. www.schroders.com/tcfd

Strategy continued

	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 outlook most recently updated in March 2022. The business planning process considers the longer-term headwinds that may materially impact the Group and assesses the need for business model changes. This includes consideration of the potential impact of climate change on the Group. Our revenue assumptions consider the expected impact of product development activity, changes in client behaviour and other movements in AUM and pricing due to climate change or other factors. Our expense and funding assumptions consider the potential impact of planned investment and other changes in the business. The Group also conducts an assessment of the key risks facing its business. As a core element of this assessment, stress testing is performed on the Group's five-year business plan. The stress scenarios include consideration of climate change risks, incorporating deterioration in the value of our AUM (e.g. due to transition and physical risks crystallising earlier than expected) and the impact that reputational damage could have on net new business. For 2021, we incorporated the output from our investment scenario analysis to determine the potential impact of climate change on our AUM over the forecast period. In the short-term, the most significant stressed impact relates to transition risk as a result of early policy action by governments. The conclusions from these assessments form the basis of our Viability Statement which can be found on page 55.

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks. Read more on pages 34–39 of our TCFD report.	The Risk Assessment section on page 51 sets out how we identify, assess and manage risk. Climate change risk management has been embedded into our existing risk management processes across the Group. The Board is responsible for the management, direction and performance of the Group, and is accountable for our business strategy. Climate-related risks are embedded within our strategy and therefore, in discharging its responsibilities, the Board is ultimately accountable for the oversight of climate-related risks that could impact the business. We use both a 'top down' and 'bottom up' approach to identifying and assessing the key risks across the Group. Given the importance of climate-related risks to our business, 'ESG risk including climate change' has been identified as one of our key risks. This means it has been assigned to a Group Management Committee (GMC) member who is responsible for ensuring it is mitigated effectively or actions are underway to address it. It also means it has a risk appetite statement, approved by the Board, which enables us to provide an assessment of risk position against risk appetite on an annual basis, and monitor performance of this risk throughout the year. Our risk appetite focuses on the commitment to running our global operations on a climate neutral basis; ongoing development of investment tools to help fund managers to better measure and manage climate-related risks within their investments; development of climate-friendly products; and engagement with clients on their requirements and with investee companies and policymakers. Climate risks are managed in accordance with our three lines of defence model. The heads of each business area take the lead role in identifying, assessing and managing risks, including those relating to climate, with independent monitoring carried out by the second line of defence (for example, through the review and challenge of climate risk by our second line Investment Risk team), and Internal Audit provides independent assurance over the operation of controls, which includes those implemented to manage climate change. We recognise that climate change is a pervasive risk across many of our key risk types (for example, Conduct and Regulatory risk, where any failure to meet the range of climate-related regulatory requirements being implemented globally may result in regulatory sanction). At a more granular level, heads of business areas across the Group are responsible for identifying these climate-related risks and assessing their impact on their business areas and functional responsibilities. We analyse potential climate risks through the lens of both physical and transition risks over the short, medium and long-term and via a range of proprietary tools and metrics we have developed. Many of our key processes have been adapted to incorporate climate change risk including our approach to investment research and decision-making, product development process, active ownership and engagement with our investee companies, and ongoing assessment and monitoring of our own operations.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Read more on pages 40–50 of our TCFD report.	We use a number of metrics and targets to track progress against our climate change strategy to ensure that we are responding appropriately to the climate-related risks and opportunities facing our business. See our metrics, progress to date and an outline of our strategy in achieving those targets on pages 32-35. In line with SECR requirements, we have also listed out our Scope 1, 2 and 3 greenhouse gas emissions on the same pages.

WE LOOK BEYOND EXPECTATIONS

We see potential and act on our ambition to accelerate positive change.

Change for the better is embedded in our purpose. With every decision, we consider the impact on people. We continue in our ambition to build an inclusive workplace for our employees and create opportunity across society.

FOSTERING AN INCLUSIVE WORKPLACE CULTURE

We aim to help clients meet their long-term financial goals. Succeeding is driven by our people.

Our focus on people and culture

Achieving excellent investment performance for our clients depends on the active management decisions that our employees make every day. That is why our success is built on the strength of our culture and our ability to attract and retain outstanding people. We prize our reputation as an employer of choice and our focus is on empowerment and inclusion. We allow all individuals to have a voice in shaping our culture and believe that it is essential for our employees to be able to thrive every day.

We announced a number of new acquisitions during the year and expanded our existing capabilities in some key growth areas. While the scale and structure of our business has grown, we made it a priority to protect our distinctive culture and values, which are a source of strength.

Inclusion and diversity are priorities for all of our stakeholders and they are increasingly becoming themes that run through all of our people initiatives.

A number of social justice movements that have intensified moral concerns about the overall impact of businesses in society, lent urgency to engaging more deeply and directly with our employees.

Our people around the world

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

OUR VALUES

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

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

IN 2021:

- We won **Large Employer of the Year** at the FTAdviser Diversity in Finance Awards.
- Peter Harrison was voted a **Top 50 CEO** with 96% approval rating on Glassdoor.
- Amy Cho and Garth Taljard were recognised for the second year as executive sponsors in the **top 100 LGBT Executive Allies list.**
- We signed the **Black Talent Charter,** a pledge to help solve the endemic under-representation of black professionals in finance.
- We are recognised for being among the **Top 75 Employers in the Social Mobility Employer Index.**
- We retained our spot in the **Bloomberg Gender Equality Index** for the fourth consecutive year.

Leading with inclusion

We are committed to providing equal employment opportunities and combatting all forms of discrimination. In keeping with our Equal Opportunities policy, we give fair consideration to all employment applications, including those from disabled people, considering their particular aptitudes, skills, behaviours and abilities. If employees become disabled, we continue to employ them wherever possible, with re-training if necessary.

At every stage of the employee lifecycle, we assess our approach and make changes to build an inclusive organisation. This happens from the very first touchpoint with an individual, from recruitment through to development, progression, employee engagement and reward.

Driving accountability

We strive to make well-informed, data-driven decisions when it comes to inclusion and diversity and believe that transparency around our progress is essential.

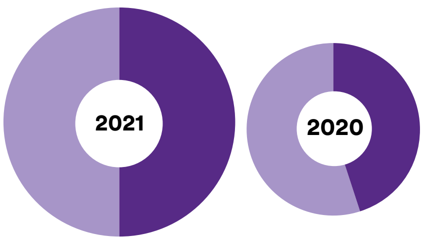
Our data shows us the progress we have made and allows us to set ambitious but realistic targets. Senior managers have responsibility for closing the gaps in representation.

Given the growing expectations of many of our stakeholders and to meet our pledges, we are now aiming for 35% female representation in senior management by the end of 2023.

We have a focus on training, career development and progression, and all employees are given opportunities to build their skills and experiences with us as part of our pledge to make Schroders an inclusive organisation. We have broadened our focus beyond gender inclusion and where possible, with the permission of our employees, we collect data on age, disability, ethnicity, faith, gender, sexual orientation and socio-economic background to better understand the make-up of our workforce and those applying for jobs. Our strategy and actions are guided by the data we collect from our employees and the benchmarking initiatives we are involved in.

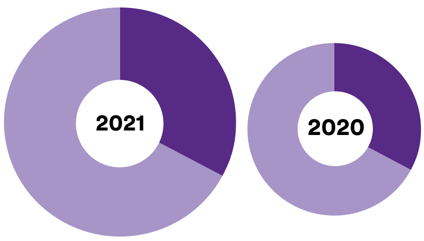
Gender diversity

Schroders plc Directors



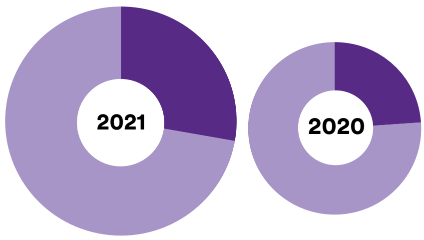
Female 6 (50%) Male 6 (50%) Female 5 (45%) Male 6 (55%)

Senior management[1]



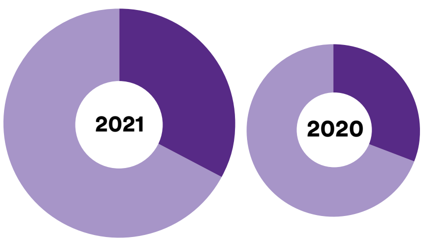
Female 331 (33%) Male 662 (67%) Female 327 (33%) Male 674 (67%)

Subsidiary directors[2]



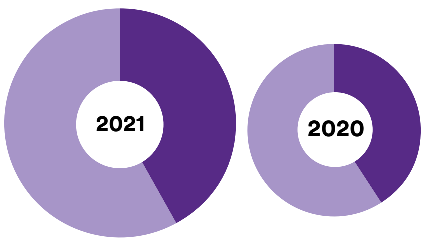
Female 36 (28%) Male 93 (72%) Female 31 (24%) Male 97 (76%)

Total senior management



Female 367 (33%) Male 755 (67%) Female 358 (31%) Male 781 (69%)

All employees[3]



Female 2,403 (42%) Male 3,347 (58%) Female 2,283 (41%) Male 3,288 (59%)

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 people 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.

Workforce Diversity

We are proud to have published our Workforce Diversity Report[1] in 2021. This is an important step in sharing an update on our progress towards a more diverse workforce.

We have an equal split of male and female representation at Board level and 17% of our Board is from an ethnic minority and we comply with the recommendations of the Parker Review. This year we also introduced Board-approved ethnicity targets, including a 16% target for employees in the UK by the end of 2023. For representation of ethnicity and for our gender and ethnicity targets globally see our Workforce Diversity Report. Our Board sets and reviews these targets on an annual basis, as well as reviewing the succession plans for all our critical roles globally. These are also reviewed from a gender and ethnicity perspective.

"With the publication of the Workforce Diversity Report, I am determined that Schroders will take a lead in being transparent about where we are doing well and where we need to do better."

PETER HARRISON, GROUP CHIEF EXECUTIVE
Workforce Diversity Report 2021

Promoting allyship

We believe that inclusion matters for all employees, not only for people in under-represented groups. Throughout October, we ran a series of globally accessible events and activities focused on the theme 'allyship', educating employees on how to actively call out inequality and build equity. We track employee take-up of our inclusion-related e-learning topics and have seen an increase in engagement.

Equipping managers to support employees through change

We recognise the critical role our managers play in building an inclusive culture and coaching their teams to deliver great performance. Previous pulse surveys have indicated that there are opportunities for us to increase manager capabilities and to create a more consistent employee experience.

The key skills managers need today continue to evolve, however they include building resilience and demonstrating empathy and vulnerability. A new programme, Lead to Win, introduced essential skills in this context. The experience equipped managers with the critical skills to spot possible burnout early and to create a team culture in which everyone will feel included.

The voice of our employees

Collecting comprehensive feedback helps us to drive strong employee engagement and improve communication and collaboration. We have put emphasis on developing the ways that we listen, engage and collaborate.

95%

of employees are proud to be associated with Schroders

In 2021, we ran three global pulse surveys to identify key trends in the experiences of our employees. We also continue to collect feedback from employees when they join the organisation and when they leave, via an external provider. This, along with input from external organisations like Glassdoor, helped to inform our people strategy.

The Global Employee Forum (GEF) allows us to further gather the views of our people across the firm. The Forum provides a better understanding of important issues such as training and development, performance appraisals and employee opinion surveys. Ian King, as Senior Independent Director, chairs the GEF to provide a direct link between our employees and the Board. The GEF has played an important part in changes to our performance management framework. As part of the design work, we shared the new ratings descriptions with the GEF before launching them more widely. We were able to get a sense of how they would be received and understood by employees and if we had missed anything in creating them.

88%

of employees agree that people are treated with fairness and respect

A number of different initiatives have supported our employee engagement. We created a video about flexible working aimed at all employees globally. Roundtables were set up by the Gender Equality Network and hosted by Emma Holden, Global Head of Human Resources, to understand first-hand the experiences of mothers returning to work during or just before the pandemic. Themes explored included some of the challenges of becoming a parent and opportunities to better support our people.

Awareness and understanding of company performance

Keeping our employees informed about factors that affect the strategy and performance of the company is a priority. Our Group Chief Executive has continued to give regular podcasts to update employees on organisational change, such as acquisitions. He also shares accessible updates on company performance coinciding with the release of annual and half year results. Employee feedback indicates that the updates have continued to engage and motivate employees globally. Annual, town hall meetings about performance and strategy are accessible to all employees globally in multiple formats.

1. www.schroders.com/wdr

84%

of our people believe Schroders recognises and values diversity among its employees

Opportunities for our people to develop and grow

Creating a truly inclusive culture at Schroders is at the centre of our people strategy. We believe that attracting and retaining talented people and offering an environment where they can thrive, is integral to growing a sustainable and successful business. In 2021, 73% (2020: 66%) of all employees at Schroders accessed an online course.

Promoting allyship

Over 1,000

employees completed the digital workout 'Building Bridges' to help employees recognise and combat all types of exclusion (up 42% from 2020).

Learnfest

In June, our annual Learnfest brought together internal and external speakers to host interactive sessions over several weeks, designed to increase business knowledge and build new skills to help us respond innovatively to challenges. We combined Learnfest with #CollectiveAction, to launch a global 'Better You, Better World' campaign, bridging volunteering, career and learning experiences. Our aim is to embed volunteering into our culture, and provide opportunities for employees to make a social contribution, whilst also learning and developing their careers. From Thriving Under Pressure, to Career Resilience and Creating your Growth Mindset, a total of 47 sessions were attended by 685 employees worldwide.

Data Academy

Data Academy is a structured learning experience designed to upskill people in data analytic techniques and gain an apprenticeship qualification in the process.

Supported by instructors throughout, this helped trainees resolve issues from the course and has helped to challenge them to find practical applications for their skills within their roles.

This is one of a number of initiatives to equip our employees with critical skills for the future.

Mental health and wellbeing

The uncertainty and disruptions of the last two years reinforced the importance of mental wellbeing and it is at the forefront of what we do. We believe in the importance of having the appropriate skills within the organisation to support those experiencing mental health problems. A number of initiatives, led by employees, supported this priority, including Mental Health Awareness Week and the continued roll-out of our Mental Health First Aiders programme.

"The uncertainty and disruptions of the last two years reinforced the importance of mental wellbeing and it is at the forefront of what we do."

Rewarding our people

To better align our rewards to our values, we made changes to our performance ratings. Employees receive ratings on business and behavioural excellence (focusing on Schroders' values) and for managers, how well they meet our expectations of their contribution as a manager. A conduct rating is also included.

Competitive benefits and remuneration that reflect each employee's individual performance as well as that of the business, are critically important to develop and retain our people and maintain our ongoing success. Our approach is explained in the Remuneration report on pages 77-99.

WORKING IN PARTNERSHIP TOWARDS A FAIRER SOCIETY

We have both the responsibility and the influence to accelerate positive change for our stakeholders.

Accelerating positive change

We recognise that the scale of the investments we make on behalf of our clients gives us an important position of influence in society. As an employer and a prominent FTSE 100 company, we take our commitments and responsibilities seriously to direct that influence with care and purpose.

We apply the same high standards we set in our business to the companies we invest in. A number of our programmes and initiatives, driven by the 'People' pillar of our Corporate Responsibility strategy, are aimed at promoting equality by focusing on inclusion, wellbeing and social mobility. We use our influence as an active investment manager to drive positive social change and prioritise corporate programmes that engage employees in improving outcomes for the communities around us.

Our commitments and responsibilities

As a signatory to the United Nations Global Compact (UNGC) we are aligned with its ten principles, under four key areas of human rights, labour, environment and anti-corruption. By acting on these issues, we advance broader global priorities, including those set out in the UN Sustainable Development Goals (SDGs). For example, our focus on inclusion within the workplace and wider society (SDG 10 Reduced Inequalities) and our role in tackling climate change (SDG 13 Climate Action). We have also produced a Sustainability Accounting Standards Board (SASB) aligned disclosure.

We take our responsibility to respect human rights seriously, as an employer, a buyer of goods and services and as an investment manager. Our Modern Slavery and Human Trafficking Statement assesses and manages the risks of modern slavery practices in our operations, supply chain and investments[1].

93%

of employees agree that Schroders supports and values its corporate responsibility role in society (global employee pulse survey)

Society and our role as an active investment manager

The contribution to society of the companies and assets we invest in is critical to their licence to operate and long-term sustainability. By using tools such as SustainEx™ to analyse companies' exposures and engagement on topics such as human rights, diversity or access to basic services, we aim to use our influence to strengthen their business models.

We have a record of engaging with companies on diversity because we believe it's important for their long-term strategy and success. Our focus has often been on gender diversity, but as we look forward this will shift to include workforce and board-level ethnic diversity. For example, in 2021 our Group Chief Executive wrote to FTSE 100 chairs regarding the actions they have taken following the recommendations of the 2016 Parker Review.

We carried out over 400 engagements with companies on social issues, including several auto companies to understand how they are preparing their workforce for rapid electrification and digitisation.

Products targeting social priorities

By developing funds and investment strategies to target social outcomes, we help our clients to align their social priorities and investment goals.

We launched several funds targeting social outcomes, such as improving economic conditions, employment with training, access to finance, quality housing, clean energy, education and healthcare.

Our corporate programmes

Our community investment programme is centred on improving the futures of the people and communities around us, with a particular emphasis on promoting equality.

We donated £4.9 million in total to charitable causes around the world (2020: £4.9 million), £0.7 million of which was outside the UK (2020: £0.8 million).

Schroders Giving partnerships

We provide grants to charity partners on the topics of inclusion, disability, social mobility and mental health. Our priorities are providing opportunities for students from low-income backgrounds and supporting those with a disability, mental health challenges or those at risk of going to prison.

Each partnership offers our employees opportunities to donate, fundraise or volunteer because we want our people to apply their knowledge and develop new skills, while building greater social awareness.

We have established new partnerships across the world including the UK, Asia and the US.

- UK – Social Business Trust works with social enterprises which address social challenges, such as education disadvantage, employability and elderly care.
- Hong Kong – Ocean Recovery Alliance aims to educate, build awareness and provide solutions to the challenge of plastic pollution.
- US – Harlem Lacrosse provides academic support, mentoring, leadership training, college readiness, career exploration and lacrosse instruction to students who are most at risk of academic decline and dropout.

1. http://www.schroders.com/human-rights

Employee-led giving

We offer donation-matching schemes for employee fundraising across the UK, Asia and US. We were awarded the Platinum Payroll Giving award by the Charities Aid Foundation: 24% of our UK employees used the Give As You Earn scheme (2020: 28%), which saw £1.3 million donated by employees (2020: £1.1 million) before the contributions were matched by Schroders, to over 1,300 charities across the globe.

In addition to financial donations, we have provided gifts in-kind (for example, computer equipment) and organised charitable collections such as the London Poppy Appeal. We also support employee-led collections, such as the 'Mumbai Sling' for people in India affected by Covid-19 and a collection for victims of the volcano eruption in La Palma, Spain. Separately, our Group Chief Executive notified the Remuneration Committee of his intention to donate £0.5 million of his 2021 bonus to a social enterprise fund he recently established, which aims to create employment and encourage environmental progress in Cornwall, one of the poorest parts of the country.

A focus on volunteering and employee engagement

We support our employees in giving back to the community by offering up to 15 hours of paid volunteer leave per year, and in the UK for employees volunteering outside office hours, we donate £20 per hour towards their charity with an annual cap. This year, employees around the world contributed over 4,000 hours (2020: 1,675) of volunteer work, inside and outside office hours.

Alongside our Schroders Giving partnerships, we continue to run a number of charitable schemes that enable our employees to donate their time or make monetary contributions.

Improving access to employment opportunities

We have continued to embed the work placements we run through our Schroders Giving partnerships into our early careers programmes in the UK, enabling access for a diverse and talented pool of students through different channels. We ran 25 work placements with three of our partners including: Snowdon Trust, who offer grants to physically disabled and sensory impaired students studying in the UK; Amos Bursary, who support young people of African and Caribbean descent; and the Social Mobility Foundation, who support high-achieving students from low-income backgrounds across the UK.

DELIVERING #100000VACCINES

Building on the success of our award-winning #CollectiveAction campaign in 2020 which supported those most affected by the pandemic, we launched our second global #CollectiveAction fundraising appeal, #100000Vaccines. We called on our people and their friends and loved ones around the world to twin their own vaccinations and donate towards our fundraising campaign to help end vaccine inequalities. We raised and donated £125,000 (with Schroders matching), to UNICEF's Covid-19 Vaccine Appeal, which could support the delivery of vaccines in more than 133 low and middle-income countries.

"...These generous contributions are helping ensure rapid and equitable access of Covid-19 vaccines, irrespective of a country's wealth."

STEVE WAUGH,

INTERIM CHIEF EXECUTIVE OFFICER AT THE UK COMMITTEE FOR UNICEF (UNICEF UK)

GLOBAL CHARITY COMPETITION

Our people can nominate charities of their choice in our annual global charity competition. This year the winners, voted by colleagues and Schroders' Board member judges, were:

- £65,000 to Goodwill Caravan
- £40,000 to Home from Home
- £30,000 to The Talent Tap
- £15,000 to Max Foundation

BETTER YOU, BETTER WORLD CAMPAIGN

In June, we ran a global volunteer campaign, 'Better You, Better World', as part of our employee learning and development programme. The campaign aimed to help our people develop their skills while having a positive impact in our local communities. Opportunities were run across ten of our office locations worldwide, from solving challenges posed by social enterprises in the UK; to hosting insight sessions with college and high school students in the US; and making teaching aids in China.

700+ hours

of volunteering leave logged by over 200 people worldwide over eight weeks

OUR STAKEHOLDERS

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 these will evolve and to construct products that meet their investment needs and build future prosperity.

How do we engage with them and consider their interests?

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

Outcomes

Engagement with clients drives our strategy, in particular our desire to get closer to the end client investing in our products, which was a key consideration for the acquisition of River and Mercantile's UK solutions business. In addition, client demand has driven our strategic goal of expanding our capabilities in Private Assets and Alternatives, which was a consideration for the acquisition of Cairn Real Estate and our investment in Greencoat Capital.

SHAREHOLDERS

Rewarding our shareholders through the sustained success of our business

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

How do we engage with them and consider their interests?

The Board engages with shareholders at the AGM, which gives shareholders the opportunity to ask questions and engage with the Board. In 2021, due to the ongoing pandemic, we were unable to invite our shareholders to attend our AGM in person, so we made arrangements for shareholders to join remotely via an electronic facility that enabled any shareholder to join and ask questions of the Board.

During 2021, we continued to operate an investor relations programme, adapting to the external environment by holding meetings in person and virtually.

Outcomes

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

OUR PEOPLE

Offering fulfilling work and shared values to our people

Our people are central to the ongoing success of the business. We are proud of our reputation as an employer of choice.

Our people strategy aims to develop an agile and diverse workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs.

How do we engage with them and consider their interests?

We engage with our people through a variety of channels including management briefings, videos, an internal magazine and updates from the Group Chief Executive. We have dedicated teams and activities in every region 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 pulse surveys and have invested in our internal communications to help employees understand and deliver our strategic objectives.

Ian King, our Senior Independent Director, is our designated non-executive Director responsible for gathering workforce feedback. Ian chairs the Global Employee Forum to hear directly from employees on issues that concern them, and reports back to the Board. See pages 42 and 66 for more details.

Outcomes

In response to feedback we have up skilled our managers with resilience and inclusion tools to better support our people. In recognition of the remarkable job that our people have done in driving Schroders' success and long-term growth, our employees were invited to become partners in the business with a one-off award of Schroders shares.

Section 172 Statement

In accordance with their duty to do so under section 172 of the Companies Act 2006, the Company's Directors, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole. In doing this the Directors have had 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.

Examples of how they have done so, including having regard for the factors above, appear throughout this Annual Report. Further specific examples of how the Board of Directors has had regard, in its principal decisions made during the year, to these factors and their impact are set out on pages 66 of the Corporate Governance Report. These are incorporated by reference into this section 172 statement.

WIDER SOCIETY

Directing our decisions and actions towards supporting wider society

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

How do we engage with them and consider their interests?

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

Outcomes

The Board recognises that we must remain credible, therefore external commitments to environmental and social causes are regularly reviewed. During the year the executive Directors waived their 2021 LTIP awards to Covid-19 relief efforts.

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 they 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 our suppliers, 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 to add value to our infrastructure.

Outcomes

Schroders is committed to the fair treatment of suppliers, who are viewed as key stakeholders.

REGULATORS

Building respectful relationships

As a global business, we build positive relationships with our regulators around the world. Regulators provide key oversight as to how we run our business and our licences to operate. 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 has increased since the start of the pandemic.

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

Outcomes

We have agreed to adapt our governance framework following engagement with regulators to include the creation of a separate Nomination Committee for Schroder Investment Management Limited, our UK asset management entity. Following engagement with the regulator in China, we will be able to launch our wealth management company venture with the Bank of Communications in the first half of 2022.

NON-FINANCIAL REPORTING DIRECTIVE

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

<table>
<tr><th>Non-financial matters</th><th>Policies and standards that govern our approach</th><th>Due diligence, outcomes and additional information</th></tr>
<tr><td>Environment</td><td>• ESG policy for listed assets: our principles and practices regarding sustainable investing.
• Statement of compliance with UN Principles for Responsible Investment.
• Group Environment Statement: our Group position in relation to the environmental management of our operations.</td><td>Tackling climate change on pages 30–37.</td></tr>
<tr><td>Employees</td><td>• Guiding principles and values: our stance on a healthy working environment and flexible working.
• Directors' remuneration policy: our approach for setting Directors' remuneration.
• Policy on Board diversity: our approach to Board diversity.

We have a number of internal policies and standards governing our employees that are not published externally. These policies outline our approach to equal opportunities, parental and family leave, mental health and wellbeing, remote working, diversity and inclusion and conduct and culture.</td><td>People and society on pages 38–45, Corporate Governance report on pages 59–66, Nominations Committee report on pages 68–69 and Audit and Risk Committee report on pages 70–76.</td></tr>
<tr><td>Social matters</td><td>• Supplier Code of Conduct: our standards and behaviours we expect from our suppliers.
• ESG policy for listed assets: our principles and practices regarding sustainable investing.
• Statement of compliance with UN Principles for Responsible Investment.</td><td>People and society on pages 38–45 and Our stakeholders on pages 46–47.</td></tr>
<tr><td>Human rights</td><td>• Modern slavery and human trafficking statement: assessing and managing the risks of modern slavery practices in our operations, supply chain and investments.
• Supplier Code of Conduct: the standards and behaviours we expect from our suppliers.
• ESG policy for listed assets: our principles and practices regarding sustainable investing.
• Group Human Rights Statement: our Group position in relation to the respect of human rights.

We have an internal policy that covers the rights of individuals with respect to their personal data which is not published externally.</td><td>People and society on pages 38–45 and Our stakeholders on pages 46–47.</td></tr>
<tr><td>Anti-corruption and anti-bribery</td><td>• Group Tax Strategy: our approach to tax matters across the Group.
• Supplier Code of Conduct: the standards and behaviours we expect from our suppliers.

We have a number of internal policies and standards relating to anti-corruption and anti-bribery matters that are not published externally. These policies outline our approach to financial crime (including anti-money laundering, counter-terrorist financing, anti-bribery, sanctions and tax evasion), inducements, gifts and entertainment, whistleblowing and conflicts of interest.</td><td>Business and financial review on pages 24-29, Our stakeholders on pages 46-47 and Audit and Risk Committee report on pages 70-76.</td></tr>
<tr><td>Business model</td><td>Our purpose is to provide excellent investment performance to our clients through active management.</td><td>Business model on pages 20–21.</td></tr>
<tr><td>Principal risks and impact of business activity</td><td>We review our internal and external environment to identify the principal and emerging risks that are most likely to impact our strategy, business model, reputation and performance.</td><td>Risk management on pages 49–54.</td></tr>
<tr><td>Non-financial key performance measures</td><td>In addition to our financial performance metrics, we have a number of non-financial measures.</td><td>Our Business at a glance on pages 2–5.</td></tr>
</table>

OUR RISK MANAGEMENT FRAMEWORK IS INTEGRAL TO ACHIEVING OUR BUSINESS OBJECTIVES

We are exposed to a variety of risks as a result of our global business activities and are committed to operating within a strong system of internal control. Our risk management framework is underpinned by a strong control culture with clear oversight responsibilities. The framework is integral to achieving our business objectives and delivering excellent investment performance for our clients.

Managing risks

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

Non-executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee, more details of which are on pages 70–76. 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. They are also responsible for monitoring that individual behaviours reflect the culture and core values of the business.

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. 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 GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and changes to our existing risks. The GRC is supported by a number of sub-committees, including the Group 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 and implementing and maintaining appropriate controls to manage these risks, by applying our Risk and Control Assessment (RCA) process.

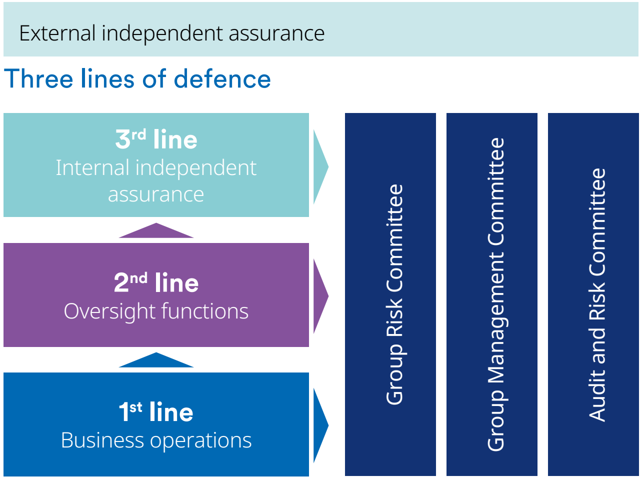
Line management is supplemented by oversight functions, including Group Risk, Compliance, Legal, Governance, Finance, Tax and HR, which constitute the second line of defence. The compliance assurance programme reviews the effective operation of relevant key processes against regulatory requirements.

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

The team also carries out thematic compliance monitoring work.

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

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 cover Asset Management, Wealth Management and the Group itself. Tailored versions of the risk appetite statements have been created for some of our legal entities and the coverage of these was expanded in 2021.

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

Group policies

Our control framework is underpinned by a set of Group policies, which are reviewed regularly 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. 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.

2021 developments

In 2021 a number of initiatives were undertaken to progress our management of risk. Some of these are summarised below:

- ESG has been embedded and integrated into our investment risk oversight processes, supported by our continued investment in a range of proprietary tools to enable us to monitor our portfolios in the transition to sustainability. ESG Risk Dashboards have been enhanced to provide quick access to proprietary internal measures and external ESG ratings. Our compliance monitoring systems and processes have been enhanced to provide alerts based on ESG criteria. Day-to-day dialogue, review and challenge of ESG risk, that occurs within the first and second line of defence, have been complemented by more formal discussions at quarterly Asset Class Risk and Performance Committees.
- Following the establishment of Schroders Capital, and to reflect growth in private assets and alternatives, we have strengthened the governance structure to enable greater focus on identifying and managing the risks that are most pertinent to this business. We have documented the key components of our risk and controls framework in a Private Assets Organisational Handbook. We have also added a dedicated Asset Class Risk and Performance Committee in addition to the existing Management, Pricing and Product Development Committees, focusing on private assets.
- The Information Security Risk Oversight Committee sponsored an independent information security review to benchmark the Group's cyber security capabilities against our peers and industry best practice. The review showed an increase in the maturity of Schroders' cyber security framework and good progress over the last two years. Attacks by organised crime groups (for example targeted ransomware) remain a risk for financial services and Schroders is no exception.
- The UK Investment Firm's Prudential Regulation (IFPR) sets new capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an Internal Capital Adequacy and Risk Assessment (ICARA) on a solo-firm basis for relevant UK entities. We are now identifying, assessing and managing risk of harm to clients, markets and the firm itself under the ICARA requirements.
- We have launched the first phase of a new integrated credit risk dashboard which has improved our ability to manage credit risk within client portfolios. It provides better data insights, enhanced reporting and a reduction in operational risk, resulting from better integration to other Schroders systems, all of which allow us to spend more time focusing on the credit-worthiness of counterparties.
- Within operational risk:
  - Our operational risk system has been upgraded to improve the workflow for risk events which has made the process of entering a risk event and raising actions more efficient.
  - Our RCAs are a core part of our operational risk framework and help us to manage operational risk across the Group. They are used to identify inherent risks in business processes and document the controls in place to mitigate risks enabling us to maintain ongoing oversight of our risk profile. RCAs are in place for all areas of the business and we work with acquired firms to develop these over time. We further developed our RCA methodology by implementing a top-down view of broader risks to consider.
  - An interactive dashboard has been developed to provide operational risk data to GMC members.
- To prepare for the launch of our China-based wholly-owned fund management company and our wealth management company venture with Bank of Communications, we established a programme of work to define the organisational structure, target operating model, governance framework, recruitment, policies and key risk management processes so that our control standards and culture are reflected in both firms.
- We made significant developments to our operational resilience framework and flexible working approach which are summarised below.

Embracing a flexible working approach

The pandemic has shown us that we can be flexible about when and where we work, and that we can meet the needs of our clients and maintain strong business performance in a flexible working environment. Flexible working has resulted in benefits from an individual and a business perspective and we continue to adapt and evolve this new way of working, ensuring that meeting the needs of our clients is at the centre of our decision-making.

To ensure our control environment reflects our new way of working, we re-wrote our Remote Working policy to adapt our controls to the flexible working model. Wide scale adoption of secure collaborative technology allowed us to optimise productivity whether staff chose to work from their home or our offices.

Spotlight on operational resilience

The three core components to our operational resilience (business continuity, technology resilience and vendor resilience) operated well during 2021 and allowed us to continue to demonstrate a robust response to the Covid-19 pandemic. Our business continuity framework remained key to helping us co-ordinate activities across the firm throughout the pandemic.

The operational resilience programme, which has been a material focus in 2021, has resulted in us gaining a better view of our important business services. This enables us to focus our resources and priorities on ensuring our business services are robust. We are on track to meet the regulatory deadline of 31 March 2022 for completion of our self-assessment document. We are continuing to challenge ourselves to enhance resilience by developing a broad range of severe but plausible scenarios. We test ourselves against these scenarios to ensure comprehensive recovery and response plans are in place. A core element of operational resilience is cyber resilience. Geo-political unrest can result in state-sponsored cyber attacks and we continue to enhance cyber controls in response.

The technology infrastructure supporting our business processes has remained resilient and systems coped well in our new hybrid working model. We have continued to increase the stability of remote working and now have access to Office 365 (corporate email, tools and resources).

We are undertaking a strategic initiative to migrate IT systems and services to the cloud. This has many business benefits, one of which is to increase our technology resilience.

Vendor resilience remains an important area given our business model relies on a number of key processes being delivered by third parties. The depth and breadth of oversight of the resilience of our critical third parties has increased this year and we have continued to maintain ongoing dialogue with critical third parties to ensure we are informed of any potential significant risks at the earliest opportunity.

RISK ASSESSMENT

Emerging risks, and changes to our existing risks, are identified throughout the year, during the normal course of business, and are reviewed and discussed at relevant risk committees. In addition, on a periodic basis we complete a formal assessment of the risks faced by our business using a 'top-down' and 'bottom-up' approach.

The 'top-down' approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. Emerging risks and trends in existing risks are reviewed in light of the current internal and external environment, geo-political factors, market conditions, changing client demand and regulatory sentiment. The objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. Each risk is then analysed to assess how it can be managed and mitigated.

The 'bottom-up' approach uses the results from Risk Control Assessments, trends in risk events and high-impact issues logged in our operational risk database, Archer.

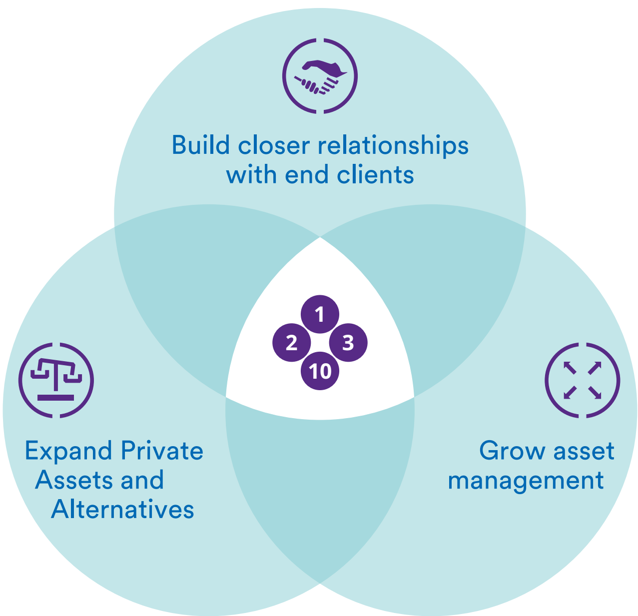
The results of these assessments are used to inform our internal key risks which are presented to the Group Risk Committee prior to the GMC, Audit and Risk Committee and Board.

We have reviewed the list of internal key risks and identified a sub-set that are the most material to the firm. These are set out below and on pages 52–54. These pages are not designed to be an exhaustive list of all risks, but instead capture the principal and emerging risks that are most likely to impact our strategy, business model, external reputation and future performance. They are split into two sections:

- Material risks: those that were at the forefront of our minds in 2021.
- Other significant risks: those that are inherent in our business model and strategy.

We have also included trend arrows showing movement during the year and a diagram to show the risks that are mitigated by our strategy. Commentary to explain why risks have increased since the prior year, can be found on pages 52–54.

Our strategy mitigates our strategic risks



Material risks	2021	2020
1 Business model disruption	Increased in 2021	Remained the same
2 Changing investor requirements	Remained the same	Remained the same
3 Fee attrition	Remained the same	Increased
4 Investment performance risk	Remained the same	Decreased
5 Reputational risk	Remained the same	Remained the same

Other significant risks	2021	2020
6 Conduct and regulatory risk	Remained the same	Remained the same
7 ESG including climate change	Increased in 2021	Decreased
8 Financial instrument risk	Remained the same	Remained the same
9 Information security and technology	Increased in 2021	Remained the same
10 Market returns	Increased in 2021	Remained the same
11 Operational process risk	Remained the same	Increased
12 People and employment practices	Increased in 2021	Increased
13 Product strategy and management	Remained the same	Decreased

Movement during the year

- Increased
- Decreased
- Remained the same
- Increased in 2021

Categories of risk

- Strategic risk
- Business risk
- Operational risk

Material risks

Our material risks are those that were at the forefront of our minds during 2021. They are risks that: have had a significant change to the way they presented compared to last year; or a material change to the way we managed them; or no changes but they remain significant risks to the firm.

We have spent time understanding the nature of these risks and developing strategies to manage them effectively.

Description	How we manage this
Material risks impacting the Group	
1 Business model disruption Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Geo-political turmoil, including sanctions and conflict, could also impact our business and this risk has increased in 2021. For example a significant escalation of disputes between China and the West could lead to impacts on our China-based businesses or where we invest in their markets.	We continue to deliver efficiencies and insights through technology. Digital initiatives are in progress to improve client experience, engagement and servicing. We continue to invest in our technology platform to support scalability, agility in our product offering and our expanding Private Assets and Alternatives business. A key focus on leveraging data by our Data Insights Unit has supported this. We regularly monitor developments in countries subject to geo-political risk and take steps to protect our people and assets where necessary.
2 Changing investor requirements Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a decrease in AUM. An example of where we need to respond to this is to win business that has transferred from defined benefit to defined contribution pension plans. ESG is a material part of our client considerations and we expect climate risks to feature more heavily in future investment requirements and offerings. Demand for wealth management products continues to be high. There is a risk we do not grow and evolve to respond to this demand and retain and attract the right people to serve our Wealth Management clients. This is particularly important in Schroders Personal Wealth (SPW) and Benchmark Capital.	We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed capital (in line with recently set ESG targets leveraging our Sustainex™ tool) to support product innovation for future growth. We deliver our value proposition using an approach based on our strategic capabilities, focusing attention where we believe we are able to make a significant difference for our clients or where we have current or planned future capabilities.
3 Fee attrition 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. Investment firms that move towards vertical integration are winning revenue from those who fail to adapt.	We have continued to focus on Solutions and outcome-oriented strategies, thematic products and Private Assets and Alternatives, which diversify our fee income. We are also increasingly diversifying our product offering, supporting long-term profitability. Our strategic investment into Benchmark Capital and our joint venture with Lloyds Banking Group (SPW) provides the opportunity to engage in business along different parts of the value chain in the UK.
4 Investment performance risk There is a risk that portfolios may not meet their investment objectives including, where applicable, a sustainability outcome, or that there is a failure to deliver consistent and above-average performance. There is a risk that clients will move their assets elsewhere if we are unable to outperform competitors or unable to deliver our investment objectives. Strong investment performance is critical to the success of Schroders.	We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge. Oversight of both risk and performance is embedded in our business processes and governance. In 2021, 79% of client assets outperformed benchmarks over three years and 78% outperformed benchmarks over five years.
5 Reputational risk This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls. In recent years we have extended our brand to joint ventures (including SPW) and associates. Reputational issues in joint ventures and associates where we do not have full control of the outcome could adversely impact the Group.	We consider reputational risk when initiating changes to our strategy or operating model and maintain high standards of conduct. We have a number of controls and frameworks to address other risks that could affect our reputation including: financial crime, investment risk, client take-on and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.

Other significant risks

In addition to our material risks there are a number of other significant risks inherent in our business model and strategy. Some are operational risks which could occur in all business processes and activities, others are business risks which could impact our ability to attract and retain clients.

Every year we develop further strategies to manage our inherent risks and bring them within risk appetite.

Description	How we manage this
Other significant risks	
6 Conduct and regulatory risk The risks of client detriment or reputational harm arising from inappropriate conduct of our staff or those of counterparties, suppliers and other third parties we engage, including failure to meet regulatory requirements (including those with respect to conflicts and financial crime), poor behaviour, or failing to meet appropriately our clients' expectations.	We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct and regulatory compliance via our conduct risk framework, supported by training and compliance assurance programmes.
7 Environmental, social and governance (ESG) risk including climate change Failure to understand, accurately assess and manage ESG risk within assets and portfolios and to appropriately represent these to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer ESG products, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk increased in 2021 due to the higher demands and greater expectations of external stakeholders.	We have developed a range of proprietary tools to better understand the impacts of ESG risk including climate change on the portfolios we manage. In 2021 we further enhanced our framework and tools to respond to current and future regulatory change. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees.
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.	We manage capital, liquidity and the Group's own investments through Board-set limits and in the Group Capital Committee. Equity market and credit spread risks in seed capital are hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.
9 Information security and technology risk Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that lead to a negative impact on the Schroders business and our client experience. Cyber threats have increased due to highly capable criminal organisations and state-sponsored threats. This is reflected in the increased risk rating.	We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We benchmark our cyber security capabilities against best practice and in 2021 commissioned an external independent review (further details on page 50). We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation.
10 Market returns Our income is derived from the value of the assets we manage. Falling markets reduce our AUM and therefore impact revenues. Market falls may be exacerbated by geo-political risks for example in response to deteriorating relations with Russia. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies. Economic uncertainty driven by Covid-19 and the UK/EU relationship remained a risk in 2021. The impact of rising inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM. Capital investment may be targeted at domestic growth rather than being allocated to cross-border initiatives. This risk has increased due to a material weakening in market outlook.	We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Solutions, Private Assets and Alternatives and Wealth Management increased from £310 billion in 2020 to £333 billion in 2021 further increasing our diversification. Our focus on growing our Private Assets and Alternatives product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets. The creation of Schroders Capital in 2021 is a key reflection of this ongoing work.

Description	How we manage this
Other significant risks	
11 Operational process risk The risk of failure of significant business processes, such as compliance with fund or mandate restrictions, fund pricing, trade execution for investment portfolios and client suitability checks, whether these occur within Schroders or appointed third parties. It includes operational integration of acquisitions and the ineffective management of joint ventures and associates.	Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier lifecycle to identify potential risks which may impact the quality or continuity of service.
12 People and employment practices risk People and employment practices risk may arise from an inability to attract or retain key employees to support business activities or strategic initiatives; non-compliance with legislation; or failure to manage employee performance. We consider this risk has increased in the industry in the post Covid-19 working environment as people are re-evaluating their relationship with work.	We have competitive remuneration and retention plans, with appropriate deferred compensation targeted at key employees. We have sustainable succession and development plans. We have policies and procedures in place to encourage inclusion, diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.
13 Product strategy and management There is a risk that our product or service offering is not suitably diversified or viable or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, do not perform in alignment with their investment objective(s) for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.	Risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee. We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. In 2021 one of the key developments to our framework was the introduction of a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) could be notified to relevant teams rapidly, to reduce liquidity risk issues.

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

The five-year period to December 2026 is consistent with the Group's strategic business planning and forecasting period. The Group's strategic and financial planning process includes a detailed review of the business model and key assumptions. It is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams, with the outlook most recently updated in March 2022. The business planning process considers the longer-term headwinds that may materially impact the Group, and assesses the need for business model changes. The business plan reflects the Group's strategy and diversified business model, which is summarised on pages 18–21.

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 pages 49–54. The Directors review the key risks regularly and consider the options available to the Group to mitigate these risks so as to ensure the ongoing viability of the Group.

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

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

- a deterioration in the value of our AUM as a result of a severe period of market stress, similar in severity to the global financial crisis;
- the impact of a material operational risk event or poor investment performance which could lead to reputational damage and significant outflows of our AUM;
- a significant decline in net operating revenue margins reducing projected revenues, together with an increase in the ratio of total costs to net income;
- the early crystallisation of certain climate change risks;
- prevailing macroeconomic and environmental factors such as the potential for a sustained period of high inflation and ongoing risks connected to Covid-19.

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

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

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

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

Pages 1 to 55 constitute the Strategic report, which was approved by the Board on 2 March 2022 and signed on its behalf by:

Peter Harrison
Group Chief Executive

2 March 2022

LEADING A WORLD CLASS BUSINESS

Contribution | **Key external appointments and experience**

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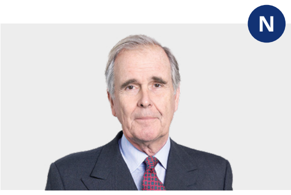

Michael Dobson
Chairman

Appointed to the Board in April 2001 and as Chairman in April 2016.

In addition to the usual function of the Chairman, Michael's role includes his involvement in supporting the firm's relationships with its major clients, shareholders, strategic and commercial partners and regulators.

Current
- Member of the President's Committee of the CBI
- Chairman of Instinct Limited
- Chairman of LandyTech Limited

Past
- Chief Executive of Morgan Grenfell Group
- Member of the Board of Managing Directors of Deutsche Bank AG

N

Dame Elizabeth Corley
Independent non-executive Director and Chair designate

Appointed 1 September 2021.

Elizabeth is a leading figure in financial services with over 45 years' experience. Elizabeth is active in representing the investment industry and developing standards. She brings a wealth of investor, governance and boardroom experience to the Board.

Current
- Non-executive Director of BAE Systems plc
- Non-executive Director of Morgan Stanley Inc.*
- Chair of the Impact Investing Institute
- Trustee of the British Museum

Past
- CEO of Allianz Global Investors
- Non-executive Director of Pearson plc

* Elizabeth will stand down from this position ahead of becoming Chair.

Peter Harrison
Group Chief Executive

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

Having spent his whole career in the asset management industry, beginning at Schroders in 1988, Peter brings a long and successful track record in asset management and extensive industry and leadership experience.

Current
- Member of the Investment Association Board
- Member of the Impact-Weighted Accounts Initiative Leadership Council
- Director of FCLT Global
- Member of the Advisory Board of Antler Global

Past
- Chairman and Chief Executive of RWC Partners
- Global Chief Investment Officer of Deutsche Asset Management
- Head of Global Equities and Multi-Asset at J.P. Morgan Asset Management

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Richard Keers
Chief Financial Officer

Appointed a Director and Chief Financial Officer in May 2013.

With over 25 years' experience in the audits of global financial services groups, and having spent time as a Senior Audit Partner at PricewaterhouseCoopers LLP, Richard brings his extensive accounting and financial management expertise to the Board.

Current
- None

Past
- Non-executive member of Lloyd's Franchise Board and Chairman of its Audit Committee

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N R

Ian King
Senior Independent Director

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

Having held a number of leadership positions in major multinational companies, and having capital markets experience both as an executive and non-executive director, Ian brings strong global leadership experience which is of great value to the Group as we continue to grow our business internationally.

Current
- 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

Past
- Chief Executive of BAE Systems plc
- Chief Executive of Alenia Marconi Systems
- Non-executive Director and Senior Independent Director of Rotork plc

N Nominations Committee   AR Audit and Risk Committee   R Remuneration Committee   Committee Chair

Contribution | **Key external appointments and experience**

N R

Sir Damon Buffini
Independent non-executive Director

Appointed February 2018.

Damon has over 25 years' experience in private equity. He brings his broad and highly successful business experience in relation to the Group's overall range of strategic opportunities, particularly in the area of private assets which is one of the Group's growth priorities.

Current
- Chair of the National Theatre
- Chair of Royal Anniversary Trust UK
- Non-executive Director of the BBC
- Chair of the Culture Recovery Board

Past
- Managing Partner of Permira

N AR R

Rhian Davies
Independent non-executive Director

Appointed July 2015.

Rhian's background as a qualified accountant is a specific strength given her role as Chairman of the Audit and Risk Committee. With extensive experience as a partner of a private equity fund manager, Rhian brings financial and industry knowledge to the Board, particularly in the area of private assets.

Current
- None

Past
- Partner and Senior Adviser at Electra Partners

N

Claire Fitzalan Howard
Non-executive Director

Appointed April 2020.

Claire brings experience of family-owned businesses in financial services and from her non-executive roles. She is a descendant of John Henry Schroder, co-founder of the Schroders business in 1804. Claire's appointment reflects the commitment to Schroders of the principal shareholder group which has been an important part of Schroders' success over the long term.

Current
- Non-executive Director of Caledonia Investments plc
- Schroder Charity Trust
- Trustee of a number of charitable foundations

Past
- Non-executive Director of Gauntlet Insurance Services

N AR

Rakhi Goss-Custard
Independent non-executive Director

Appointed January 2017.

Rakhi's experience in the digital world through her work at Amazon, and more recently through her experience as a non-executive director on other boards, is highly valuable to the Group as digital has an increasingly important impact on the asset management industry.

Current
- Non-executive Director of Kingfisher plc
- Non-executive Director of Rightmove plc

Past
- Non-executive Director of Intu plc

N

Leonie Schroder
Non-executive Director

Appointed March 2019.

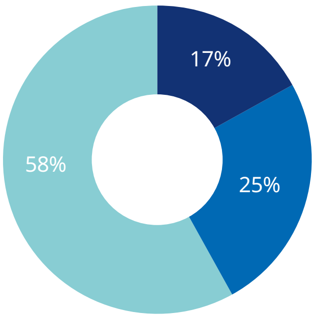
Leonie has held a number of roles in the charity sector. She is a descendant of John Henry Schroder, co-founder of the Schroders business in 1804. Leonie's appointment reflects the commitment to Schroders of the principal shareholder group which has been an important part of Schroders' success over the long term.

Current
- Schroder Charity Trust
- Director of a number of private limited companies

(N) Nominations Committee (AR) Audit and Risk Committee (R) Remuneration Committee ● Committee Chair

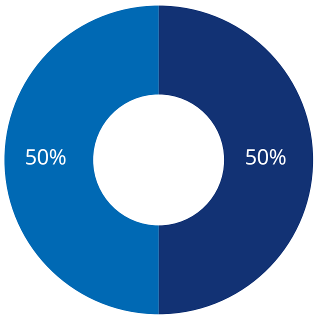
	Contribution	Key external appointments and experience
N AR  **Deborah Waterhouse** Independent non-executive Director	Appointed March 2019. Deborah brings her experience as Chief Executive of a major international business operating in many of the markets in which we are active, which is of great benefit as we continue to grow our business internationally.	**Current** • CEO of ViiV Healthcare • Member of the GSK Corporate Executive Team
N AR R  **Matthew Westerman** Independent non-executive Director	Appointed March 2020. Matthew brings significant experience of global financial markets after a distinguished career in investment banking.	**Current** • Director of MW&L Capital Partners • Chairman of the Board of Trustees of the Imperial War Museum Foundation • Fellow of Balliol College, Oxford • Trustee of the UK Holocaust Memorial Foundation **Past** • Managing Director and Joint Chief Executive of ABN AMRO Rothschild • Partner at Goldman Sachs • Co-Head of Global Banking at HSBC
 **Graham Staples** Group Company Secretary	Appointed May 2004. Graham brings vast experience in corporate governance and company law. He is responsible for the Group's governance framework and advises the Board and Group Management Committee on all governance matters.	**Current** • Member of the advisory Board of Leeds University Business School • Director and Trustee of Sherborne Girls School Charitable Foundation

Board composition at 31 December 2021



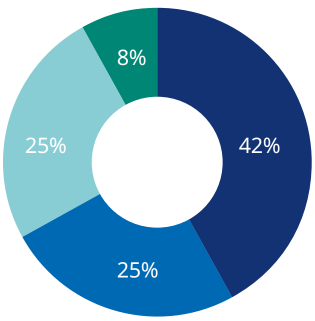
- Executive Directors
- Non-independent non-executive Directors
- Independent non-executive Directors

Board gender diversity at 31 December 2021



- Male
- Female

Length of tenure at 31 December 2021



- 0-3 years
- 3-6 years
- 6-9 years
- 9+ years

FOCUSING ON STRATEGY

I am pleased to introduce our corporate governance report for 2021, 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.

As in 2020, the Board met more frequently than usual with 14 meetings during the year, seven in person and seven virtually. In 2021, this had less to do with the continuing Covid-19 crisis but was related to the unusual range of growth opportunities we saw during the year.

Due to continuing Government restrictions, we were unfortunately not able to welcome shareholders in person to our Annual General Meeting in 2021. However, we enhanced the opportunities for shareholders to join remotely, by transmitting the meeting live via video and by telephone. Shareholders were again able to ask questions of the Board and all presentation materials and shareholder questions were shown on our website. We very much hope that we will be able to have shareholders join the 2022 meeting in person, but in any event we will continue to enable shareholders to join remotely in future.

The principle focus of the Board's discussions during the year continued to be on strategic, long term growth opportunities, both organic and inorganic. In addition to regular reviews of our core businesses, clients, investment performance, global partnerships and senior talent, we also spent significant time evaluating potential acquisitions and agreed three during the year.

We welcomed Elizabeth Corley to the Board in September 2021. An in-depth induction programme was structured for Elizabeth in preparation for her succeeding me as Chair. There are more details on the programme in this report.

In 2021 Directors again committed substantially more time than usual to our deliberations and I would like to thank them for their great engagement and commitment. I would also pay tribute to the hard work of management and employees in delivering strong results at a challenging time.

Michael Dobson
Chairman

2 March 2022

2021 Board and Committee attendance

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

	Board[1]	Nominations Committee	Audit and Risk Committee	Remuneration Committee[2]
Michael Dobson[3]	14/14	5/6		
Executive Directors				
Peter Harrison	14/14			
Richard Keers	14/14			
Non-executive Directors				
Ian King[4]	14/14	6/6		6/7
Sir Damon Buffini	14/14	6/6		7/7
Dame Elizabeth Corley[5]	4/4	2/2		
Rhian Davies	14/14	6/6	5/5	7/7
Claire Fitzalan Howard	14/14	6/6		
Rakhi Goss-Custard	14/14	6/6	5/5	
Leonie Schroder	14/14	6/6		
Deborah Waterhouse	14/14	6/6	5/5	
Matthew Westerman[6]	14/14	6/6	5/5	6/7

1. There were five scheduled Board meetings held during the year and nine additional meetings to consider potential acquisitions and strategy.
2. There were six scheduled Remuneration Committee meetings held during the year and one additional meeting to discuss the Share in Success award outlined on page 88.
3. Michael Dobson did not attend the Nominations Committee meeting that discussed the Chairman's succession.
4. Ian King was unable to attend one meeting of the Remuneration Committee because he was on jury service.
5. Elizabeth Corley was appointed to the Board and as a member of the Nominations Committee on 1 September 2021.
6. Matthew Westerman was unable to attend one meeting of the Remuneration Committee, which was scheduled at short notice, due to a prior commitment.

The Board and its committees

The Board has collective responsibility for the management, direction and performance of the Company. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. In discharging its responsibilities, the Board takes appropriate account of the interests of our wider stakeholders including clients, employees, external service providers, regulators and wider society. Certain decisions can only be taken by the Board, including on the Group's overall strategy, significant new business activities and the strategy for management of the Group's investment capital. These are contained in the Schedule of Matters Reserved to the Board, which can be found on the Company's Investor Relations website[1].

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[2].

There is also a Chairman's Committee whose membership comprises 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 2021, 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.

Board calls are used as an additional avenue for communication to supplement 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 during 2021, there were no additional Board calls required during the year as updates were being provided on key issues regularly through the formal meetings.

1. www.schroders.com/board-matters
2. www.schroders.com/tor

GOVERNANCE FRAMEWORK

Board

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

Matters Reserved to the Board

- The Group's overall strategy
- The Company's capital strategy and changes to the capital or corporate structure
- Significant new business activities
- Remuneration strategy
- Annual Report and financial and regulatory announcements
- Annual budgets and financial commitments and strategic or key acquisitions
- Risk management framework, risk appetite and tolerance limits
- Board and Committee composition, succession planning and Committee terms of reference
- Corporate governance arrangements, including Board conflicts of interest
- Maintenance of an effective system of internal control and risk management
- Dividend policy

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

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.

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 68 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 70 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 77 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.

Compliance with the 2018 UK Corporate Governance Code (Code)

During 2021, the Board has complied with the Code and applied its Principles and Provisions with the exception of Provisions 9 and 19. 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. Michael Dobson will retire from the Board at the conclusion of the AGM in 2022.

The table below and on the next page sets out examples of how the Board has applied each Principle, assisting our shareholders to evaluate our Code compliance.

Code Principle	
Board Leadership and Company Purpose	
A. Role of the Board	The Company is led by an effective Board which is collectively responsible for the long-term sustainable success of the Company, ensuring that due regard is paid to the interests of our stakeholders, who include our clients, shareholders, employees, external service providers, regulators and wider society. See the Key areas of focus during the year on page 65
B. Our purpose, values and strategy	The Board has collective responsibility for the management, direction and performance of the Company. Certain decisions can only be taken by the Board including decisions on the Group's overall strategy, significant new business activities and the strategy for management of the Group's investment capital. See Stakeholder interests and engagement on page 66
C. Resources and controls	The Board reviews the financial performance of the Group at each scheduled meeting and is ultimately responsible for the Group's control framework. The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control on behalf of the Board. See the Audit and Risk Committee report on pages 70 to 76
D. Engagement	The Board recognises that engaging with and taking account of the views of the Group's stakeholders is key to delivering the strategy and long-term objectives of the Group. See page 66
E. Workforce engagement	The Board receives updates on people strategy during the year. Ian King is our designated non-executive Director responsible for gathering workforce feedback and he chairs the Global Employee Forum. See page 65
Division of Responsibilities	
F. The role of the Chairman	The roles of the Chairman and Chief Executive are separate. Their job descriptions can be found on our investor relations website. The Chairman has overall responsibility for the leadership of the Board and for its effectiveness in all aspects of its operation. Elizabeth Corley will become Chair at the conclusion of the 2022 AGM, subject to shareholder approval. She will be independent upon appointment.
G. Board composition	The Board is committed to its stated policy of having an absolute majority of independent Directors. The Board believes that it operates most effectively with an appropriate balance of executive Directors, independent non-executive Directors and Directors who have a connection with the Company's principal shareholder group. No individual or group of individuals is in a position to dominate the Board's decision-making. See page 68
H. Role of the 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.
I. 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.

Code Principle	
Composition, Succession and Evaluation	
J. Appointments to the Board	The process for Board appointments is led by the Nominations Committee, which makes recommendations to the Board. See the Nominations Committee report on pages 68 to 69
K. Skills experience and knowledge of the Board	In 2021, the Nominations Committee carried out a full skills analysis of the current Board to identify the necessary experience required by future appointments to the Board. In 2022, the Nominations Committee will continue this work in order to identify future candidates. See Nominations Committee report on pages 68 to 69
L. Board evaluation	Independent Board Evaluation facilitated the last external Board evaluation in 2019. In 2021, the Board evaluation was conducted internally by the Chairman. An externally facilitated Board evaluation will be conducted in 2022 in accordance with the Code requirement. See page 67
Audit, Risk and Internal Control	
M. Internal and external audit	The Audit and Risk Committee oversees the relationship with the external auditor, Ernst & Young. The Group Head of Internal Audit reports directly to the Chairman of the Audit and Risk Committee. See the Audit and Risk Committee report on pages 70 to 76
N. Fair, balanced and understandable assessment	The Audit and Risk Committee reviews the Company's financial reporting in detail and is able to recommend to the Board that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable. See the Audit and Risk Committee report on pages 70 to 76
O. Risk management and internal control framework	The Audit and Risk Committee carries out an annual assessment of the effectiveness of the system of internal control, and considers the adequacy of risk management arrangements in the context of the business and strategy. The Committee also considers the principal risks, alongside emerging and thematic risks that may have an impact on the Group. See the Audit and Risk Committee report on pages 70 to 76
Remuneration	
P. Policies and practices	Our remuneration policy was approved at the 2020 AGM following engagement with shareholders. Executive remuneration is designed to align to our purpose, as outlined on page 79. See the Remuneration Committee report on pages 77 to 99 A summary of our remuneration policy can be found at www.schroders.com/rp
Q. Remuneration policy	The Remuneration Committee provides independent oversight of the Group's remuneration policy and determines the remuneration of the Chairman and the executive Directors within the policy approved by shareholders. No Director is involved in discussions relating to their own remuneration. See the Remuneration Committee report on pages 77 to 99 A summary of our remuneration policy can be found at www.schroders.com/rp
R. Exercising independent judgement and discretion	We pay for performance in a simple and transparent way, clearly aligned to shareholder and client interests, to the financial performance of the Group, and the progress made towards our strategic goals. See the Remuneration Committee report on pages 77 to 99

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. Michael Dobson will retire from the Board at the conclusion of the 2022 AGM.

Claire Fitzalan Howard and Leonie Schroder are not considered independent as they are both members of the principal shareholder group. The Nominations Committee believes the judgement and experience of Claire Fitzalan Howard and Leonie Schroder continues to add value to the Board and the Group. The Board will therefore recommend their re-election at the 2022 AGM.

Director appointments and time commitment

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

In accordance with the Articles of Association, Elizabeth Corley will resign and offer herself for election at the AGM on 28 April 2022. All other Directors are required to seek re-election on an annual basis unless they are retiring from the Board. Details of the Directors' length of tenure are set out on page 58.

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 continue to be effective and demonstrate commitment to their respective roles.

For details of executive Directors' service contracts, termination arrangements and non-executive Directors' letters of appointment, please refer to the Remuneration report from page 77.

Board training

The Board receives regular briefings throughout the year in order to provide them with a deeper understanding of the Group. During 2021, these included sessions on the Global Operations strategy, sustainability, the Group's client management systems, Benchmark Capital and China. Members of the Board committees also receive regular updates on technical developments at scheduled committee meetings. Other training comprises external professional events and industry updates.

At the two-day strategy offsite meeting held in November 2021, a presentation was provided to the Board that outlined trends in the industry.

Board induction

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 newly appointed Directors with their duties and the Group's culture and values, strategy, business model, businesses, operations, risks and governance arrangements.

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

Committee-specific inductions are also arranged when Committee membership changes, and these induction processes are tailored to the skills and knowledge of the individual and the forthcoming Committee agenda items. There were no changes to Committee membership during 2021. Elizabeth Corley was the only new appointment to the Board during 2021. As Chair designate, a more comprehensive induction programme was developed following her appointment in September 2021 in order to provide her with an holistic view of the business.

Chair induction

I am grateful to my colleagues on the Board for their support and have already enjoyed meeting people from many areas of our business since my appointment.

As Chair designate, I embarked on a comprehensive induction programme to provide me with a thorough understanding of the Schroders Group and its business. I have met with members of the Group Management Committee and their teams to gain insight into the opportunities and challenges facing their area of responsibility. This has included full-day briefing sessions with key business areas, including Investment, Product, Solutions, and Schroders Capital.

I have also had in-depth briefings from senior management across the second and third lines of defence, including Risk, Compliance, Legal and Internal Audit, to understand the internal control and risk management framework.

My induction process will continue throughout 2022, and will include a full-day session with the Distribution team and visiting the Group's EMEA Operations Hub in Horsham. I am very much looking forward to visiting as many of our overseas offices as is feasible to gain a better understanding of these important parts of the business.

Elizabeth Corley

Key areas of focus during the year

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

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

Strategy

- The Board continued to focus on the development of our overall strategy and the need to keep the market updated on key developments. In November 2021, the Board held a two-day off-site meeting to discuss strategy for 2022 and beyond. This included the Group's strategy with respect to sustainability and climate change.
- At each scheduled meeting, the Board received strategic updates from the business including Asia Pacific, Fixed Income, Equities, Wealth Management and Schroders Capital. It also carried out a deep dive of investment performance.
- Acquisitions have been an important part of our strategy to position our business for future growth. In May 2021, the Board reviewed key investments and acquisitions made since 2016 to assess the value they have delivered to the Group and explore the lessons learned from the acquisition, integration and growth of those businesses.
- During 2021, the Board considered a number of potential acquisition opportunities. In October, we announced the acquisition of River and Mercantile's UK solutions business, in November, the acquisition of Cairn Real Estate, and in December, the acquisition of a majority interest in Greencoat Capital.

Financial performance and risk management

- The Board reviews the financial performance of the Group at each scheduled Board meeting. At its March 2021 meeting it reviewed the 2020 Annual Report and Accounts and final dividend proposal. In July 2021, the Board reviewed the 2021 half-year results and recommended an increased interim dividend of 37 pence per share.
- The 2022 budget was discussed by the Board at the two-day offsite meeting.
- During the year the Board approved the ICAAP, ILAAP, recovery plan and wind-down plan following their review by the Audit and Risk Committee.
- The Board also approved the Slavery and Human Trafficking Statement for the Group in March 2021. This can be found on our corporate website at www.schroders.com

People and culture

- The Board considers our people to be central to the ongoing success of the business and considers our culture as one of our greatest assets. In September 2021, the Board received an update on people strategy which included a benchmarking exercise on executive talent and outlined the challenges and opportunities that have arisen partly due to the global pandemic.
- Ian King, our Senior Independent Director, is our designated non-executive Director responsible for gathering workforce feedback and he chairs the Global Employee Forum to hear directly from employees on issues that concern them. Ian reported back to the Board in May following the Global Employee Forum meeting in April 2021 which covered an update on strategy and financial results, the employee survey results and the plans for a return to work. At the time there was a clear feeling that people were challenged by the pandemic, therefore they were encouraged to take regular breaks. At their October 2021 meeting the Forum provided their views on the Group's strategy. Their feedback was discussed by the Board at the two-day offsite meeting in November 2021. The Board has found this additional feedback from our employees to be valuable and will continue to engage via the Forum in 2022.
- The Board also received an update on corporate sustainability which continues to rise in prominence amongst all stakeholder groups. As part of this discussion, the Board approved an increased budget for charitable giving.

Shareholder engagement

- The Board engaged with shareholders throughout the year. The primary means of communicating with shareholders is through the AGM, the Annual Report and Accounts, full-year and half-year results and related presentations.
- In 2021, due to the ongoing pandemic, we were unable to invite our shareholders to attend our AGM in person, so we made arrangements for shareholders to join remotely via an electronic facility that 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.
- In 2022, we hope to hold an in-person AGM. Following changes to the Company's Articles of Association approved by shareholders at the 2021 AGM we will be offering a hybrid meeting to enable more shareholders to attend.
- The Investor Relations programme was able to resume face to face meetings with a number of our major shareholders to discuss results and the strategy for driving future growth. During 2021 we held two Schroders in Focus days that provided investors with a deep-dive on the Schroders Capital and the Wealth Management businesses. The feedback from investors following these events was reported to the Board.

Key

Clients
Shareholders
Our people
Wider society
Regulators
External suppliers

Stakeholder interests and engagement

In discharging their section 172 duties the Directors have regard to the factors set out on page 47 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 not every decision made will 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 show how the Board considered the matters set out in section 172 in respect of some of the key decisions made during 2021.

Strategic acquisitions

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

Acquisition of River and Mercantile's UK solutions business

The Board considered the acquisition of River and Mercantile's UK solutions business. The Board agreed that there was a strong strategic rationale for the acquisition which was to drive growth within the Group's Solutions business.

When deciding to proceed with the acquisition the Board considered the interests of a number of key stakeholders including River and Mercantile's senior management team, the employees who would join Schroders upon the completion of the acquisition and the clients served by that business. The review by the Board confirmed that there was both a good cultural fit for the employees who would transition across as part of the acquisition and promotion of the Group's strategy by enabling the business to get closer to the end client. The impact on clients served by that business was a key consideration as the success of the acquisition will depend on their retention.

The acquisition was approved subject to approval from the FCA, therefore engagement with them and consideration of their interests was paramount. FCA approval was received on 25 January 2022 and the acquisition was completed on 31 January 2022.

Agreement to acquire a majority interest in Greencoat Capital

In December 2021, we announced an agreement to acquire a 75% interest in Greencoat Capital, a leader in European renewables. We expect to complete the acquisition later in 2022, subject to regulatory approval.

The Board is aware of the appetite of our clients for Private Assets and Alternatives products, and therefore expanding our capability in this area was a key consideration for the Board in approving this acquisition. The Board recognises that tackling climate change will create structural shifts across the global economy and has witnessed growing institutional client demand for environmentally-positive products in order to meet their sustainability commitments, and this acquisition will enhance our capabilities in this area.

Stakeholder engagement was carried out by senior management and included discussions with Greencoat's founders and senior managers. This engagement confirmed that Greencoat shares our values of forming strong partnerships and investing for positive change. The acquisition was structured to retain Greencoat's management team and to incentivise the growth of the business. Upon completion, Greencoat will benefit from Schroders' distribution reach and existing sustainability capabilities.

Increase of dividend

In July 2021, the Board approved an interim dividend of 37 pence per share which represented a 2 pence per share increase from 2020. The increased dividend was consistent with our stated dividend policy on page 29. This was the first increase in our dividend since 2018.

Prior to approving the increase in dividend, the Board had regard to its dividend policy which considers overall Group strategy, capital requirements, liquidity and profitability. That 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 Board considered the interests of stakeholders ahead of this decision, including investors. These included shareholders and pension funds who saw their incomes fall in the external environment of approximately one third of FTSE 100 companies announcing that they would defer, cut or cancel their dividends at the height of the pandemic.

Employee engagement

The Board engages with employees throughout the year through regular pulse surveys and Ian King, our Senior Independent Director, chairs the Global Employee Forum. The Board considered the impact on people when considering the acquisition of River and Mercantile's UK solutions business, the acquisition of Cairn Real Estate and the acquisition of a majority interest in Greencoat Capital. In December 2021, in recognition of the remarkable job our people have done in driving Schroders' success and long-term growth strategy, we invited our employees to become partners in the business with a one-off award of Schroders shares.

Corporate sustainability and charitable giving

Our approach to corporate sustainability is based on the issues that matter most to our stakeholders, including employees, clients and wider society. Due to their diverse interests our strategy needs to be broadly based, however through our focus on reducing inequalities and combatting climate change we can deliver across this base whilst still having an impact.

In September 2021, the Board received an update on the Group's corporate sustainability strategy which focuses on sustainable investment activities, particularly in light of climate change. The Board regularly reviews the external commitments to environmental and social causes to measure progress against these. The Board approved an increased budget for charitable giving. When making this decision, the Board considered the impact of partnerships with charities that supported our broader aims around climate change and reducing inequalities, how those funds would be allocated and the impact measured.

BOARD EVALUATION

The last externally facilitated Board evaluation took place in 2019. It was facilitated by Independent Board Evaluation (IBE). They have no other connection with the Company. The 2020 Board evaluation was undertaken internally. In light of the findings of the 2020 evaluation and the conclusions of a Chairman's Committee discussion, the Board set the following high-level objectives for 2021.

Area of focus for 2021	Progress made on Board priorities during 2021
Establishing clear metrics for the most important financial and strategic measures of performance and reviewing them regularly against budget and five-year plans.	In 2021, reporting to the Board was revised and a new set of metrics was included in the Chief Financial Officers' report to the Board. At each meeting the Board considers the Group's performance against clear key performance indicators to oversee the delivery of strategy. These are contained on pages 22 to 23.
Agreeing a five-year strategic plan with a particular focus on organic growth opportunities and a detailed review of inorganic opportunities.	The Board held a two-day offsite meeting in November 2021 to agree the strategy for 2022 and beyond. This reaffirmed the Board's strategy for growing the business by expanding in private assets and alternatives, growing asset management and building closer relationships with end clients.
Focusing on senior management talent and succession planning.	Senior management had more exposure to the Board with presentations on key business areas at each scheduled meeting. The Board also reviewed a benchmarking exercise of the GMC against top quartile talent in the industry during the year. Two members of the GMC attend the majority of Board discussions.
Reviewing all key business areas.	The Board reviewed the majority of key business areas during 2021 over the course of its scheduled meetings with the remaining areas to be reviewed in 2022. Future Board agendas provide for the review of key business areas to occur on an ongoing basis.
Reviewing investment performance in key asset classes.	The Board reviews investment performance at each scheduled meeting. In July 2021, there was a comprehensive review focusing on performance in key asset classes and areas of improvement in order to help the Group demonstrate the value of an active approach to asset management.
Reviewing all acquisitions made in the past five years.	The Board reviewed all key investments and acquisitions made since 2016 by the Group at its May 2021 meeting.

2021 Board evaluation

The 2021 Board evaluation was undertaken internally by the Chairman. As part of this process, the Chairman interviewed each Director, together with the Group Company Secretary, and the discussions focused on the following key areas.

- The extent to which the Board has delivered on its priorities in 2021
- How the Board and the management team performed over the year
- Whether the Committees have discharged their responsibilities effectively and the quality of the reporting to the Board
- The process for selecting the new Chair
- The induction process for Elizabeth Corley
- The areas of the business that the Board should focus on in 2022

The overall conclusion was that the Board and its committees performed very well across the course of the year. We delivered on most of the priorities set for the year. The focus on strategy, talent development and the discussions around acquisitions were seen very positively. The relationship between the executives and non-executives was also seen as being particularly strong over the year.

Priorities for 2022

In light of the findings of the 2021 Board evaluation and the conclusions of a Chairman's Committee discussion on priorities, the Board agreed a set of high level objectives for 2022 and these include:

- Reviewing the integration of the major acquisitions agreed in 2021 and the progress of follow-on growth plans for those businesses.
- Monitoring progress against the five-year plan agreed in November 2021.
- Reviewing the development of senior management talent.
- Reviewing core business areas, including key areas of strategic growth, particularly Schroders Capital and China, and strategic partnerships.
- Reviewing our clients, their needs and their perceptions of Schroders.
- Carrying out regular in-depth reviews of investment performance.
- Undertaking an in-depth review of the actions the Group could take in the event of a significant downturn in the business environment.
- Reviewing the adequacy of the Group's cyber security arrangements.
- Continuing to review our corporate purpose, what it means in practice and its articulation.

EVOLVING THE BOARD

Committee membership

- Michael Dobson (Chairman)
- Sir Damon Buffini
- Dame Elizabeth Corley (from 1 September 2021)
- Rhian Davies
- Claire Fitzalan Howard
- Rakhi Goss-Custard
- Ian King
- Leonie Schroder
- Deborah Waterhouse
- Matthew Westerman

See page 60 for meeting attendance.

I am pleased to present the Nominations Committee report for 2021.

As I set out in the 2020 report, the priority for 2021 was the search for my successor as Chairman. This was concluded in July when we announced the appointment of Elizabeth Corley as Chair designate. Ian King, the Senior Independent Director, led the process and his report is included on page 69.

Although the average tenure of our non-executive Directors is relatively low and there is no immediate need for any further appointments at this time, we remain focussed on Board composition and at our meeting in May 2021 we undertook a skills analysis of the non-executives and matched this against future needs. The key gaps we identified were more experience of the asset management industry following my departure and a successor for Rhian Davies as Chairman of the Audit and Risk Committee when she retires from the Board.

The appointment of Elizabeth Corley addressed the asset management requirement given her long experience in the industry. The Committee felt that there was no internal successor for Rhian and that, in view of the importance of the role, we should commence a search for an external successor. We used the services of Russell Reynolds Associates to facilitate the search, which was started in July. We have previously used Russell Reynolds for Board level appointments, but there are no other business relationships with Schroders or individual directors. A detailed role description was agreed by the Committee and Russell Reynolds put forward a number of candidates. I, together with the Company Secretary, met with eight candidates following which I recommended five should go forward to meet the full Board.

Paul Edgecliffe-Johnson will join the Board, effective 1 July 2022. Paul is currently Chief Financial Officer of InterContinental Hotels Group plc and was previously at HSBC and PricewaterhouseCoopers. In addition to his current experience as CFO of a FTSE 100 company, Paul brings considerable experience of international markets and we look forward to his joining the Board. On his appointment he will join the Audit and Risk Committee and we anticipate that he will succeed Rhian Davies as Chairman of that Committee in due course.

Role 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 www.schroders.com/tor

Biographical details and the experience of the Committee members are set out on pages 56 to 58.

In February 2022 Damon Buffini indicated that he would like to stand down as Chairman of the Remuneration Committee because of the time commitment required. The Nominations Committee asked Matthew Westerman, who joined the Committee in November 2020 and has experienced a full remuneration cycle, to succeed Damon as Chairman at the conclusion of the 2022 Annual General Meeting. Matthew will lead the review of our remuneration policy which will be put to shareholders in 2023. I would like to thank Damon for his work as Chairman and we are pleased that he will continue to be a member of the Committee.

Directors standing for election or re-election

The Committee agreed that all Directors standing for election continue to make a valuable contribution to the Board's deliberations and recommends to shareholders their election. The Committee considered in particular the re-election of Rhian Davies as she has served on the Board for more than six years. In undertaking the 2021 Board evaluation I sought feedback from Directors and there was unanimous agreement that Rhian's contribution as a Director, and as Chairman of the Audit and Risk Committee, was of a very high quality and that her re-election should be supported.

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 2022 Notice of AGM.

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. Diversity across our whole workforce is discussed by the full Board. The specific diversity targets for the Group are set by the Board as part of our annual review of people strategy.

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

There is a full description of our approach to diversity and inclusion on pages 41 to 43. Our gender diversity statistics for both the Board and senior management can be found on page 41.

Evaluating the performance of the Committee

The internal evaluation process for 2021 is set out on page 67. There were no specific findings which would influence the composition of the Board.

Priorities for 2022

The Committee will continue to review the composition of the Board and its Committees while the Board as a whole will focus on Executive succession.

Elizabeth Corley will succeed me as Chair of the Committee at the conclusion of the 2022 Annual General Meeting.

Michael Dobson
Chairman of the Nominations Committee

2 March 2022

The process of succession to the Chairman

I explained in last year's report why we had extended the process for finding Mike's successor into 2021 and that Mike had kindly agreed to defer his retirement from the Board to conclude the search and enable an orderly handover. I was delighted we could announce in July 2021 the appointment of Elizabeth Corley as Chair designate. Elizabeth joined the Board in September and will succeed Mike at the conclusion of the 2022 Annual General Meeting, subject to shareholder approval.

We identified Elizabeth as a high quality candidate in the early phase of the search and I interviewed her as part of the process along with a number of other potential candidates. Elizabeth met all members of the Board at least twice over the course of the first half of 2021. The Board felt that in-person meetings were essential. Following these meetings the Committee concluded that Elizabeth was an outstanding candidate for the Chair role and that she was the unanimous choice of the Nominations Committee. Her proposed appointment was warmly endorsed by the entire Board.

The Board felt that Elizabeth had many of the key skills identified as being essential to the role. Her background in asset management, her broader business experience and her expertise in sustainability were all significant factors. Most importantly, the Board felt that there was a strong cultural fit and that Elizabeth's style would resonate well with the Board and the wider Group. The Board did consider the time commitment necessary for the role and felt that it needed to be the principal role for any appointee.

Elizabeth agreed and as a result will have stood down from two significant roles by the time she becomes Chair.

Elizabeth joined the Board on 1 September 2021 and this has allowed her to undertake a broad and deep induction into the Schroders businesses. More on her induction is included in the Governance report. Joining the Board well in advance of becoming Chair has also given time for an effective handover from Mike and to build relations with the executive and non-executive Directors.

I would like to finish by thanking Mike for his support throughout this whole process and in particular for delaying his own retirement plans to enable us to achieve a successful outcome.

Ian King
Senior Independent Director

2 March 2022

DEVELOPING OUR CONTROLS TO SUPPORT FUTURE GROWTH

I am pleased to present the Committee's report for the year ended 31 December 2021. The Committee plays a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's system of internal control and financial and risk management.

The Committee is thankful for the role management and Ernst & Young (EY) as external auditor played in the integrity of the Group's financial results and high-quality reporting. We welcomed the opportunity to respond to the Government's Consultation on Restoring Trust in Audit and Corporate Governance within the year, which takes forward recommendations from the Kingman Review, the Competition and Markets Authority study and the Brydon Review. We are supportive of the core aims and principles of the consultation and we look forward to engaging further on the reforms in due course.

During 2021, the Committee continued to focus on its responsibility for the monitoring and oversight of the Group's control environment and system of internal control and the Group's management of risk and compliance-related activities. As part of this work, the Committee considered the Group's business services resilience and Risk and Control Assessments, as well as the ICAAP, ILAAP, wind-down, recovery and resolution plans and various operational stress scenarios to support the Board's conclusions on the viability statement set out on page 55.

The Committee plays an important role in reviewing conduct and culture risk in the Group and continues to oversee the evolution of Schroders' conduct risk framework, designed to identify emerging trends and heightened areas of risk. Conduct and culture 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. We believe that the Group's arrangements remain well positioned against regulatory expectations.

An important part of our role is to provide non-executive oversight so as to ensure management has an appropriate focus on high quality corporate reporting. In November 2021, the Corporate Reporting Review department of the Financial Reporting Council (FRC) advised that our Annual Report for the year ended 31 December 2020 had been subject to their review and explanations were requested on certain accounting and disclosure matters. Our responses were accepted by the FRC and their review was closed in January 2022. This review resulted in some minor enhancements to our disclosures which are reflected within this Annual Report. The FRC's role is to consider compliance with the reporting requirements, rather than to verify the information provided. As a result, the review process does not provide assurance that the 2020 Annual Report and Accounts are correct in all material respects.

Committee membership

- Rhian Davies (Chairman)
- Rakhi Goss-Custard
- Deborah Waterhouse
- Matthew Westerman

See page 60 for meeting attendance.

Role of the Audit and Risk Committee

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

All members of the Committee are independent non-executive Directors. Biographical details and the experience of Committee members are set out on pages 56 to 58. 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. Elizabeth Corley attended meetings following her appointment to the Board in September 2021. Other regular attendees who advised the Committee were the Group Financial Controller, the Chief Risk Officer, the heads of Compliance 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 2021 financial year, attended all of the Committee's scheduled meetings. During 2021, two private meetings were held with the external auditor without management present. Private meetings were also held with the Chief Financial Officer, the Chief Risk Officer and the heads of the Compliance and Internal Audit functions. These meetings provided an opportunity for any matters to be raised confidentially.

The Committee's primary responsibilities are detailed on the following page.

The Committee received briefings on business and thematic topics during the year including on our financial reporting capabilities and our carbon emissions reporting. An external review of the Group's information and cyber security was also conducted, which is discussed further on page 75.

I am grateful to all members of the Committee for their support in 2021 and I look forward to continuing our work in 2022.

Rhian Davies
Chairman of the Audit and Risk Committee

2 March 2022

The Committee's primary responsibilities 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 process • The Group's regulatory compliance and conduct processes and procedures and its relationships with regulators and compliance monitoring • The Group's Internal Audit function • The Group's legal risk profile and disputes • Emerging and thematic risks that may have a material impact on the Group's operations in the future

Key areas of focus during the year

The key issues that the Committee considered during 2021 are set out below. In addition, at each quarterly meeting, the Committee received updates from Internal Audit, Compliance, Risk, Legal and external audit covering ongoing projects, the key issues that had arisen since the prior meeting and reviewed a dashboard of metrics in place for monitoring key risks.

Financial reporting and financial controls

- As part of the Group's annual reporting cycle, the Committee considered the 2020 Annual Report and Accounts and 2021 half-year results including financial estimates and judgements and governance considerations. Updates were provided on the effectiveness of our internal controls and Group accounting policies. The going concern and viability statements, Pillar 3 regulatory disclosures and ESG disclosures were also considered.
- The Group Head of Tax updated the Committee on the Group's tax strategy, our approach to tax risk and the key tax risks facing the Group, along with the tax priorities for 2022.

External audit

- When considering the 2020 Annual Report and Accounts, the Committee assessed the oversight and independence of the external auditor and audit effectiveness.
- In relation to audit quality and effectiveness, the Committee discussed the results of the external auditor feedback questionnaire and noted the areas of improvement that had been identified. The Committee reviewed EY's audit plan for 2021, including key audit matters. Fees for non-audit services were reviewed and approved.
- Policies for safeguarding the independence of the external auditor were considered for recommendation to the Board.

Internal Audit

- In 2021, as part of the governance considerations for the 2020 Annual Report and Accounts, the Committee considered the annual assessment of the Group's governance and risk and control framework, conducted by Group Internal Audit.
- The Internal Audit Charter was reviewed and approved during 2021.
- Looking ahead to 2022, the Committee considered and approved the 2022 Internal Audit and Compliance Testing plan, which is based on an assessment of the main risks the business faces.

Risk and internal controls

- When reviewing the 2020 Annual Report and Pillar 3 disclosures, and 2021 half-year results, the Committee considered the Group's key risks and risk management framework. The Committee continued to consider the impact of Covid-19 on the risk and control environment and financial results. The Chairman of the Wealth Management Audit and Risk Committee (WMARC) provided an update on the activities of the WMARC and its oversight of the financial reporting, risk management and internal controls of the entities within the Wealth Management division.
- The Committee considered the ICAAP, ILAAP and Group wind-down plan for recommendation to the Board. An update was received on third-party service provider oversight, the approach to monitoring and maintenance of a resilient supply chain, changes to the procurement framework during 2020 and the developments planned for 2021. The Committee reviewed changes to the Group's conflicts framework including planned enhancements, the role of the Group Conflicts Committee and how conflicts are identified and managed within the business.
- The Committee reviewed the Group Recovery Plan for recommendation to the Board and considered the approach taken under the Group's Resolution Process. The Group Head of Financial Crime Compliance provided the Committee with a review of financial crime risk, including updates on the regulatory landscape and progress made in respect of our financial crime framework. A review of Group Insurances was conducted.
- Thematic issues were considered throughout the year including business services resilience, whistleblowing, compliance assurance and conduct and culture risk oversight.
- The results of an independent review of the Group's information and cyber security undertaken by PwC were presented to the Committee, together with updates from the Chief Information Security Officer on information and cyber security and technology risk.
- An update was provided to the Committee on the current state of the LIBOR programme, the management of key risks within the programme, and the remaining activity to complete the LIBOR, and other inter-bank offered rates, transition in 2022 and 2023.

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 157 and 158. Each of these areas is considered by the Committee based on reports prepared by management. The external auditor, EY, presents to the Committee the audit procedures performed, challenges raised to management and conclusions reached on areas of judgement.

The significant estimates and judgements considered in respect of the 2021 financial statements and the agreed actions by the Committee are summarised below.

Significant estimates and judgements	Action and conclusion
Carried interest	
The Group recognises carried interest from its Private Assets and 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 challenged management and 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 its 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 2021 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 2021, had a funding surplus. The pension obligation, which was valued as £872.7 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 cashflow 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 to the Committee set out its audit procedures and conclusions on the pension assets and liabilities. The Committee considered and challenged 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 its conclusions on the presentation of profits. For 2021, exceptional items principally comprised costs associated with acquisitions including amortisation of acquired intangible assets.
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 72. 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 157 and 158.

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 detailed summary of the controls that exist across the Finance function globally and support the Group's Risk and Control assessments. For more details, see page 49. In 2021, the reports focused on developments made to the financial control environment through strategic change programmes across the Group, as well as the continued integration of acquired businesses.

The Committee considers other controls that might have an impact on financial reporting. During 2021, the Committee received an independent report on the Group's information and cyber security arrangements from PwC. In addition, the Committee reviews the Group's tax strategy annually, which is discussed with the external auditors. For more details see page 26.

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 control had been in place during the course of 2021.

The Committee conducted an in-depth review of the Group's financial projections and the application of appropriate stress scenarios with consideration of the impact of the ongoing Covid-19 pandemic and other risks, including climate change, so that the Board can make the viability statement, as set out on page 55, 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 confirming that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and assessing whether it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee considered the key messages communicated in the 2021 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 2021 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 its 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. Julian Young is the lead audit partner and has held this position since EY's appointment in 2018. The next external audit tender will take place within ten years of EY's appointment and the lead 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.

During the 2021 financial year the Committee had no additional areas for review that were not already being considered as part of the audit plan.

Assessment of audit quality and effectiveness

The Committee is responsible for evaluating the performance of the external auditor. In March 2021, ahead of the consideration of the 2020 Annual Report and Accounts, the Committee received initial feedback on the conduct of the 2020 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 2021. EY generally scored highly in the auditor effectiveness questionnaire and was assessed to have improved in the third year of its audit despite the challenges of increased remote working as a result of the Covid-19 pandemic. Areas of improvement were identified and discussed with EY in advance of the 2021 audit.

The Committee reviewed the 2021 external audit plan presented to the Committee in May 2021. The Committee concluded that it was well-planned, with sufficient resources in place for the plan to be conducted effectively. The plan included a risk-based assessment and the use of analytical tools. Updates were received from the external auditor throughout the year demonstrating that professional scepticism had been applied through challenge of judgments, estimates and disclosures. Matters arising from the audit were communicated to the Committee on an ongoing basis.

The Committee reviewed EY's transparency report and discussed the findings from the EY audit quality inspection report published by the FRC, the impact on the Schroders audit plan, and how EY maintains and monitors a high-quality audit for Schroders. EY undertakes a range of processes that are designed to promote, embed and monitor audit quality. The structure of the audit team has been designed by the Lead Audit Partner to maintain a high-quality audit. EY continues to assess the structure, experience and knowledge of the team, with a view to maintaining and enhancing audit quality. In making this assessment, the Committee and EY have discussed and considered several Audit Quality Indicators ('AQIs'), including the responsibilities and time commitments of senior team members and the extent to which specialists are involved in the audit.

In February 2022, ahead of the consideration of the 2021 Annual Report and Accounts, the Committee received initial feedback on the conduct of EY's 2021 audit, which identified no significant areas of concern. The detailed assessment of EY's 2021 audit will be considered by the Committee at its May 2022 meeting with any findings implemented for the 2022 audit.

Independence and non-audit services

The Committee has responsibility for monitoring the independence and objectivity of the external auditor. Since its appointment, EY has continued to confirm its independence and this remained the case during 2021 and prior to issuing its opinion on the Annual Report and Accounts. In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of EY throughout the year. No Committee member has a connection with the external auditor.

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

Details of the total fees paid to EY are set out in note 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 16% of audit fees (2020: 15%).

During 2021, 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 it is objective and independent. Accordingly, the Committee has recommended to the Board that a resolution be put to the 2022 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 control, the ongoing monitoring of risk and internal control systems and for reporting on any significant failings or weaknesses. The system of controls is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable assurance against material misstatement or loss. The Board has delegated to the Committee responsibility for monitoring and reviewing the effectiveness of the risk and internal control framework.

On behalf of the Board, the Committee carried out the annual assessment of the effectiveness of internal controls during 2021, 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 Chief Risk Officer, the heads of Compliance 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 considered emerging and thematic risks that may have a material impact on the Group. In 2021, the Committee continued to consider the risks arising from the Covid-19 pandemic including the impact on business services resilience, financial crime, information security and technology and conduct and culture risks. The Committee considered the key risks to the business, one of which is Environmental, Social and Governance (ESG) risk including climate change. The Committee reviewed the Group's arrangements in relation to outsourced providers and the risks associated with the transition from LIBOR. 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 49 to 54.

Set out on the following page are summaries of the Committee's activity in three 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 as a result of increasingly sophisticated cyber threats. The risk posed by ransomware has grown further throughout 2021 with a number of high-profile incidents occurring across the external business landscape. A primary focus of the year has therefore been improving our defences against ransomware attacks as well as across areas such as cloud security, data security and our network perimeter.

In November 2021, the results of an independent review of the Group's information and cyber security undertaken by PwC were presented to the Committee. The recommendations made by PwC align to our information security strategy and also to our broader technology strategy of transitioning to the cloud, which we believe will be the fastest and most effective path to achieve our target state.

Business services and operational resilience

The Committee continued to monitor the Group's business services and operational resilience during 2021. Increased remote working as a result of the Covid-19 pandemic, our new flexible working pattern, and the operational resilience regulations issued by the FCA and PRA all have implications for our approach to our business continuity, which we continue to review and adapt on an ongoing basis. Technology resilience saw developments within the year as the stability of our remote working environment was enhanced, and an initiative was launched to review and modify our use of cloud providers. The implementation of the European Banking Authority guidelines on outsourcing arrangements has also been driving developments in the depth and breadth of oversight over the resilience of our critical third parties.

The Committee will continue to closely monitor the Group's business services resilience throughout 2022 as the FCA and PRA operational resilience regulations begin to be implemented.

Compliance

Compliance and legal reports address new and developing material issues and global regulatory, legal and compliance risks and themes. The reports also outline the planning and execution of the compliance assurance programme, including testing, monitoring and automated surveillance. Assurance is carried out globally to assess the Group's compliance with local regulatory standards and requirements.

During 2021, the Committee also received reports on the ongoing development of the Schroders Group Conflicts of Interest and Conduct Risk Frameworks. The Committee received updates on the status of our relationships and our engagement with our principal regulators, and of material regulatory initiatives and changes in the regulatory environment, including ESG matters, in particular the implementation of the EU Sustainable Finance Disclosure Regulation. Throughout the year, the Group continued to engage frequently and proactively with regulators across the globe.

Financial crime

Financial crime risk mitigation continues to be an important focus for the Committee and is a priority for all of our key regulators globally. Wider regulatory requirements have been introduced in some jurisdictions and the Financial Crime Team has been working to assess the implications of these changes for the business in conjunction with industry body guidance.

Our financial crime framework was further enhanced during 2021 including the introduction of a target operating model setting out governance and oversight arrangements to improve consistency across the Group in respect of financial crime risk mitigation. Developments have also been made in the areas of transaction monitoring, payment screening and the oversight of distributors and suppliers. Cyber-related fraud activity continued to be a key focus as a result of the ongoing Covid-19 pandemic.

The Committee receives regular reports and recognises the importance of having a strong and proportionate framework for managing financial crime risk. The Committee will continue to monitor the Group's strategic initiatives in this area during 2022 and beyond.

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. During the year, the Committee assessed and confirmed the ongoing objectivity and independence of the Group Head of Internal Audit and reviewed and approved the Internal Audit Charter.

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 Internal Audit function monitors developments in internal audit practices, undertakes quality and assurance activities and in 2022 will invest in developing its data analysis capability. 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 meetings schedule. In addition there is an external review of the Internal Audit function every five years, which provides further assurance. The next review will take place in 2022.

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 and recommendations to improve the control environment, and their subsequent remediation.

During 2021, a broad range of audits was conducted across the business, both in the UK and overseas. The Covid-19 pandemic continued to impact the length of time taken to conduct audits with the team unable to travel to all offices, however some on-site overseas audits were able to re-start towards the end of the year. The 2021 Internal Audit plan was continually reassessed by the Committee and Internal Audit to allow for the appropriate allocation of resources and to remain in line with the risk profile of the business. The 2022 Internal Audit plan has been developed in line with the Group's key risks and includes the assessment of the Group's response to key industry challenges.

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 49 to 54.

"The Group continually works to enhance systems to support and improve the control environment."

Priorities for 2022

As well as considering the standing items of business, the Committee will also focus on the following areas during 2022:

- Information and cyber security
- Thematic risks including climate
- Financial crime
- Business services and operational resilience
- Audit and regulatory changes
- Global operating strategy

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 Committee is seen as thorough and diligent, with the work undertaken providing assurance to Directors who are not on the Committee that the risks around the business are overseen appropriately. The findings relating to the Committee were discussed with the Committee Chairman, who is considered very effective. The need for succession in this role is considered a key priority for the Board. Overall, the Committee is considered to be performing well and to be rigorous and effective in discharging its responsibilities.

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

2 March 2022

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

See page 60 for meeting attendance and page 88 for a summary of the responsibilities of the Committee.

I am pleased to present our 2021 Remuneration report which provides insight into the decisions the Committee has taken in determining the pay approach and outcomes for our Directors and wider workforce.

2021 has been a strategically important year for Schroders. Our key financial metrics are very strong, we have continued to deliver excellent investment performance for our clients and we are seeing many of our initiatives from the last few years bearing fruit. This strong performance and progressive strategic repositioning has benefitted both shareholders and clients and is reflected in the compensation outcomes for employees. Allowing employees throughout the organisation to share in our success is key to ensuring we continue to incentivise, reward and retain the high calibre talent who have delivered this strong performance.

Our executive Director performance incentive outcomes have also increased this year, albeit by a lower percentage than the average employee. Executive Director bonuses are driven by a balanced scorecard, with performance measures and targets set at the start of each year. For 2021, the Committee increased the upper range of the profit before tax target to +18% above budget in recognition of the heightened uncertainty arising from the ongoing Covid-19 pandemic. The Committee assessed these targets in light of the strong performance achieved and were satisfied that the targets were appropriately stretching and the results represented true outperformance. On the LTIP, 50% of 2018 awards are forecast to vest in March 2022. As disclosed last year, the Committee made no adjustments to LTIP targets notwithstanding the unforeseen pandemic. In addition, the executive Directors voluntarily waived the LTIP awards granted to them in March 2020 and 2021, thereby avoiding potential concerns over windfall gains from recent periods of market volatility. Pages 82-84 provide more detail on executive Director outturns for the year.

Remuneration actions taken	
Performance Ensuring alignment	• **Increased profit before tax maximum under the 2021 bonus scorecard** – resulting in an asymmetrical range. • **No adjustments to LTIP targets.** • **2020 and 2021 LTIPs waived** – mitigating the risk of windfall gains.
People Better for everyone	• **Schroders Share in Success Award** – encouraged share ownership, partnership ethos and financial inclusion through the launch of our first ever all-employee share award. • **Performance management** – implemented a new approach, including specific ratings for behaviours, conduct and business excellence; all key inputs when assessing compensation outcomes. • **Enhanced transparency of pay decision-making** – launch of our 'Fair Pay for Performance' framework for all employees.
Planet Protecting our planet's resources	• **ESG engagement targets** – introduced in the executive Director bonus scorecard for 2022. • **Climate-related metric** – introduced to the long-term incentive scorecard for 2022. 20% will be based on achievement of 100% of Schroders' global electricity being from renewable sources and sustaining a 'Leadership level' in CDP's climate change assessment. • **Increased focus on sustainability in our employee benefits** – including carbon offsetting initiatives, encouraging employees towards paperless benefits administration and reviewing company car policies to increase alignment with our sustainability aspirations.

Schroders' purpose is not just about securing our clients' financial futures but also about securing a better future for all our stakeholders. This clarity of purpose has been a part of the Committee's discussions in 2021 as we sought to further strengthen the alignment between our remuneration structures and Corporate Responsibility strategy. This resulted in a number of new initiatives, as detailed in the table on the previous page. Of particular note was the launch of our first ever all-employee share award – the 'Schroders Share in Success Award' – encouraging a partnership ethos and enhanced financial inclusion across all those working for the Group. All employees except the Group Chief Executive and Chief Financial Officer received a special award of 5% of their salary in shares, significantly increasing the number of our employees with interests in Schroders shares.

Our Corporate Responsibility strategy recognises the strategic importance of protecting our planet. This has been reflected in our executive Director remuneration arrangements for a number of years through the inclusion of sustainability-related metrics in the annual bonus scorecard. With the continued evolution of environmental impact measurement and reporting, the Committee determined that, from 2022, this strategic priority should also be reflected in the executive Directors' long-term incentive. From 2022, a portion of the LTIP will therefore be based on achievement of climate-related environmental targets, as described in more detail on page 84 of this report.

These new initiatives complement our long-standing remuneration policies centred around inclusion and fairness. For example, our employee benefits are typically generous versus local market practice. In the UK, London-based employees receive the same benefits as the executive Directors, including private healthcare, life assurance, personal accident insurance and pensions. The pension contributions (or cash in lieu) are based on pensionable salary, which is capped at £250,000, resulting in the executive Directors' contribution rates as a percentage of their actual salary being below most UK employees (8-9% for the Group Chief Executive and 11-12% for the Chief Financial Officer, compared to 16-18% for most UK employees).

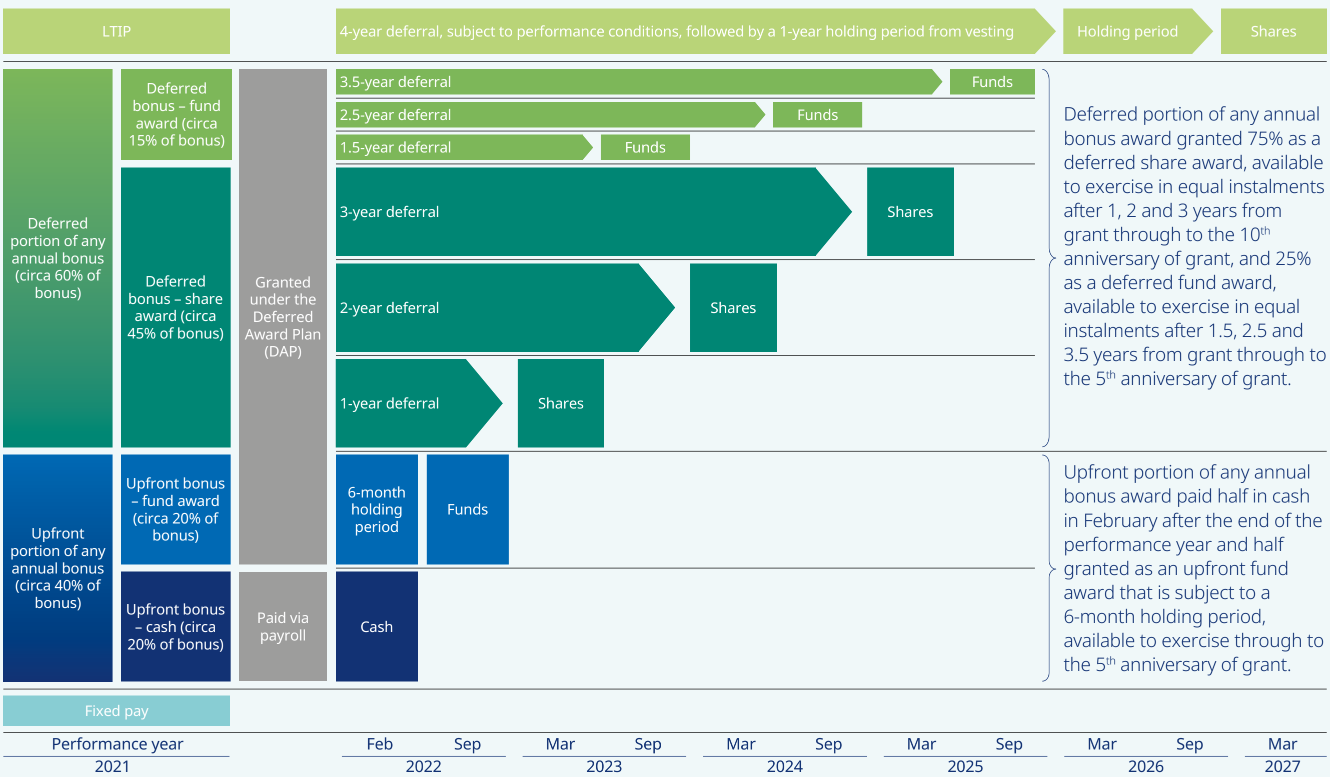
Remuneration approach for the executive Directors

Our executive Director remuneration structure remained unchanged in 2021 and continues to be governed by our shareholder approved Directors' remuneration policy. As noted in last year's report, the Committee believes this structure continues to support long-term thinking and pay for performance whilst allowing us to attract, motivate and reward the talented individuals we need to maintain the Group's success. The diagram below illustrates the current remuneration policy.

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

Our purpose: to provide excellent investment performance to 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 variable remuneration for higher-earning employees and material risk takers 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 for higher-earning employees and material risk takers 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.

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, regardless of gender, age, race, sexual orientation, disability, religion, socio-economic background or other diversity facet.

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
Performance against net zero and sustainability goals forms part of the annual compensation review for those with roles able to influence our investment and business operations, including the executive Directors, other members of the GMC, all fund managers, ESG investment team members, facilities managers and procurement staff.

Our executive Director remuneration approach

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

Delivering returns for shareholders
- ✓ 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
- ✓ 80% of LTIP awards based on long-term financial performance (earnings per share and net new business)*

Taking decisions to benefit our people
- ✓ Competitiveness considered by reference to total compensation for comparable roles at other large international asset management firms
- ✓ Benchmarking forms a point of reference, and is not a 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

Taking decisions to benefit society
- ✓ Annual bonus scorecard includes 30% weighting on non-financial metrics, including sustainability
- ✓ LTIP includes 20% weighting on climate-related metrics, linked to our long-term commitment to protecting our planet

For more detail on our purpose see page 2 and on our business model and how we create value for our stakeholders see pages 20 and 46–47.

*For more detail on LTIP measures and definitions see pages 84, 87 and 95.

Firm-wide context

2021 performance

2021 has been a strong and strategically important year for Schroders. Our assets under management increased by 10%, reaching a new high of £731.6 billion by year end. With the growth driven by our higher-margin products, our net income before exceptional items increased to £2,568.8 million and profit after tax and exceptional items increased by 28% to £623.8 million. This performance generated value for our shareholders with an increase in EPS of 22% and total dividends per share of 122 pence. Our investment performance was generally strong across the board with 79% and 78% of assets outperforming their benchmark over three and five years respectively.

From a strategic perspective, our initiatives from the last few years are now bearing fruit, including the growth of our Wealth business, a significant contribution from Schroders Capital and strong net new business flows from our joint ventures and associates. We announced the agreement to acquire three businesses, which are an excellent cultural fit and provide strong follow-on growth potential. Looking at the wider stakeholder experience, we have made significant progress in our path to net zero, with the launch of our climate transition action plan and submission and verification of our science-based targets. From an employee perspective, we are proud of our continued reputation as an employer of choice, successfully retaining 94% of highly rated employees and 95% of employees saying they are proud to be associated with Schroders. The launch of our first Workforce Diversity Report was an important step forward in sharing our progress towards a more diverse workforce. Our continued focus on supporting society is also visible in the charitable initiatives we ran in the year, including embedding of volunteering opportunities into our career and talent development offering, the launch of our second #CollectiveAction campaign to help UNICEF deliver vaccines around the world and Schroders donating £4.9 million to charitable causes.

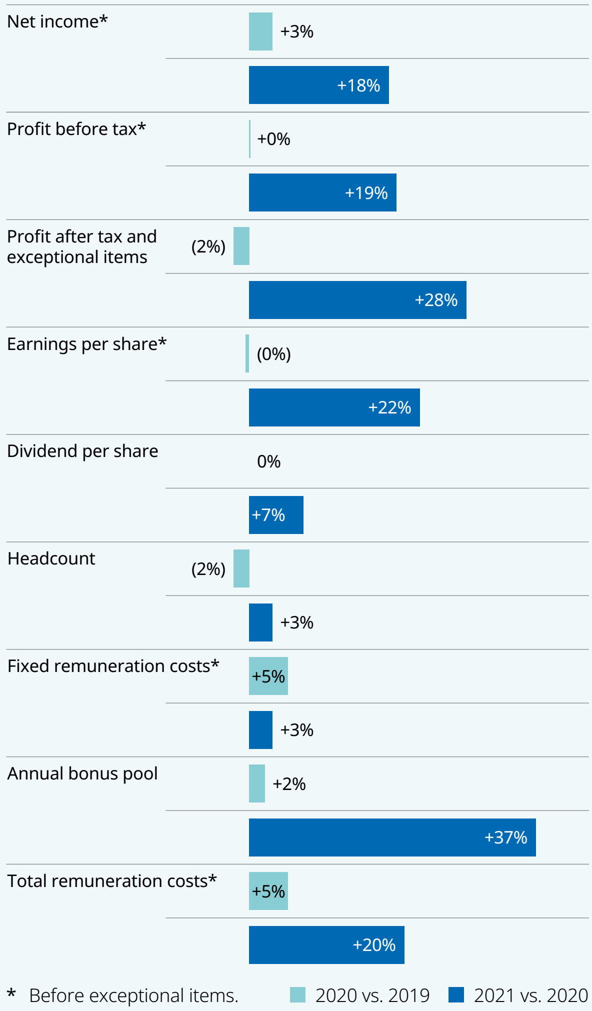
For more detail on Schroders' performance, achievements and strategy see the Group Chief Executive's statement on pages 8-11, our key performance indicators on pages 22-23, our business and financial review on pages 24-29 and experience of other key stakeholders on pages 46-47.

2021 firm-wide compensation outcomes

The Committee takes into consideration the firm's financial and non-financial performance, as well as overall market conditions and wider stakeholder experience, when determining the total compensation ratio used to inform the compensation spend for the year. After careful consideration, the Committee and Board concluded that a total compensation ratio of 45% struck the right balance between sharing the firm's strong financial achievements with the employees who delivered the results, ensuring ongoing prudent management of our cost base and delivering returns to shareholders. The ratio remains at the lower end of the target range of 45% to 49%. As a result, the aggregate annual bonus pool is up 37% on last year. Across the firm, individual bonus and salary allocations were determined by reference to our Fair Pay for Performance philosophy, as summarised on the next page. The Committee reviewed the proposed compensation outcomes using analytics focused on differentiation, diversity and competitiveness, and were satisfied that the year-end process was rigorous and the allocation of pools and individual awards took account of both financial and non-financial performance, including conduct.

As in prior years, the firm-wide salary budget was targeted towards 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.

Key performance and remuneration metrics



* Before exceptional items.

Our employee voice and experience

The illustration on page 79 demonstrates the alignment between our remuneration principles and purpose as well as the strong alignment between executive Director remuneration and our wider pay philosophy. This is a conscious choice and the Committee explicitly considers executive Director remuneration, whether structure or outcomes, in the context of our wider workforce remuneration policies and outcomes. Our heightened focus on workforce engagement also allows employee views to be heard by the Committee. For example, employee representatives speak directly to our Senior Independent Director, Ian King, who chairs the Global Employee Forum and is also a Remuneration Committee member. This direct feedback loop is complemented by a number of wider communication channels where remuneration matters are shared and feedback is sought from employees. In 2021 this included holding a live Q&A session on our Gender Pay Gap Report, our Group Chief Executive and Chief Financial Officer answering questions on remuneration as part of the annual results presentation to employees, the launch of a video and supporting materials outlining our Fair Pay for Performance philosophy with employees and the launch of a video and dedicated intranet page focused on the Schroders Share in Success Award. These communication channels all attracted significant levels of engagement from employees.

OUR ALL-EMPLOYEE PAY FRAMEWORK

Every pay decision at Schroders takes into account a wide range of factors as set out in our Fair Pay for Performance framework launched to employees in 2021 and summarised below. Carefully balancing all these factors allows pay outcomes to be fair and reflective of performance.

Annual performance

Firm-wide performance
The aggregate bonus pool is calculated by reference to a total compensation ratio, which funds all bonuses across the business. All bonuses are therefore linked to firm-wide revenue performance, less salary spend paid out during the year.

Sub-business/team performance
Performance at a team and sub-business level is a key factor when allocating sub-business pools, including performance versus expectations, market and prior year. Funding all team members' bonuses from this pool creates a strong link between compensation outcomes and collective team performance.

Individual performance contribution
Managers assess individual performance throughout the year, culminating in a 'Business Excellence' rating. This is a key consideration when assessing individual pay outcomes.

Individual behaviours
Managers assess and rate individuals' behaviours, including alignment to Schroders' values and performance as a manager where relevant. This 'Behavioural' rating is a key consideration when assessing individual pay outcomes.

Conduct
Where an individual has not met Schroders' and regulatory expectations, downwards pay adjustments and malus and clawback may apply.

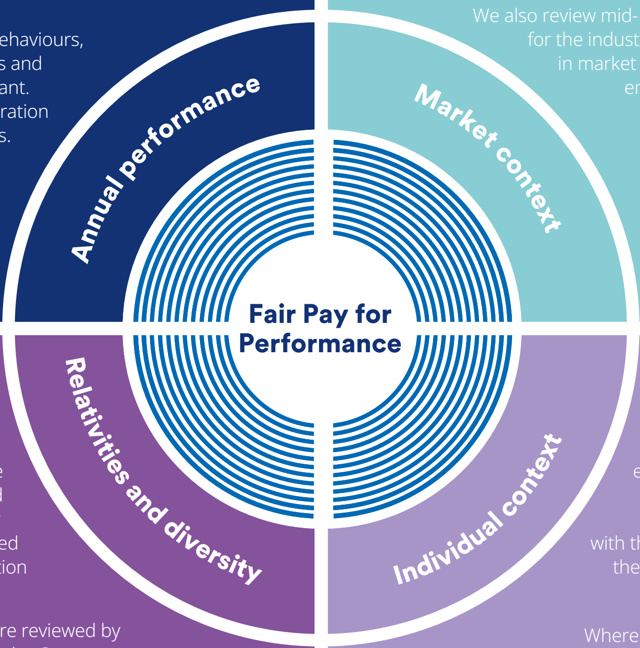
Market context

Market pay based on role/geography
We purchase and review independent benchmarking data to give us an informed understanding of what our competitors are paying for different roles across the globe. This acts as an additional reference point when considering the appropriate compensation levels and adjustments for each role.

Competitor insights
We supplement benchmarking data with insights gained through wider survey/event participation throughout the year, ensuring we have an up-to-date awareness of developments amongst our competitors and in the market for talent.

Local market conditions
We take into consideration current and expected inflation, as well as any anticipated/current skill shortages in each labour market.

General market outlook
We also review mid- to long-term performance expectations for the industry and seek to identify likely future shifts in market compensation over the coming years to ensure compensation outcomes also look appropriate in that context.



Relativities and diversity

Fairness versus peers
We undertake detailed analysis to evaluate that pay outcomes are fair. The multiple layers of review, calibration and challenge include a cross-business peer group calibration, an independent, HR-led diversity review and detailed differentiation analysis.

Compensation proposals and analysis are reviewed by GMC members, executive Directors and the Group Remuneration Committee to satisfy ourselves that gender, age, race, sexual orientation, disability, socio-economic background or any other diversity facets are irrelevant when it comes to pay outcomes.

Fairness versus market
We use independent benchmarking data and intel from trusted recruitment agencies to assess how proposed compensation outcomes compare to market. This includes analysis on an individual, team and aggregate level.

Individual context

Skills/experience
We recognise certain skills and experience are critical to the current and future priorities of the organisation. Compensation outcomes for individuals with these skills are reviewed in the context of their strategic importance to the Company.

Progression/succession
Where an individual has changed or expanded responsibilities in their role, this would typically be considered in determining pay outcomes. In addition, pay outcomes for any individuals identified as likely successors to a critical role would be reviewed in that context.

Future potential
Pay outcomes for individuals identified as having the underlying ability, drive and engagement to take on more complex and senior roles in future are considered in the context of potential future value to the business.

Multi-year performance context
Where individuals have been consistently high performing this will also be considered.

Remuneration outcomes for executive Directors

2021 annual bonus awards

The Committee determines the annual bonus awards for the executive Directors using a balanced scorecard. At the beginning of 2021, metrics comprising 70% financial factors and 30% non-financial factors were chosen, aligned to the Group's strategy. The Committee evaluates the level of actual financial performance against the performance required under each metric to trigger threshold (25%), target (65%) and maximum (100%) payout. These ranges are set taking into account the recommendations of the Group Chairman and the Group Chief Executive, the Board-approved budget, market expectations, prior year outcomes, strategic priorities and the wider economy. For 2021, the Committee was mindful that the targets were being set at a time when there was significant ongoing market uncertainty from the Covid-19 pandemic. In recognition of the potential impact this could have on profit before tax and exceptional items, the Committee increased the stretch of the profit before tax and exceptional items versus budget target at maximum from the +10% above budget previously used to +18% above budget.

The strong financial performance delivered in 2021 beat our budget and targets, benefitting shareholders and clients alike. This strong performance was reflected when considering absolute results, performance relative to peers and performance relative to markets.

The Committee also considers non-financial performance. In doing so, the Committee assesses progress against pre-determined strategic goals, as well as achievement against sustainability, people and talent, and risk and compliance matters. This is supplemented by an assessment of each individual's personal performance, including business performance within each individual's responsibilities and the extent to which they have met their annual performance objectives. To ensure a balanced overall assessment, the scorecard does not have pre-determined weightings for the non-financial factors, allowing the Committee to apply its judgement to determine the overall outcome and ensure it is appropriate in the overall circumstances. Where appropriate, quantitative targets and objective measures are predefined to ensure the assessment is robust. The table on the next page summarises the Committee's assessment of the 2021 non-financial and personal performance for each executive Director, which resulted in non-financial scorecard outcomes of 27.0% and 22.5% for the Group Chief Executive and Chief Financial Officer respectively.

Combining the financial and non-financial scorecard outcomes gives a total bonus outcome of 97.0% and 92.5% of maximum for the Group Chief Executive and Chief Financial Officer respectively. 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. In 2020, the Committee exercised its discretion to lower annual bonus awards for the Group Chief Executive and Chief Financial Officer by £250,000 and £100,000 respectively, recognising the societal impact of Covid-19. In 2021, the Committee determined the bonus scorecard outcomes appropriately reflected the financial and strategic performance delivered and no such adjustment was warranted.

Assessment of the executive Directors' 2021 annual bonus scorecard (audited)

These charts illustrate the executive Directors' annual bonus scorecards for 2021, the performance achieved and resulting bonus awards.

Performance measure	Weighting		Threshold 25% payout	Target 65% payout	Maximum 100% payout	Actual	Achievement Payout for this metric	Resulting bonus payout
Financial metrics								
Profit before tax and exceptional items (£m)	35%	vs. budget	587	652	772	836	100%	35%
		vs. prior year	632	702	772	836	100%	
Investment performance	20%	3-year	50%	60%	70%	79%	100%	20%
		5-year	55%	65%	75%	78%	100%	
Net new business (£bn) (excluding joint ventures and associates)	15%		0	7.4	14.8	15.1	100%	15%
Total bonus payout for financial metrics					100%		**100%** out of 100%	**70%** out of 70%
Peter Harrison – Group Chief Executive								
Strategic progress, sustainability, people, conduct and personal goals	30%					90%	**90%** out of 100%	27.0% out of 30%
Overall scorecard outcome for Peter Harrison						97%		**97%** out of 100%
Annual bonus award for Peter Harrison (£'000)								**7,612**
Richard Keers – Chief Financial Officer								
Strategic progress, sustainability, people, conduct and personal goals	30%					75%	**75%** out of 100%	22.5% out of 30%
Overall scorecard outcome for Richard Keers						92.5%		**92.5%** out of 100%
Annual bonus award for Richard Keers (£'000)								**3,395**

Non-financial assessment for executive Director annual bonus scorecard

Group-wide non-financial assessment

Criteria	Performance in 2021
Strategic progress (see pages 18-19 for more information)	
Organic and inorganic growth in core business	• Strong investment performance and organic growth with significant net inflows of £35.3 billion in almost every channel and region. • Performance in our Mutual Funds and Wealth Management businesses was particularly strong, with net new business of £8.1 billion in Mutual Funds and £4.1 billion in Wealth Management. • The £237 million acquisition of River and Mercantile's UK solutions business enhances our ability to meet the complex needs of pension fund clients (see below).
Expansion of Private Assets and Alternatives	• Schroders Capital has grown twice as fast as the market since 2016 and is now unified under one brand, with over £7.4 billion of net new flows in 2021, mainly driven by securitised credit, private equity and real estate. • Further expansion of our private markets capabilities through the announcement of two key acquisitions: Cairn Real Estate, expanding our offering in a key European growth market and Greencoat Capital (see below).
Sustainability (see pages 32-37 for more information)	
Science-based emissions target set by end of 2021	• Successfully became one of the first asset managers to have target commitments approved by the Science Based Targets initiative. • Published our climate transition action plan towards operating as a net zero business and transitioning our clients' investments to deliver value and sustainability over the longer term.
Embedding sustainability across Group	• Development of a clear engagement plan to use our voice and influence companies to take action. • Broadened our sustainability offering with the launch of a further 14 sustainable funds in Europe in 2021, with more planned in 2022. AUM for funds classified as Article 8 or 9 under the EU's Sustainable Finance Disclosure Regulation (SFDR) reached £60.5 billion at the end of 2021.
Our people (see pages 40-45 for more information)	
Retain >90% of key talent	• Retention of key talent remains above target at 94% (2020: 94%).
Women in Finance Charter target	• Continued progress against our target of 35% female representation in senior management by 2023, with over 33% of women in senior management at the end of 2021.
Ethnicity targets	• Increased diversity profile completion rate from 53% to 63%. • A signatory of the Race at Work Charter, Black Talent Charter and one of the founding members of the CBI's Change the Race Ratio initiative, this year we also introduced Board-approved ethnicity targets, including a 16% target in the UK by the end of 2023.
Risk and conduct (see pages 49-54 for more information)	
Governance and risk management	• Robust oversight of the Group's activities within an effective governance framework with no material issues this year.

Individual non-financial assessment

Criteria	Performance in 2021
Peter Harrison – Group Chief Executive	
Growth and Business Performance	• Strong results for annualised net new business, profit and revenues – with profit after tax and exceptional items of £623.8 million, up 28%. Strong strategic leadership and vision, with 2021 growth coming from areas identified as strategically important, for example China, thematic, global and sustainability focused products and Schroders Capital. • Investment in our global product range delivered a broad offering of thematic and sustainability funds, which have attracted high levels of net new business, with our thematic range achieving net inflows of £4.4 billion. • Successful evaluation of different inorganic opportunities to accelerate the Group's growth strategy. Exceptional and astute leadership in securing key acquisitions through a competitive process that will benefit shareholders. • In Asset Management, this has created 'Schroders Solutions', that aims to be the provider of choice for fiduciary management schemes and derivatives, with a specific focus on sustainability, climate integration and reporting. • In Schroders Capital, enhancing our leadership position in sustainability with a 75% shareholding in Greencoat Capital, a leader in European renewables.
Talent and succession	• In depth assessment of senior talent bench-strength delivering significant progress in succession planning, including refreshed and simplified senior management team structure to support development of key talent.
Sustainability	• Exemplary leadership on sustainability, ensuring ESG is at the heart of Schroders and all our investment decisions. • Significant investment in our ESG resources and capabilities, in order to remain market leading in ESG.
Board, purpose and reputation	• Successful Board offsite and strategic review, including heightened focus on embedding our corporate purpose. • Provided exceptional leadership in turbulent times, safeguarding Schroders' reputation across all key stakeholder groups.
Richard Keers – Chief Financial Officer	
Global operations and technology strategy	• Progress on remodelling of our operating platform, with completion of the Aladdin accounting implementation and changes to transfer agency arrangements. • Expansion in role to also take on Technology and Group Change from March 2021; taking the lead in a significant change in culture and shift in priorities towards digital and cloud, delivered successfully at pace.
Risk and control	• Delivered finance platform transformation and significant change in procurement processes to reflect regulatory change and best practice, including clear alignment to the Group's sustainability goals. • Maintained strong risk and control environment throughout the year.
Financial reporting and cost management	• Robust cost base management throughout the year. • Delivered accurate, clear and timely reporting and oversight of the Group's financial position.

The metrics and targets outlined above represent the most material criteria through 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, as disclosed in this Annual Report and Accounts.

Vesting of 2018 LTIP award (audited)

The LTIP performance conditions remain highly demanding. In March 2022, we expect LTIP awards granted in 2018 to vest at 50%. This comprises 0% vesting on the portion based on earnings per share[1] and 100% vesting of the portion based on net new business[2], reflecting Schroders' outperformance against the maximum target, achieving £91.5 billion versus maximum target of £25 billion, including the substantial £80 billion Scottish Widows mandate in 2019/2020.

The EPS target requires 20% outperformance versus the growth in a composite index, which equates to a threshold vesting of 41.5% growth per annum compared to Schroders' EPS growth of 8.6% per annum. Under our Directors' remuneration policy, the Committee may apply discretion to adjust vesting outcomes. The Committee reviewed the 50% vesting outcome and were comfortable no such discretion was warranted. As noted last year, no adjustments were made to LTIP performance targets in light of the unforeseen pandemic. A 12-month holding period will apply to the LTIP awards once vested.

LTIP awards to be granted in March 2022

Each year the executive Directors are considered for an LTIP award. After considering the performance achieved in the year, the Committee decided to grant share-based LTIP awards with the following values to the executive Directors in March 2022:

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

Introduction of a climate-related LTIP measure

The LTIP performance measures are reviewed annually to ensure they remain aligned to Schroders' long-term strategic priorities. A focus on sustainability and protecting our planet is central to our long-term strategy. This has been reflected through the inclusion of sustainability-related metrics in the executive Director annual bonus scorecard for a number of years. With the continued evolution of environmental impact measurement and reporting, the Committee determined that, from 2022, our commitment to preserving our planet should also be reflected in the LTIP.

As an active manager, the Committee is conscious the primary lever through which Schroders can drive positive change is through influencing the behaviour of our investee companies, as measured by our Scope 3 financed emissions. At this stage, the quality of data reporting from our global investee companies is not sufficiently robust to be able to set meaningful four-year, forward-looking Scope 3 emissions targets. For the purposes of the 2022 LTIP, our focus will be on leading by example to our investee companies and the wider market. This will be measured through reducing our own emissions as a corporate and maintaining a leadership position on climate change, as assessed independently by CDP.

In 2021, 65% of Schroders' energy consumption came from purchased electricity, highlighting this as a key area where we can drive meaningful change. The 2022 LTIP will include a measure requiring us to achieve 100% of global electricity from renewable sources by 2025. This measure was chosen as it provides a clear, quantifiable measure of our success and is aligned to our external commitment under RE100, allowing us to leverage an externally defined measurement. We are currently at 84% of global electricity from renewable sources, including all our largest jurisdictions. The global reach of our business means achieving 100% will not be straightforward: we estimate 8% of our global electricity usage is from countries where we will face some complexities in sourcing renewable electricity, for example due to limited availability of renewable sources in the jurisdiction and/or tenancy agreements. The threshold performance level of 92% reflects the Committee's desire to reward outperformance in this context.

In addition to meeting the renewable electricity targets, vesting of the climate impact measure will also require Schroders to achieve a leadership rating (A-/A) in each of the four years in the performance period, as independently assessed by CDP. CDP is a known and respected not-for-profit focused on reporting the environmental impact of companies and countries. Its climate change assessment considers a wide range of indicators including governance, target setting, emissions reductions and value chain engagement, ensuring we are looking at the breadth of our climate impact when assessing this measure. The assessment is constantly evolving to reflect emerging best practice, challenging Schroders to continuously progress to remain a leader in this area. For the purposes of the 2022 LTIP, there will be no payout against the climate measure unless Schroders achieves a leadership rating for all four years of the performance period.

The new climate measure carries a 20% weighting, with the remaining 80% split equally between EPS[1] and NNB[2], for which the methodology and targets remain unchanged from prior years. The choice of environmental LTIP measures and associated weightings will be reconsidered annually and we expect it to evolve over the coming years to reflect our corporate responsibility priorities, external commitments and ultimately a shift towards a more complete measurement of Scope 3 financed emissions. Progress against our climate transition action plan is included in the executive Director annual bonus scorecard for 2022.

2022 LTIP performance scorecard

Performance measure	Weighting	Threshold (25% vesting*)	Maximum (100% vesting*)
Earnings per share (EPS)[1]	40%	20% higher than the growth in a composite index	40% higher than the growth in a composite index
Cumulative net new business (NNB)[2]	40%	£15 billion	£25 billion
Climate impact *(NEW FOR 2022)*	20%	92% of global electricity from renewable sources; and	100% of global electricity from renewable sources; and
		Leadership CDP rating on climate change for all four years	

* Straight line vesting between points.

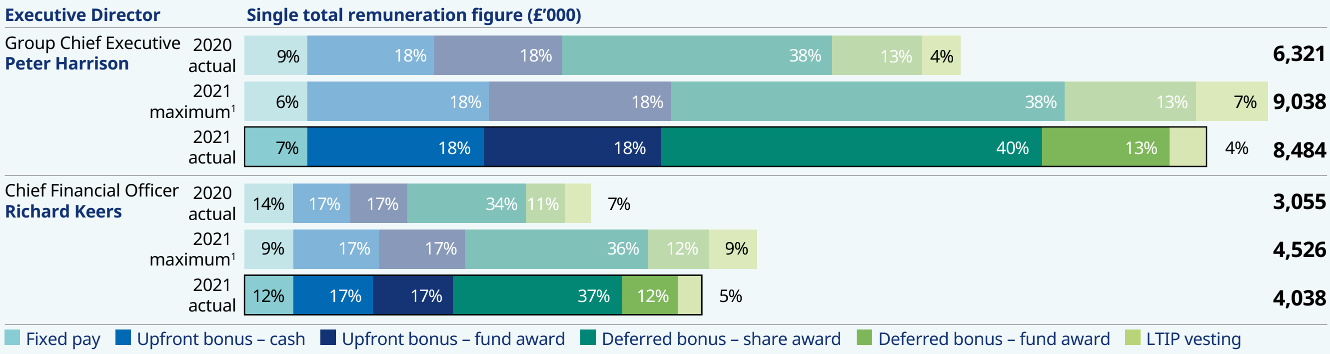
1. Earnings per share (EPS) excluding revenue and costs relating to acquisitions classified as exceptionals but including any other exceptionals.
2. Net new business (NNB) excluding joint ventures and associates.

Executive Directors' single total remuneration figures

The chart below summarises the 2021 single total remuneration figures for the executive Directors and how the outcome compares to last year and the maximum under the Directors' remuneration policy. The Committee considered these outcomes in the context of the wider workforce outcomes. For the Group Chief Executive, the annual bonus was up 40% year-on-year (or 34% excluding last year's discretionary adjustment), whilst his single total remuneration figure increased 34% (or 29% excluding last year's discretionary adjustment). For the Chief Financial Officer, the 2021 annual bonus award was up 41% year-on-year (or 36% excluding last year's discretionary adjustment) and his single total remuneration figure increased 32% (or 28% excluding last year's discretionary adjustment). The year-on-year changes in bonus are below the average employee experience, especially when factoring in the Schroders Share in Success Award in which the executive Directors were not eligible to participate.

The Group Chief Executive's total remuneration is 49 times the mean full-time equivalent total remuneration for UK employees of the Group (2020: 42 times) and 84 times the median (2020: 70 times), reflecting the fact that the Group Chief Executive's package is more closely aligned to financial performance so outperformance has a greater impact on total compensation. This is notwithstanding the greater percentage increase for the mean and median employee annual bonus (including Share in Success Award) year-on-year.

Single total remuneration figures

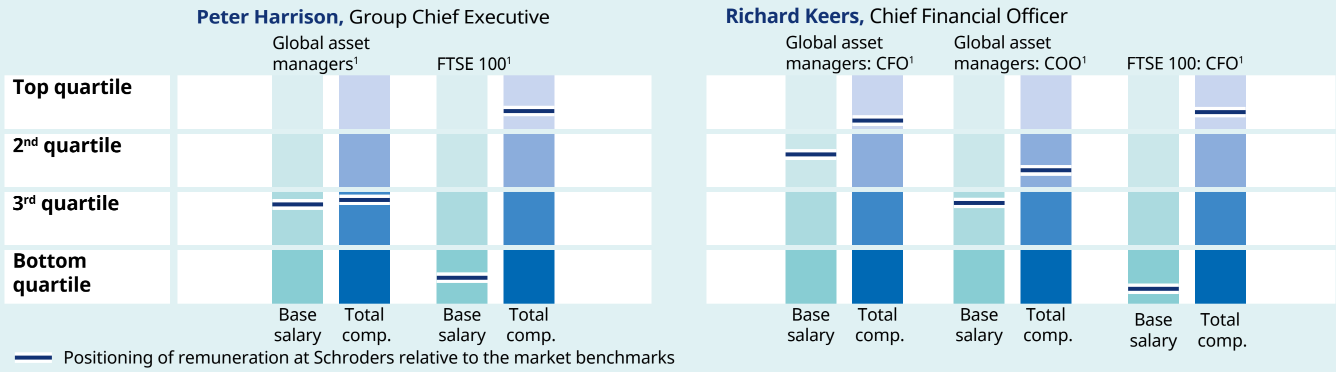


1. The 2021 maximum above is based on the LTIP expected to vest in 2022, but assuming the performance conditions were met in full (i.e. 100% vesting rather than the 50% vesting that is expected). The maximum total remuneration under the Directors' remuneration policy is defined as £9 million and £4.5 million for the Group Chief Executive and Chief Financial Officer respectively, based on the face value of LTIP to be granted in 2022 as shown on page 84.

Pay competitiveness for the executive Directors

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 so are not subject to the same disclosure requirements as Schroders. 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 charts below 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 2020, 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 2021. We expect competitor outcomes for 2021 to be higher, so in practice our final market positioning is expected to be lower than what is shown in the charts below.

Pay competitiveness for the executive Directors



1. Shows 2021 Schroders outcomes compared to 2020 competitor outcomes.

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 co-ordination, direct responsibility for a range of operations teams, as well as financial management, risk management, human resources, technology, 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.

2022 implementation of the remuneration policy

As noted on page 79, Schroders has clearly articulated remuneration principles which act as a reference point when thinking how best to structure and determine remuneration for all employees including the executive Directors. This assessment and underlying framework is key to ensuring the Committee's actions support Schroders' purpose, values and culture. In reviewing the effectiveness of our current remuneration policies and practices, the Committee considered our purpose and strategy, as well as evolving market practice, latest regulatory requirements and shareholder feedback. On the whole the Committee determined that the policy was operating well and as intended.

As noted earlier in this report, this evaluation led to the Committee's decision to further strengthen the alignment between remuneration and Schroders' corporate responsibility commitments, most notably through the introduction of a climate-related measure in the LTIP from 2022. In refining this proposal, the Committee considered the guidance issued from several shareholders and proxy voting agencies.

In 2021, the Committee also spent time considering the remuneration requirements arising from the Investment Firms Prudential Regime (IFPR), which applies to certain Schroders entities from 2022 onwards, as well as the ongoing engagement with the PRA and FCA on the application of the fifth iteration of the Capital Requirements Directive (CRD V) to Schroders as a predominantly asset management group. With the executive Director remuneration arrangements already aligned to regulatory best practice, no changes were proposed at this time.

From a shareholder perspective, the Committee noted the significant level of support for last year's annual report on remuneration (98.4% in favour) and reviewed shareholder feedback gathered through written correspondence, virtual meetings where relevant/requested, review of latest shareholder guidelines and feedback from major proxy voting agencies. Overall the Committee welcomed the positive feedback on actions taken last year, in particular our Covid-19 response and annual bonus scorecard disclosure. Taking all the above into consideration, the Committee determined the Directors' remuneration policy and executive Directors' salaries should remain unchanged for 2022, with wider implementation as noted in the table below.

Element	Approach
Salaries	• Base salaries are reviewed annually but for the executive Directors, like other more highly paid employees, we adjust them infrequently. Neither of the executive Directors will receive an increase in 2022. The most recent increase for the executive Directors was in 2014.
Annual bonus	• The Committee will continue to determine executive Director bonuses based on an annual bonus scorecard across a range of metrics. In setting the metrics and target ranges, the Committee takes into account the recommendations 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 prior years, financial performance factors make up 70% of the scorecard and the remaining 30% is based on a combination of non-financial factors, as outlined in more detail below. • The Committee may apply discretion to adjust annual bonus awards to the extent it judges appropriate to align to the results achieved, overall stakeholder experience and/or in light of unexpected or unforeseen circumstances. • Upfront fund awards and deferred share and fund awards will be granted under the DAP, which shareholders approved at the 2020 AGM.
LTIP awards	• Page 84 sets out the LTIP awards that the Committee intends to grant to the executive Directors in March 2022. These awards will be granted under the LTIP rules approved by shareholders in 2020. • As noted on page 84, a new climate-related impact measure has been added to the LTIP scorecard from 2022, reflecting the strategic importance of being a leader in sustainability to Schroders' long-term strategy.

Choice of performance measures and linkage to strategy

Annual bonus	Rationale for inclusion	Link to strategy
Financial (70% weighting)[1]		
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.	
Client investment performance over 3 and 5 years (20%)	Helping our clients achieve their long-term financial goals is central to our purpose and represents a core output of our business.	
Annual net new business (15%) (excluding joint ventures and associates)	Net new business is key to our success and a key driver of both AUM and revenues.	
Non-financial (30% weighting)		
Strategic progress Sustainability People and talent Risk and governance Personal goals	All fundamental to the Group's long-term success, the Committee has set targets to robustly assess each of these measures.	

1. Specific targets are commercially sensitive so the target range and actual performance achieved for each metric will be disclosed retrospectively, together with commentary for the non-financial factors.

LTIP[1]	Rationale for inclusion	Link to strategy
Earnings per share[2] growth (40%)	A key performance indicator that supports long-term financial sustainability. We aim to grow EPS consistently, recognising the potential impact of market volatility on results in the short term. For the LTIP to vest, adjusted EPS growth over the four-year performance period needs to be 20-40% higher than the growth in a composite index chosen by the Committee to be a reasonable proxy for the market movement of Schroders assets under management[3].	
Cumulative net new business[4] (40%)	A key driver of assets under management and in turn revenue and profit. We seek to generate positive net new business across the Group each year.	
Climate-related impact (20%)	A focus on responsibility and protecting our planet's resources is central to Schroders' long-term strategy and ensuring we are seen as a steward for the future and can help guide our clients and investee companies towards sustainable investing. For the LTIP, the 2022 focus is on role modelling through our own actions, with targets relating to minimising our own emissions through achievement of 100% of global electricity from renewable sources and maintaining a leadership position on climate change, as independently assessed by the CDP. See page 84 for more detail on the targets and rationale for selection.	

1. See page 84 for full details of targets set.
2. Earnings per share (EPS) excluding revenue and costs relating to acquisitions classified as exceptionals but including any other exceptionals.
3. The Committee reviewed the make-up of Schroders assets under management at 31 December 2021 to determine the indices and weightings that will make up the composite index against which to measure EPS growth, as a proxy for the market movement of Schroders assets under management. For awards to be granted in March 2022 the weighted basket of indices will remain unchanged, as follows: 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%) and Bloomberg Barclays Global Aggregate (50%).
4. Net new business excluding joint ventures and associates.

For more detail on our strategy, see pages 18 to 19.

Build closer relationships with end clients

Grow Asset Management

Expand Private Assets and Alternatives

Remuneration Committee's priorities for 2022

Our current Directors' remuneration policy is due to expire at the 2023 AGM. The Committee will review our current policy in 2022 to ensure it remains aligned with the firm's strategy, stakeholders, emerging market practice, regulatory developments, expectations of the UK's Corporate Governance Code and our shareholders. In February 2022 I indicated that I would like to stand down as Chairman of the Remuneration Committee because of the time commitment required. The Board asked Matthew Westerman, who joined the Committee in November 2020 and has experienced a full remuneration cycle, to succeed me as Chairman at the conclusion of the 2022 Annual General Meeting. The Committee looks forward to continuing to engage with our shareholders throughout the course of this year ahead of the publication of our new policy in 2023.

Annual report on remuneration

This statement from the Remuneration Committee Chairman, together with the Remuneration governance section on pages 88-89 and the notes on pages 90-99, 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.

Sir Damon Buffini
Chairman of the Remuneration Committee

2 March 2022

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 and 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 www.schroders.com/tor

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 56-58.

Key areas of focus during the year
The table below summarises the key issues that the Committee considered at each of its meetings during 2021. Remuneration packages for new hires and severance arrangements for roles subject to the Committee's oversight, and regulatory developments, were reviewed at each meeting as required, as were updates from the Conduct Assessment Group.

Meeting date	Key issues considered
January	• Compensation outcomes for 2020 • CRD V remuneration implementation
February	• Compensation outcomes for 2020 • Remuneration disclosures • Provisional 2017 LTIP vesting • Performance conditions for 2021 LTIP grants • Executive Director bonus scorecard for 2021 • Review of delegated authorities under DAP and LTIP rules
March	• Executive Director bonus scorecard for 2021
May	• Shareholder and voting agency feedback on remuneration • Update on latest trends and regulatory requirements, including alignment to Corporate Responsibility commitments • IFPR remuneration implications • Committee terms of reference review • Review advisers to the Committee
October	• Compensation review 2021 • Alignment of LTIP measures with Corporate Responsibility commitments • IFPR remuneration implications • Approval of deferred remuneration grants for sustained high performance and potential
November	• Schroders Share in Success Award
December	• Compensation review 2021, including pay and conditions for the wider workforce, control function input, sustainability of earnings, diversity and competitiveness considerations • Alignment of LTIP measures with Corporate Responsibility commitments • IFPR remuneration implications • Annual internal audit review on remuneration • Draft 2018 LTIP vesting • Group Risk Adjustment framework

Internal advisers

At the invitation of the Committee Chairman, the Group Chairman and the Group Chief Executive attended six meetings and the Chief Financial Officer attended seven meetings. The executive Directors left the meetings where/when relevant to avoid any conflicts of interest.

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 and the Head of Reward and Wellbeing attended meetings to provide advice and support the Committee. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration.

External advisers

The Committee appointed PricewaterhouseCoopers LLP (PwC) and McLagan (Aon) Limited (McLagan) to provide advice on executive Director pay during 2021. Advisers were selected on the recommendation of the Global Head of Human Resources and the Head of Reward and Wellbeing. 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 seven meetings as independent Remuneration Committee advisers. The Committee retained PwC in this role as its team is 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 2021 on executive Director pay totalled £102,700. 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 to the Group including tax, consulting, regulatory compliance and support for corporate acquisitions. The Committee is satisfied the advice received is independent and objective, with regular meetings with the Committee Chairman without management present and much of the advice received based on objective data trends/facts.

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 2021 on executive Director pay totalled £2,590. 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 positive: it is chaired effectively, reports to the Board are seen as high quality and there was recognition that the shareholder and proxy voting agency responses to the policy implementation in 2020 were positive.

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 86-87) • Full retrospective disclosure of financial targets and non-financial factors (pages 82-84) • Review of shareholder feedback and guidance (page 86)
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 78) • 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 78) • Significant deferral, providing alignment to clients and shareholders (page 78) • Committee discretion to adjust formulaic bonus or LTIP outcomes (pages 82 and 84) • Extensive malus and clawback provisions (page 96)
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 88)
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 86-87) • Significant deferral, providing alignment to clients and shareholders (page 78) • Extensive malus and clawback provisions (page 96)
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	• Remuneration principles aligned to our purpose (page 79) • Executive Director remuneration considered in the context of employee outcomes (page 84) • Commitment to fair pay for performance across the workforce (page 81) • Inclusion of non-financial metrics in both executive Director annual bonus and LTIP scorecards (pages 82-87)

NOTES TO THE ANNUAL REPORT ON REMUNERATION

The notes set out on pages 90-99 supplement the information set out in the main narrative on pages 77-87, combining both statutory and voluntary disclosures.

Annual bonus award allocations across the Group

The table below compares the annual bonus award allocations for performance years 2021 and 2020, split between portions paid in cash, upfront fund awards and amounts deferred into share awards and fund awards. The amounts shown are on the basis of the amounts awarded and communicated to employees as annual bonuses in respect of performance each year, rather than the costs charged to each year's income statement.

	2021	2020[1]
Total compensation ratio	**45%**	45%
	£m	**£m**
Annual bonus awards:		
• paid in cash	234.8	176.8
• granted in upfront fund awards	38.9	28.8
• deferred into share awards	73.7	51.1
• deferred into fund awards	64.9	44.5
Total annual bonus awards	**412.3**	301.2
Share in Success Award[2]	**23.6**	n/a
Proportion of total annual bonuses that are deferred	34%	32%
Number of bonus-eligible employees	4,939	4,770
Mean annual bonus award per bonus-eligible employee	£83,470	£63,141
Median annual bonus award per bonus-eligible employee	£19,865	£13,526
Group Chief Executive's bonus as a % of total annual bonuses	1.8%	1.8%
Aggregate bonuses to executive Directors as a % of total annual bonuses	2.7%	2.6%

1. Restated to adjust to the same foreign exchange rates as those used for the 2021 figures and to include the subsidiaries of Benchmark Capital and BlueOrchard.
2. One-off, all-employee share award worth 5% of salary granted in December 2021; excluded from the mean and median bonus calculations shown above.

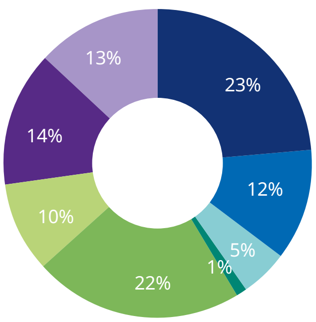
The employee mean and median figures represent the bonus value across all bonus-eligible employees each year. As such, part of the difference in value year-on-year is due to differences in population, from new hires and leavers, as well as higher or lower bonus awards for individual employees who were employed by Schroders both years.

You can find more information about our current global workforce, along with the publication of our voluntary global gender pay gap, associated analysis and findings by visiting our website at www.schroders.com/wdr

Relative spend on pay

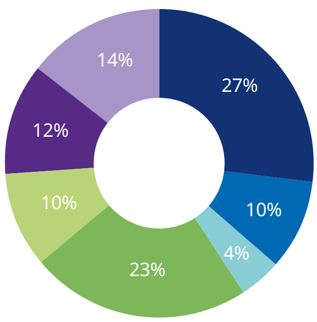
The charts below illustrate the relative spend on pay for 2021 compared with 2020. The values are taken from the financial statements and show how remuneration costs before exceptional items compare with shareholder distributions, taxes arising and earnings retained, to illustrate how net income is utilised.

2021



	vs. 2020
Fixed remuneration	£611.8m +4%
Variable remuneration – upfront	£297.5m +43%
Variable remuneration – deferred	£130.3m +38%
Share in Success Award	£23.6m n/a
Other operating expenses	£564.5m +12%
Corporate tax and social security[1]	£248.0m +15%
Retained earnings	£358.8m +40%
Interim dividend paid and final dividend recommended	£334.2m +7%

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 2021 was equal to 4% of net income (2020: 4%).

UK pay ratios

The table below compares the Group Chief Executive's single total remuneration figure for 2021 to the remuneration of the Group's UK workforce as at 31 December 2021, along with the comparative figures for the previous year. The CEO pay ratio has increased this year. This reflects a difference in the structure of the Group Chief Executive's overall pay versus typical employees, with a larger proportion based on business performance each year. For 2021, the percentage increase in bonus for the Group Chief Executive is below the lower quartile, median and average percentage change applying to all employees[1]. However the larger proportion of total compensation based on financial results means the positive outcomes for this year have a greater absolute impact on the Group Chief Executive's total compensation, notwithstanding the lower percentage change on prior year. The Group is focused on pay fairness across the workforce, at the same time our more senior staff have a generally higher weighting towards variable, 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.

					Lower quartile UK employee		Median UK employee		Upper quartile UK employee	
	Method[2]	Pay ratio to lower quartile UK employee	Pay ratio to median UK employee	Pay ratio to upper quartile UK employee	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2021	**Option A**	**134:1**	**84:1**	**49:1**	**63,093**	**47,000**	**100,761**	**69,433**	**173,941**	**100,000**
2020	Option A	110: 1	70: 1	42: 1	57,205	45,000	89,541	58,000	150,310	122,500
2019	Option A	117: 1	72: 1	42: 1	55,400	50,000	89,743	68,000	154,667	85,000

1. Inclusive of Share in Success Awards.
2. 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 2021 plus any annual bonus award in respect of 2021 and any other incentive awards granted during 2021. In calculating these ratios, salary and any annual bonus award or other incentive awards for employees who work part-time have been pro-rated up to a full-time equivalent. We have not included taxable travel benefits, such as the reimbursement of occasional travel home from work that was covered by the Group's travel and expenses policy but did not qualify as tax-free under HMRC rules on taxable benefits. No other assumptions or statistical modelling were required.

Comparing Director and wider workforce pay

The Committee considers executive Director pay structures and outcomes in the context of wider workforce pay. The table below compares percentage change in base salary/fees, benefits and annual bonus awards for the Directors with the average change across employees of the Group as a whole for the past two performance years. The outcome for employees of Schroders plc is also included to satisfy the statutory requirement but is shown as not applicable given the legal entity does not itself have any employees. The values shown for the executive Directors are based on those shown in the single total remuneration figure table on page 92 and those for non-executive Directors are based on the 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.

	2021				2020		
	Base salary/fee	Benefits	Bonus		Base salary/fee	Benefits	Bonus
Executive Directors							
Peter Harrison	+0%	+16%	+40%		+0%	–45%	–4%
Richard Keers	+0%	+49%	+41%		+0%	–3%	+2%
Non-executive Directors							
Michael Dobson	+0%	-9%	n/a		+0%	–35%	n/a
Sir Damon Buffini	+0%	n/a	n/a		+20%	n/a	n/a
Dame Elizabeth Corley	n/a	n/a	n/a		n/a	n/a	n/a
Rhian Davies	+0%	+0%	n/a		+13%	n/a	n/a
Claire Fitzalan Howard[1]	+51%	+0%	n/a		n/a	n/a	n/a
Rakhi Goss-Custard	+0%	+0%	n/a		+0%	n/a	n/a
Ian King	+0%	+0%	n/a		+0%	n/a	n/a
Leonie Schroder	+0%	-100%	n/a		+24%	n/a	n/a
Deborah Waterhouse	+0%	+0%	n/a		+47%	n/a	n/a
Matthew Westerman[1]	+43%	n/a	n/a		n/a	n/a	n/a
Employees							
Employees of Schroders plc	n/a	n/a	n/a		n/a	n/a	n/a
Employees of the Group[2,3,4]			**Excluding Share in Success Award**	**Including Share in Success Award**			
• Mean	+9%	+5%	+49%	+78%	+4%	+2%	+7%
• Median	+2%	+3%	+34%	+62%	+2%	+3%	+0%

1. The fee increases shown 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 2021.
2. For base salary, employees of the Group are those who were in employment between 31 December 2020 and 31 December 2021 and represents the salary increase over this period. Salary adjustments agreed as part of the 2021 compensation review will be effective in 2022.
3. For benefits, the mean percentage change for employees of the Group is a per capita figure for those who were in employment for all of the two years under review and represents the average change in benefits value during the year, while the median is the median percentage change of individual employees within the same population.
4. For bonus, the mean and median percentage change for employees of the Group is the mean and the median respectively of the individual year-on-year percentage change in bonus for employees who were in employment and bonus-eligible for all of 2020 and 2021. More commentary on the annual bonus award for each executive Director can be found on pages 82-83.

Single total remuneration figure for each executive Director (audited)

The total remuneration of each of the executive Directors for the years ended 31 December 2021 and 31 December 2020 is set out in the table below.

2021 (£'000)	Base salary[1]	Benefits and allowances[2]	Retirement benefits[3]	Total fixed pay	Initial scorecard outcome	Discretionary annual bonus reduction	Annual bonus award[4]	LTIP vested[5]	Total variable pay	Total remuneration
Peter Harrison	500	10	43	**553**			7,612	319	**7,931**	**8,484**
Richard Keers	375	10	45	**430**			3,395	213	**3,608**	**4,038**
Total	**875**	**20**	**88**	**983**			**11,007**	**532**	**11,539**	**12,522**
2020 (£'000)										
Peter Harrison	500	9	45	554	5,678	(250)	5,428	339	5,767	6,321
Richard Keers	375	6	45	426	2,503	(100)	2,403	226	2,629	3,055
Total	875	15	90	980	8,181	(350)	7,831	565	8,396	9,376

The methodology for determining the single total remuneration figure is set out in the footnotes below. A chart illustrating the figures above can be found on page 85.

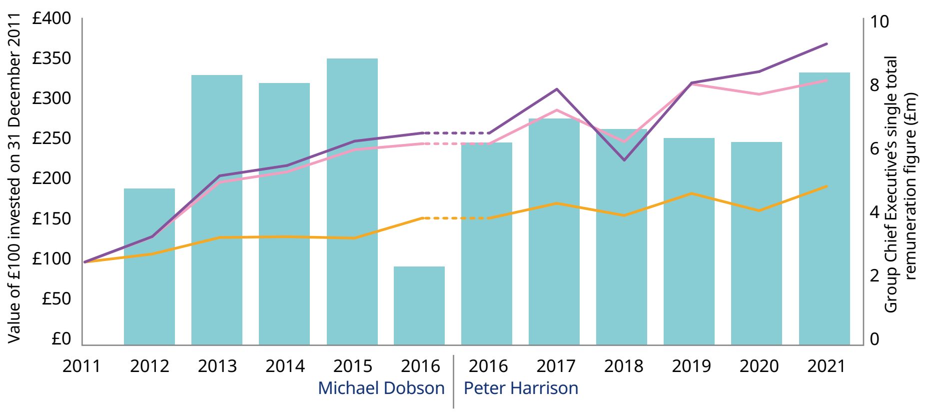
1. Represents the value of salary earned and paid during the financial year.
2. Includes one or more of: private healthcare, life assurance, permanent total disability insurance, Share Incentive Plan matching shares and private use of a company car and driver.
3. Represents the aggregate of contributions to defined contribution (DC) pension arrangements and cash in lieu of pension for Peter Harrison, and cash in lieu of pension for Richard Keers. Page 94 shows how the retirement benefits figures above are comprised for each Director.
4. Represents the total value of the annual bonus award for performance during the relevant financial year. The column headed 'Discretionary annual bonus reduction' shows the Committee's one-off reduction from the initial scorecard outcome for 2020, given the extraordinary circumstances of 2020, to reach the actual annual bonus award for each executive Director.

   Pages 82-83 set out the basis on which annual bonus awards for 2021 were determined. Page 94 breaks down the annual bonus awards for 2021 into cash paid through the payroll in February 2022 and the upfront fund awards, deferred fund awards and deferred share awards that will be granted in March 2022.
5. Represents the estimated value that is expected to vest on 3 March 2022 from LTIP awards granted on 5 March 2018, using the average closing mid-market share price over the three months ended 31 December 2021 and the percentage expected to vest. The comparative value for 2020 represents the actual value that vested on 4 March 2021 from LTIP awards granted on 6 March 2017. The 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 95, and page 95 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 96 sets out information on LTIP awards granted to the executive Directors during 2021, which the Directors subsequently waived. Page 84 sets out information on LTIP awards to be granted to the executive Directors in March 2022.

The Group Chief Executive's total remuneration over the last 10 years

The chart to the right illustrates the Group Chief Executive's single total remuneration figure over the past 10 years and compares it to the total shareholder return of Schroders shares and the FTSE 100 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



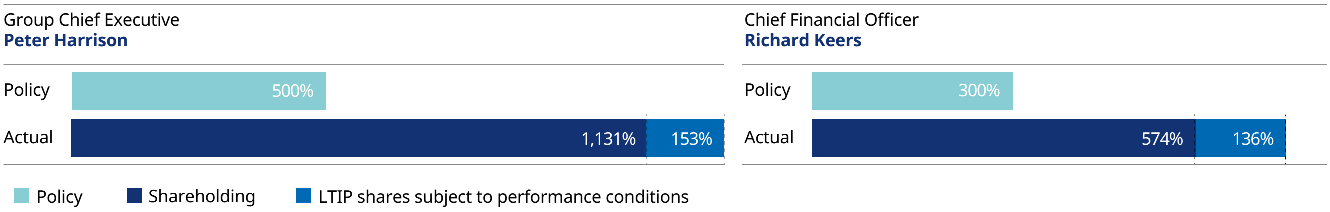
	2012	2013	2014	2015	2016 (Michael Dobson)	2016 (Peter Harrison)	2017	2018	2019	2020	2021
Single total remuneration figure (£'000)	4,870	8,414	8,155	8,905	2,451	6,311	7,059	6,735	6,453	6,321	8,484
Annual bonus award (outcome as a % of maximum, or actual award as a % of 10-year highest bonus)[1, 2, 3]	56%	81%	87%	100%	25%	70%	82%	78%	72%	69%	97%
LTIP (vesting as a % of maximum)[4]	n/a	100%	50%	50%	50%	50%	n/a	0%	50%	50%	50%

1. For performance years 2020 and 2021, 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. The 2016 remuneration for Michael Dobson reflects the actual remuneration that he received for the portion of 2016 that he served as Chief Executive.
3. Peter Harrison was appointed Group Chief Executive on 3 April 2016. The 2016 remuneration value above reflects his full-year single total remuneration figure.
4. 2012 is shown as 'n/a' as the LTIP was introduced in May 2010 and so there was no LTIP vesting outcome in this year. 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.

Executive Director alignment to shareholders (audited)

To align the interests of senior management with those of shareholders, the executive Directors and the other members of the GMC are required, over time, to acquire and retain a holding of Schroders shares or rights to shares. The required shareholding for the Group Chief Executive is 500% of base salary and 300% of base salary for the Chief Financial Officer. Shares that count for this policy include estimated after-tax value of unvested deferred share awards under the DAP or previous incentive plans (shown as 'Other unvested share awards' on page 97) and of vested DAP or LTIP awards (shown as 'Vested but unexercised share awards' on page 97) but do not include unvested LTIP awards as these rights to shares are subject to performance conditions. Both executive Directors have shareholdings well in excess of the level required under our personal shareholding policy.

Value of shareholding versus shareholding policy (% of salary)



The above illustration includes LTIP awards expected to vest on 3 March 2022 (see page 95) and DAP deferred share awards to be granted in respect of performance in 2021 (see page 94).

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, or the actual level of shareholding on stepping down if lower, must be maintained for a further two years.

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. A 10% share price movement would equate to a change in value of the shareholdings of Peter Harrison and Richard Keers of £503,000 and £193,000 respectively.

	As at 31 December 2021						Estimated after-tax value (£'000)			
Individual	Shares owned	Rights to shares	SIP shares acquired in January and February 2022	LTIP shares expected to vest 3 March 2022	Total share exposure	Rights to shares to be granted under the DAP in March 2022 (£'000)	At the 1 March 2021 share price	At the 1 March 2022 share price	Difference	Impact of a 10% share price movement
Peter Harrison	**4,979**	**186,804**	15	8,963	200,761	3,369	5,604	5,034	(570)	503
Richard Keers	**941**	**64,504**	15	5,976	71,436	1,490	2,135	1,934	(201)	193

Conduct, compliance and risk management in remuneration

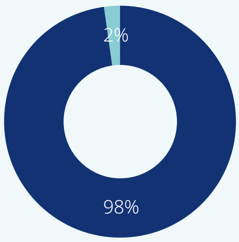
Schroders' core values are excellence, innovation, teamwork, passion and integrity. We expand on these in our guiding principles and values to more clearly articulate the behaviours that we expect from our employees. Performance management and remuneration are important tools to reinforce expected standards 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, AIFMD, and from 2022 certain IFPR entities, are subject to higher levels of bonus deferral and a higher proportion of remuneration in fund awards, creating greater alignment with shareholders and clients. 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 www.schroders.com/en/investor-relations/shareholders-and-governance/disclosures/pillar-3-disclosures. Other regulatory remuneration disclosures can be found at www.schroders.com/en/investor-relations/shareholders-and-governance/disclosures/remuneration-disclosures.

Shareholder voting on remuneration

The following votes were cast in respect of the Directors' remuneration report at our 2021 AGM and the Directors' remuneration policy at our 2020 AGM.

To approve the Remuneration report at the 2021 AGM

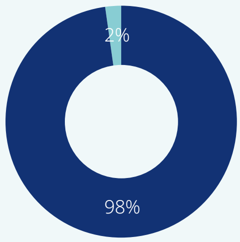


To approve the relevant Remuneration report	Votes for	Votes against
2021 AGM	**98%**	**2%**

2021 AGM voting

Votes for	191,318,374		
Votes against	3,114,325	Votes withheld	4,135,801

To approve the Directors' remuneration policy at the 2020 AGM



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

2020 AGM voting

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

Executive Director arrangements - additional detail

Retirement benefits – additional detail (audited)

The following table shows details of retirement benefits provided to executive Directors for the years ended 31 December 2021 and 31 December 2020. 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 92. 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	2021 employer contributions	2021 cash in lieu of pension[1]	2021 retirement benefits total	2020 employer contributions	2020 cash in lieu of pension[1]	2020 retirement benefits total	Accrued DB pension at 31 December 2021	Normal retirement age[2]
Peter Harrison	3	40	**43**	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.

Variable pay awards - additional detail (audited)

The table below sets out details of how the annual bonus award for each executive Director for performance during 2021 was structured along with the face value of the LTIP award granted during 2021 (see page 96) and the resulting percentage of variable pay deferred across annual bonus and LTIP combined.

	DAP award							LTIP award	
2021 (£'000)	Upfront cash bonus award	Upfront fund award	Deferred share award	Deferred fund award	Total DAP award	Total annual bonus award	Percentage deferred[1]	LTIP granted during 2021	Percentage of total variable pay deferred[1]
Peter Harrison	1,560	1,560	3,369	1,123	6,052	7,612	59%	600	62%
Richard Keers	704	704	1,490	497	2,691	3,395	59%	400	63%

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 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 1.5, 2.5 and 3.5 years from grant.

LTIP award vesting – additional detail (audited)

The LTIP awards granted on 5 March 2018, covering the 2018 to 2021 performance period, are expected to vest on 3 March 2022. The criteria for determining the extent of vesting are set out below.

Performance measure	Maximum % of award	Performance achieved	Vesting %
EPS[1] If the growth of adjusted EPS in the fourth year compared with the year prior to grant exceeds the defined composite index by: • less than 20% – no vesting • equal to 20% – 12.5% vests • between 20-40% – straight-line basis • 40% or greater – 50% vests	50%	Four-year growth in the composite index: 21.5% (see below) Schroders four-year EPS growth: 8.6% • Performance below the composite index; no vesting of this part of the award	0%
NNB[2] cumulative over the four-year performance period: • 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	50%	Four-year cumulative NNB: £91.5 billion • Performance above maximum target; full vesting of this part of the award	50%
Total expected to vest in relation to 2018 to 2021 performance			**50%**

1. EPS excluding revenue and costs relating to acquisitions classified as exceptionals but including any other exceptionals.
2. NNB excluding joint ventures and associates.

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%	21.6%
MSCI All Countries World	15.0%	61.0%
MSCI Emerging Markets	7.5%	16.5%
MSCI Europe	7.5%	29.0%
FTSE All Share	5.0%	15.1%
Bloomberg Barclays Global Aggregate	50.0%	9.8%
Composite index (calculated as a weighted average)		21.5%

The estimated value expected to vest on 3 March 2022 from LTIP awards granted on 5 March 2018 is shown in the table below. This is calculated based on the average closing mid-market share price over the three months ended 31 December 2021 and the expected vesting percentage shown in the table above. 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 2018-2021 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	–	19	319	8,963
Richard Keers	400	50%	200	–	13	213	5,976

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.

Directors' rights under fund and share awards

DAP and LTIP granted during 2021 (audited)

The following awards under the DAP were granted to Directors on 8 March 2021 in respect of deferred bonuses for performance during 2020. 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 2020 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 92. They are also shown in the tables of Directors' rights under fund and share awards on page 97.

		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 2020	1,123	2,387	795	4,305	33.58	71,069	Awarded for performance in 2020. No further performance conditions apply.
Richard Keers		506	1,043	348	1,897	33.58	31,086	

The following awards under the LTIP were granted to Directors on 8 March 2021 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 97.

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	33.58	17,867	31 December 2024
Richard Keers		400	100	25	33.58	11,911	31 December 2024

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 2021 was subject to the same performance conditions as applied to the awards expected to vest following the end of 2021, as described on page 95, save that the composite index for the measurement of EPS performance for these awards was as follows: 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%).

Malus and clawback

Annual bonus and LTIP awards (including bonus awards delivered via the Deferred Award Plan) are subject to the Group Malus and Clawback Policy. The policy sets out a range of circumstances in which malus and/or clawback may be applied which, for the executive Directors, includes: fraud, misconduct or misbehaviour by the participant; material error by the participant; significant failure of risk management; failure to meet appropriate standards of fitness or propriety; regulatory sanction or serious reputational damage where the conduct of the participant significantly contributed; material downturn in financial performance, including corporate failure; material financial misstatement for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case; material error or misrepresentation for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case; an award received in breach of regulatory requirements or where the financial sustainability of the Group or any Member of the Group would be adversely affected; significant increase in the economic/regulatory capital base of the Group or any part of the Group; participation in or responsibility for conduct resulting in material losses (malus trigger only); and breach of any of the policies or codes to which the individual is subject (malus trigger only).

Malus may be applied from the date on which the award is granted/established until settlement. Clawback may be applied for a period of up to seven years from the date of grant unless the Committee decides to extend it in the event of an investigation that could lead to the application of clawback were it not for the expiry of the clawback period. Under the DAP rules, all awards are subject to the Group Malus and Clawback Policy. This allows for any DAP awards to be reduced in quantum or for periods to be extended where malus/clawback is applied to any incentive award held by the individual, whether granted under the DAP or not. To ensure enforceability, all DAP participants accept their awards, confirming adherence to the DAP rules and Group Malus and Clawback policy. The executive Directors' contracts also explicitly provide for clawback.

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 2020	3,514	–	3,514
	Granted	795	1,123	1,918
	Vested	(1,798)	1,798	–
	Exercised	–	(2,921)	(2,921)
	At 31 December 2021	**2,511**	**–**	**2,511**
Richard Keers	At 31 December 2020	1,450	–	1,450
	Granted	348	506	854
	Vested	(745)	745	–
	Exercised	–	(772)	(772)
	At 31 December 2021	**1,053**	**478**	**1,531**

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 2020	61,075	148,044	45,402	254,521
	Granted	17,867	71,069	–	88,936
	LTIP award granted but not accepted	(17,867)	–	–	(17,867)
	Dividend-equivalent accrual	–	6,401	1,192	7,593
	Vested	(9,768)	(73,251)	83,019	–
	Lapsed where LTIP conditions were not met	(9,768)	–	–	(9,768)
	Exercised	–	–	(95,073)	(95,073)
	At 31 December 2021	**41,539**	**152,263**	**34,540**	**228,342**
Richard Keers (Ordinary shares)	At 31 December 2020	40,717	61,515	27,385	129,617
	Granted	11,911	31,086	–	42,997
	LTIP award granted but not accepted	(11,911)	–	–	(11,911)
	Dividend-equivalent accrual	–	2,694	591	3,285
	Vested	(6,512)	(30,792)	37,304	–
	Lapsed where LTIP conditions were not met	(6,512)	–	–	(6,512)
	Exercised	–	–	(65,280)	(65,280)
	At 31 December 2021	**27,693**	**64,503**	**–**	**92,196**

1. These awards will only vest to the extent that the relevant performance conditions are met. Includes LTIP awards granted on 5 March 2018, which were unvested as at 31 December 2021. These awards are expected to partially vest on 3 March 2022 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.

During 2021, the aggregate gain on nil-cost options for the Directors, which were settled in shares, was as follows:

- Peter Harrison received £3,420,000 from exercising nil-cost options over 95,073 ordinary shares, granted as an element of his annual bonus awards for performance in 2017 and 2018.
- Richard Keers received £2,413,000 from exercising nil-cost options over 65,280 ordinary shares, in part granted as an element of his annual bonus awards for performance in 2017, 2018 and 2019 and in part being the vested element of the LTIP award granted to him in 2017.

Non-executive Directors' remuneration (audited)

The fees for the non-executive Directors were not changed in 2021, 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.

The total remuneration of each of the non-executive Directors for the years ended 31 December 2021 and 31 December 2020 is set out in the table below:

	2021						2020					
£'000	**Basic fee**	**Committee Chairman**	**Committee member**	**SID**	**Taxable benefits**	**Total**	Basic fee	Committee Chairman	Committee member	SID	Taxable benefits	Total
Michael Dobson	625	–	–	–	10	**635**	625	–	–	–	11	636
Sir Damon Buffini	80	25	20	–	–	**125**	80	25	20	–	–	125
Dame Elizabeth Corley	27	–	–	–	–	**27**	n/a	n/a	n/a	n/a	n/a	n/a
Rhian Davies	80	25	40	–	1	**146**	80	25	40	–	1	146
Claire Fitzalan Howard	80	–	–	–	1	**81**	53	–	–	–	1	54
Rakhi Goss-Custard	80	–	20	–	2	**102**	80	–	20	–	2	102
Ian King	80	–	20	20	1	**121**	80	–	20	20	1	121
Leonie Schroder	80	–	–	–	–	**80**	80	–	–	–	1	81
Deborah Waterhouse	80	–	20	–	1	**101**	80	–	20	–	1	101
Matthew Westerman	80	–	40	–	–	**120**	65	–	19	–	–	84

The fees shown in each Director's case reflect the portion of 2020 and 2021 that they each served in their respective roles.

- 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.
- 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.
- Michael Dobson is due to step down as Chairman at the 2022 Annual General Meeting. Dame Elizabeth Corley, who was appointed to the Board as non-executive Director and Chair designate on 1 September 2021, will succeed Michael Dobson as Chair at the conclusion of the Company's 2022 Annual General Meeting. The Chair fee remains unchanged.

The benefits for Michael Dobson comprised 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 and Deborah Waterhouse comprised travel expenses.

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 2021	
	Ordinary shares	Non-voting ordinary shares
Executive Directors		
Peter Harrison	4,979	–
Richard Keers	941	–
Non-executive Directors		
Michael Dobson	4,965	196,165
Sir Damon Buffini	–	5,000
Dame Elizabeth Corley	6,000	6,000
Rhian Davies	–	1,000
Claire Fitzalan Howard[1]	78,614,727	5,495,293
Rakhi Goss-Custard	669	–
Ian King	–	2,641
Leonie Schroder[1]	90,422,110	7,671,700
Deborah Waterhouse	–	–
Matthew Westerman	2,000	–

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. The interests of Claire Fitzalan Howard no longer include the beneficial interests of certain individuals who have ceased to be connected parties.

Between 31 December 2021 and 2 March 2022, the only movements in the Directors' share interests were the acquisition under the Share Incentive Plan of 15 ordinary shares by Peter Harrison and 15 ordinary shares by Richard Keers.

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 2021.

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 9am and 5pm 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 2021. No other payments were made to former Directors during 2021.

By order of the Board.

Sir Damon Buffini
Chairman of the Remuneration Committee

2 March 2022

DIRECTORS' REPORT

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 2021 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 2022 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 1 March 2022, 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 8,434,403 ordinary shares and 14,257 non-voting ordinary shares.

Under the terms of the Share Incentive Plan, as at 1 March 2022, 906,580 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.

2022 Annual General Meeting

The 2022 AGM will be held on Thursday 28 April 2022 at 11.30am. 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 2021, as notified and disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules.

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	11,335,848	5.02

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

The UK Listing Rules require 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, 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. The Company's principal shareholder group, who in aggregate hold or control 108,323,711 (47.93%) of the Company's ordinary shares, are deemed to be acting in concert for these purposes and accordingly the Company is party to such an agreement (the Relationship Agreement) with the members of the principal shareholder group.

The principal shareholder group's interests are in shares owned directly or indirectly by trustee companies which act as trustees of various trusts settled by Schroder family individuals, in shares owned by Schroder family individuals, and in shares owned by a Schroder family charity. The trustee companies' holdings include the interests (43.15%) held by Vincitas Limited and Veritas Limited disclosed in the above table.

In accordance with Listing Rule 9.8.4(14), the Board confirms that for the year ended 31 December 2021:

- 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 recommend a final dividend of 85 pence per share, which if approved by shareholders at the AGM, will be paid on 5 May 2022 to shareholders on the register of members at close of business on 25 March 2022. 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 the prior year payments, are set out below.

Ordinary shares and non-voting ordinary shares	2021		2020	
	pence	£m	pence	£m
Interim	**37.0**	**101.3**	35.0	95.7
Final*	**85.0**	**232.9**	79.0	217.3
Total	**122.0**	**334.2**	114.0	313.0

* Subject to approval by shareholders at the 2022 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 2021 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 40.

The Directors have considered climate-related matters including the risks of climate change when preparing the Company's accounts.

We are committed to minimising the environmental impact of our operations and to delivering continuous improvement in our environmental performance. See page 35 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 and Rules of the Schroders Retirement Benefit Scheme (the Scheme), and 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 (2020: 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 77
(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 77
(12) Details of any arrangements under which a shareholder has waived or agreed to waive any dividends.	See pages 101, 118 and 143
(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 101, 118 and 143
(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 101

Post year end events

On 31 January 2022, the Group completed the acquisition of River and Mercantile's UK solutions business and Cairn Real Estate B.V., a Dutch real estate specialist. Further information can be found in note 29 to the accounts.

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 approved. 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 55.

By order of the Board.

Graham Staples
Company Secretary

2 March 2022

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

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

The Directors' report contained in this Annual Report and Accounts which comprises the sections described on page 100, 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 Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have 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 'foresee', 'targets', 'plans', 'believes', 'expects', 'confident', 'aims', 'will have', 'will be', 'will ensure', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this Annual Report and Accounts. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts should be construed as a forecast, estimate or projection of future financial performance.

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 2021

	Notes	2021 Before exceptional items £m	2021 Exceptional items[2] £m	2021 Total £m	2020 Before exceptional items £m	2020 Exceptional items[2] £m	2020 Total £m
Revenue		2,959.5	–	2,959.5	2,512.7	–	2,512.7
Cost of sales		(556.4)	–	(556.4)	(453.1)	–	(453.1)
Net operating revenue	2	**2,403.1**	**–**	**2,403.1**	**2,059.6**	**–**	**2,059.6**
Net gain on financial instruments and other income	3	77.5	(13.3)	64.2	55.5	0.4	55.9
Share of profit of associates and joint ventures	10	88.2	(8.9)	79.3	64.1	(21.0)	43.1
Net income		**2,568.8**	**(22.2)**	**2,546.6**	**2,179.2**	**(20.6)**	**2,158.6**
Operating expenses	4	(1,732.6)	(49.9)	(1,782.5)	(1,476.9)	(71.2)	(1,548.1)
Profit before tax		**836.2**	**(72.1)**	**764.1**	**702.3**	**(91.8)**	**610.5**
Tax	5(a)	(143.2)	2.9	(140.3)	(133.5)	9.0	(124.5)
Profit after tax[1]		**693.0**	**(69.2)**	**623.8**	**568.8**	**(82.8)**	**486.0**
Earnings per share							
Basic	6	**244.8p**	**(24.0)p**	**220.8p**	**200.8p**	**(28.4)p**	**172.4p**
Diluted	6	**240.6p**	**(23.5)p**	**217.1p**	**197.2p**	**(27.9)p**	**169.3p**
Total dividend per share	7			**122.0p**			**114.0p**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Profit after tax[1]		**623.8**	**486.0**
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		(19.0)	37.8
Net (loss)/gain on financial assets at fair value through other comprehensive income	3	(2.8)	1.4
Net gain on financial assets at fair value through other comprehensive income held by associates	10	0.1	0.1
Tax on items taken directly to other comprehensive income	5(b)	1.1	(0.3)
		(20.6)	**39.0**
Items that will not be reclassified to the income statement:			
Net actuarial gain on defined benefit pension schemes	25	27.6	30.4
Tax on items taken directly to other comprehensive income	5(b)	(6.7)	(5.0)
		20.9	**25.4**
Other comprehensive income for the year, net of tax[1]		**0.3**	**64.4**
Total comprehensive income for the year[1]		**624.1**	**550.4**

1. Non-controlling interest is presented in the 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 2021

	Notes	2021 £m	2020 £m
Assets			
Cash and cash equivalents		4,207.3	3,469.6
Trade and other receivables	8	1,000.9	840.3
Financial assets	9	3,132.3	2,871.8
Associates and joint ventures	10	466.7	405.2
Property, plant and equipment	11, 12	560.0	590.9
Goodwill and intangible assets	13	1,168.5	1,208.0
Deferred tax	14	145.0	32.9
Retirement benefit scheme surplus	25	197.9	168.2
		10,878.6	**9,586.9**
Assets backing unit-linked liabilities			
Cash and cash equivalents		911.7	746.3
Financial assets		12,551.4	11,339.9
	15	**13,463.1**	**12,086.2**
Total assets		**24,341.7**	**21,673.1**
Liabilities			
Trade and other payables	16	1,115.0	927.7
Financial liabilities	17	4,793.6	4,085.2
Lease liabilities	12	373.8	397.2
Current tax		52.2	21.5
Provisions	18	26.8	26.4
Deferred tax	14	80.4	31.5
Retirement benefit scheme deficits		11.1	11.5
		6,452.9	**5,501.0**
Unit-linked liabilities	15	**13,463.1**	**12,086.2**
Total liabilities		**19,916.0**	**17,587.2**
Net assets		**4,425.7**	**4,085.9**
Total equity[1]		**4,425.7**	**4,085.9**

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

The financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Richard Keers

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Notes	Attributable to owners of the parent								
	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
At 1 January 2021		**282.5**	**124.2**	**(159.8)**	**165.6**	**133.6**	**3,456.7**	**4,002.8**	**83.1**	**4,085.9**
Profit for the year		–	–	–	–	79.3	532.6	611.9	11.9	623.8
Other comprehensive income[1]		–	–	–	(21.0)	0.1	19.2	(1.7)	2.0	0.3
Total comprehensive income for the year		**–**	**–**	**–**	**(21.0)**	**79.4**	**551.8**	**610.2**	**13.9**	**624.1**
Own shares purchased	22	–	–	(75.3)	–	–	–	(75.3)	–	(75.3)
Share-based payments	26	–	–	–	–	–	89.5	89.5	–	89.5
Tax in respect of share schemes	5(c)	–	–	–	–	–	4.7	4.7	–	4.7
Other movements		–	–	–	–	–	(27.4)	(27.4)	52.6	25.2
Dividends	7	–	–	–	–	–	(318.6)	(318.6)	(9.8)	(328.4)
Transactions with shareholders		**–**	**–**	**(75.3)**	**–**	**–**	**(251.8)**	**(327.1)**	**42.8**	**(284.3)**
Transfers		**–**	**–**	**84.9**	**–**	**(29.6)**	**(55.3)**	**–**	**–**	**–**
At 31 December 2021		**282.5**	**124.2**	**(150.2)**	**144.6**	**183.4**	**3,701.4**	**4,285.9**	**139.8**	**4,425.7**

	Notes	Attributable to owners of the parent								
	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
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

1. Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange (loss)/gain on the translation of foreign operations net of hedging. 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 on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Net cash from operating activities	23	**1,234.2**	**832.5**
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(18.7)	(18.3)
Net acquisition of property, plant and equipment and intangible assets		(89.4)	(92.8)
Acquisition of financial assets		(1,946.0)	(1,728.2)
Disposal of financial assets		2,123.9	1,974.2
Non-banking interest received		12.5	14.9
Distributions received from associates and joint ventures		35.1	1.5
Net cash from investing activities		**117.4**	**151.3**
Cash flows from financing activities			
Purchase of subsidiary shares from non-controlling interest holders		(32.4)	(15.8)
Cash from non-controlling interest holders		54.5	–
Lease payments	12	(47.5)	(44.4)
Acquisition of own shares	22	(75.3)	(58.3)
Dividends paid	7	(328.4)	(311.8)
Other flows		(0.6)	(0.8)
Net cash used in financing activities		**(429.7)**	**(431.1)**
Net increase in cash and cash equivalents		**921.9**	**552.7**
Opening cash and cash equivalents		4,215.9	3,632.9
Net increase in cash and cash equivalents		921.9	552.7
Effect of exchange rate changes		(18.8)	30.3
Closing cash and cash equivalents		**5,119.0**	**4,215.9**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		4,075.5	3,421.9
Cash held in consolidated pooled investment vehicles		131.8	47.7
Cash and cash equivalents presented within assets		**4,207.3**	**3,469.6**
Cash and cash equivalents presented within assets backing unit-linked liabilities		911.7	746.3
Closing cash and cash equivalents		**5,119.0**	**4,215.9**

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, primarily for private clients. The Group segment principally comprises the Group's treasury management, 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 Schroders Personal Wealth (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 2021	**Asset Management £m**	**Wealth Management £m**	**Group £m**	**Segmental total £m**	**Adjustments £m**	**Group total £m**
Revenue	2,582.5	452.1	–	3,034.6	(75.1)	2,959.5
Cost of sales	(539.4)	(31.3)	–	(570.7)	14.3	(556.4)
Net operating revenue	**2,043.1**	**420.8**	**–**	**2,463.9**	**(60.8)**	**2,403.1**
Net gain on financial instruments and other income	21.0	11.7	48.6	81.3	(3.8)	77.5
Share of profit of associates and joint ventures	73.9	1.2	–	75.1	13.1	88.2
Net income	**2,138.0**	**433.7**	**48.6**	**2,620.3**	**(51.5)**	**2,568.8**
Operating expenses	(1,424.8)	(305.1)	(53.6)	(1,783.5)	50.9	(1,732.6)
Profit before tax and exceptional items	**713.2**	**128.6**	**(5.0)**	**836.8**	**(0.6)**	**836.2**

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**

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.

NOTES TO THE ACCOUNTS CONTINUED

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 and certain one-off costs in 2020 relating to the Group's property estate.

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Profit before tax and exceptional items	**713.2**	**128.6**	**(5.0)**	**836.8**	**(0.6)**	**836.2**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	(13.3)	–	–	(13.3)	–	(13.3)
Associates and joint ventures amortisation of acquired intangible assets and other costs	(0.3)	(8.5)	–	(8.8)	(0.1)	(8.9)
	(13.6)	**(8.5)**	**–**	**(22.1)**	**(0.1)**	**(22.2)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(13.2)	(20.3)	–	(33.5)	–	(33.5)
Other expenses	(13.4)	(3.0)	–	(16.4)	–	(16.4)
	(26.6)	**(23.3)**	**–**	**(49.9)**	**–**	**(49.9)**
Profit before tax and after exceptional items	**673.0**	**96.8**	**(5.0)**	**764.8**	**(0.7)**	**764.1**

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**

(c) Geographical information

The Group's non-current assets[1] are located in the following countries:

	2021 £m	2020 £m
United Kingdom	1,468.5	1,513.4
China	199.6	159.4
Switzerland	184.5	187.4
United States	106.9	111.7
France	78.4	86.6
Singapore	39.2	44.2
Other	123.5	107.6
Total	**2,200.6**	**2,210.3**

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

1. Segmental reporting continued
(d) Non-cash items

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Group total £m
Operating expenses include the following non-cash items:				
Share-based payments	75.7	8.5	5.3	89.5
Depreciation and amortisation	133.3	29.5	–	162.8

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Group total £m
Operating expenses include the following non-cash items:				
Share-based payments	48.9	4.1	3.1	56.1
Depreciation and amortisation	125.6	30.4	12.8	168.8

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 certain performance hurdles are met and the service has been provided. This may result in the recognition of revenue before the contractual crystallisation date.

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

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

Cost of sales

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

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

2. Net operating revenue continued

a) Net operating revenue by segment is presented below:

Year ended 31 December 2021	**Asset Management £m**	**Wealth Management £m**	**Group £m**	**Segmental total £m**	**Adjustments £m**	**Group total £m**
Management fees	2,388.6	404.2	–	2,792.8	(75.1)	2,717.7
Performance fees	94.2	0.2	–	94.4	–	94.4
Carried interest	71.5	–	–	71.5	–	71.5
Other fees	28.2	36.4	–	64.6	–	64.6
Wealth Management interest income	–	11.3	–	11.3	–	11.3
Revenue	**2,582.5**	**452.1**	**–**	**3,034.6**	**(75.1)**	**2,959.5**
Fee expense	(499.8)	(31.1)	–	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	(39.6)	–	–	(39.6)	–	(39.6)
Wealth Management interest expense	–	(0.2)	–	(0.2)	–	(0.2)
Cost of sales	**(539.4)**	**(31.3)**	**–**	**(570.7)**	**14.3**	**(556.4)**
Net operating revenue	**2,043.1**	**420.8**	**–**	**2,463.9**	**(60.8)**	**2,403.1**

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	–	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)
Cost of financial obligations in respect of carried interest	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense	–	(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**

2. Net operating revenue continued

b) Net operating revenue is presented below by region based on the location of clients:

Year ended 31 December 2021	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	908.4	869.0	643.3	372.1	2,792.8	(75.1)	2,717.7
Performance fees	8.2	32.0	28.9	25.3	94.4	–	94.4
Carried interest	–	71.5	–	–	71.5	–	71.5
Other fees	30.8	23.2	10.4	0.2	64.6	–	64.6
Wealth Management interest income	10.3	0.9	0.1	–	11.3	–	11.3
Revenue	**957.7**	**996.6**	**682.7**	**397.6**	**3,034.6**	**(75.1)**	**2,959.5**
Fee expense	(80.6)	(215.5)	(181.7)	(53.1)	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	–	(39.6)	–	–	(39.6)	–	(39.6)
Wealth Management interest expense	(0.2)	–	–	–	(0.2)	–	(0.2)
Cost of sales	**(80.8)**	**(255.1)**	**(181.7)**	**(53.1)**	**(570.7)**	**14.3**	**(556.4)**
Net operating revenue	**876.9**	**741.5**	**501.0**	**344.5**	**2,463.9**	**(60.8)**	**2,403.1**

Year ended 31 December 2020	UK £m	Continental Europe and 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	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)
Cost of financial obligations in respect of carried interest	–	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense	(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**

Estimates and judgements – revenue

Carried interest represents the Group's contractual right to a share of the profits of 113 private asset investment vehicles (2020: 95 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. For accounting purposes, the outcome is discounted to determine the present value of the carried interest to be recognised. The actual amount receivable at maturity will depend on the realised value and may differ from the projected value.

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

The Group assesses the 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.

NOTES TO THE ACCOUNTS CONTINUED

Estimates and judgements – cost of sales

The crystallisation of associated financial obligations in respect of carried interest (carried interest payable, see note 17) is contingent on the Group receiving the related revenue. The areas of estimates and judgements are the same as those used to determine the present value of the carried interest receivable, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £3.6 million (2020: £2.8 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £3.0 million/£4.2 million (2020: £1.6 million/£3.0 million) 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 working capital and investment capital.

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). 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). An explanation of how the Group's financial assets and financial liabilities are classified and measured is included in notes 9 and 17.

Net gains and losses on financial instruments at FVTPL principally comprise unrealised gains and losses on investments in debt securities, equities, pooled investment vehicles, and derivatives (which mainly arise from hedging activities) as well as gains and losses on contingent consideration and other financial liabilities arising from business combinations.

Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income. Cumulative gains and losses are transferred to the income statement if the investment is sold or otherwise realised. Interest earned on FVOCI assets is recognised using the effective interest method and recorded as net finance income within net gains on financial instruments and other income.

Expected credit losses (ECL) are calculated on financial assets measured at amortised cost and debt instruments measured at FVOCI. Movements in the ECL provision are recognised in net gains on financial instruments and other income in the income statement (see note 20).

Net gains and losses on financial instruments presented in the income statement excludes net gains and losses on financial instruments at FVTPL that are held to hedge deferred employee cash awards and the cost of financial obligations in respect of carried interest. These items are included within operating expenses and cost of sales respectively and are presented separately within this note. 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.

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.

3. Net gain on financial instruments and other income continued

Year ended 31 December	2021 Income statement £m	2021 Other comprehensive income £m	2021 Total £m	2020 Income statement £m	2020 Other comprehensive income £m	2020 Total £m
Net gain on financial instruments at FVTPL	**36.1**	**–**	**36.1**	**58.0**	**–**	**58.0**
Net (loss)/gain arising from fair value movements	–	(1.0)	(1.0)	–	1.9	1.9
Net transfers on disposal	1.8	(1.8)	–	0.5	(0.5)	–
Net (loss)/gain on financial assets at FVOCI	**1.8**	**(2.8)**	**(1.0)**	**0.5**	**1.4**	**1.9**
Net finance (expense)/income	(2.0)	–	(2.0)	1.1	–	1.1
Other income/(expense)	28.3	–	28.3	(3.7)	–	(3.7)
Net gain on financial instruments and other income[1]	**64.2**	**(2.8)**	**61.4**	**55.9**	**1.4**	**57.3**
Net gain on financial instruments held to hedge employee deferred cash awards – presented within operating expenses (see note 4)	22.2	–	22.2	25.6	–	25.6
Cost of financial obligations in respect of carried interest – presented within cost of sales (see note 2)	(39.6)	–	(39.6)	(12.5)	–	(12.5)
Net gain on financial instruments and other income – including amounts presented elsewhere	**46.8**	**(2.8)**	**44.0**	**69.0**	**1.4**	**70.4**

1. Includes a charge of £13.3 million (2020: £0.4 million credit) of exceptional items.

NOTES TO THE ACCOUNTS CONTINUED

4. Operating expenses

Operating expenses represent the Group's administrative expenses and are recognised as the services are received. Certain costs, such as depreciation of property, plant and equipment and amortisation of intangible assets, 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.

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	2021 £m	2020 £m
Salaries, wages and other remuneration	1,034.6	871.5
Social security costs	104.9	82.5
Pension costs	57.4	54.1
Employee benefits expense	**1,196.9**	**1,008.1**
Net gain on financial instruments held to hedge deferred cash awards	(22.2)	(25.6)
Employee benefits expense – net of hedging	**1,174.7**	**982.5**

The employee benefits expense net of hedging of £1,174.7 million (2020: £982.5 million) includes £6.6 million (2020: £7.8 million) that is presented within exceptional items.

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 77 to 99.

The monthly average number of employees of the Company and its subsidiary undertakings during the year was:

	2021 Number	2020 Number
Full-time employees	5,358	5,165
Contract and temporary employees	292	391
	5,650	**5,556**
Employed as follows:		
Asset Management	4,419	4,384
Wealth Management	1,202	1,142
Group	29	30
	5,650	**5,556**

(b) Audit and other services

Year ended 31 December	2021 £m	2020 £m
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	0.7	0.6
Fees payable to the auditor and its associates for other services:		
Audit of the Company's subsidiaries	4.0	3.6
Audit-related assurance services	1.1	1.1
Other assurance services	0.7	0.5
	6.5	**5.8**

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 when there are specific treatments applicable relating to items such as 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	2021 £m	2020 £m
UK current year charge	71.1	49.9
Rest of the world current year charge	104.4	69.3
Prior year adjustments	33.6	(4.8)
Total current tax	**209.1**	**114.4**
Origination and reversal of temporary differences	(31.2)	0.5
Prior year adjustments	(34.4)	5.0
Effect of changes in corporation tax rates	(3.2)	4.6
Total deferred tax	**(68.8)**	**10.1**
Tax charge reported in the income statement	**140.3**	**124.5**

(b) Analysis of tax charge reported in other comprehensive income

Year ended 31 December	2021 £m	2020 £m
Current tax charge on movements in financial assets at fair value through other comprehensive income	–	0.2
Deferred tax charge on actuarial gains and losses on defined benefit pension schemes	5.2	5.6
Deferred tax credit on other movements through other comprehensive income	(1.0)	(0.1)
Deferred tax – effect of changes in corporation tax rates	1.4	(0.4)
Tax charge reported in other comprehensive income	**5.6**	**5.3**

(c) Analysis of tax credit reported in equity

Year ended 31 December	2021 £m	2020 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(3.7)	(2.7)
Deferred tax credit on Deferred Award Plan and other share-based remuneration	(0.8)	(0.5)
Deferred tax – effect of changes in corporation tax rates	(0.2)	(0.3)
Tax credit reported in equity	**(4.7)**	**(3.5)**

(d) Factors affecting tax charge for the year

The UK standard rate of corporation tax for 2021 is 19% (2020: standard rate of 19%). The tax charge for the year is higher (2020: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	2021 £m	2020 £m
Profit before tax	764.1	610.5
Less share of profit of associates and joint ventures	(79.3)	(43.1)
Profit before tax of Group entities	**684.8**	**567.4**
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	**130.1**	**107.8**
Effects of:		
Different statutory tax rates of overseas jurisdictions	6.7	5.9
Permanent differences including non-taxable income and non-deductible expenses	6.9	10.0
Net movement in temporary differences for which no deferred tax is recognised	0.6	(4.0)
Deferred tax adjustments in respect of changes in corporation tax rates	(3.2)	4.6
Prior year adjustments	(0.8)	0.2
Tax charge reported in the income statement	**140.3**	**124.5**

NOTES TO THE ACCOUNTS CONTINUED

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 (2020: none).

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	2021 Number Millions	2020 Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	277.1	276.2
Effect of dilutive potential shares – share options	4.7	5.0
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	**281.9**	**281.3**

The pre-exceptional earnings per share calculations are based on pre-exceptional profit after tax excluding non-controlling interest of £14.7 million (2020: £14.2 million). After exceptional items, the profit after tax attributable to non-controlling interest was £11.9 million (2020: £9.7 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.

	2022		2021		2020	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Prior year final dividend paid			217.3	79.0	216.0	79.0
Interim dividend paid			101.3	37.0	95.7	35.0
Total dividends paid			**318.6**	**116.0**	**311.7**	**114.0**
Current year final dividend recommended	**232.9**	**85.0**				

Dividends of £9.1 million (2020: £10.4 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 2021 final dividend of 85.0 pence per share (2020 final dividend: 79.0 pence), amounting to £232.9 million (2020 final dividend: £216.3 million). The dividend will be paid on 5 May 2022 to shareholders on the register at 25 March 2022 and will be accounted for in 2022.

In addition, the Group paid £9.8 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2021 (2020: £0.1 million), resulting in total dividends paid of £328.4 million (2020: £311.8 million).

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.

	2021			2020		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade and other receivables held at amortised cost:						
Fee debtors	–	76.8	76.8	–	77.6	77.6
Settlement accounts	–	285.3	285.3	–	155.2	155.2
Accrued income	67.5	426.9	494.4	53.8	430.2	484.0
Prepayments	5.4	62.6	68.0	6.2	52.3	58.5
Other receivables	10.5	25.6	36.1	7.6	39.5	47.1
Current tax	–	37.8	37.8	–	14.8	14.8
	83.4	**915.0**	**998.4**	**67.6**	**769.6**	**837.2**
Trade and other receivables held at fair value:						
Deposits with banks in the form of bullion	–	2.5	2.5	–	3.1	3.1
Total trade and other receivables	**83.4**	**917.5**	**1,000.9**	**67.6**	**772.7**	**840.3**

The fair value of trade and other receivables held at amortised cost approximates their carrying value. Deposits with banks in the form of bullion are categorised as level 1 in the fair value hierarchy. Refer to note 9 for details on the fair value hierachy.

Estimates and judgements – carried interest receivable

Accrued income includes £100.0 million of receivables in respect of carried interest (2020: £90.7 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.

NOTES TO THE ACCOUNTS CONTINUED

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 fair value 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 credit 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 credit 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.

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. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below. The fair value levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities, government debt and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, 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 significant inputs that are not based on observable market data. The Group's level 3 financial assets principally comprise holdings in pooled investment vehicles, including private equity funds, and holdings in property investment vehicles that operate hotel businesses. The pooled investment vehicles are measured in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 using the valuation technique that is most suitable to the applicable investment. The property investment vehicles are valued based on the expected future cash flows that could be generated from the underlying hotel businesses. Given the application of different valuation techniques, and as the investments are not homogenous in nature, there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value.

9. Financial assets continued

	2021				
	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	–	–	–	153.0	153.0
Loans and advances to clients	–	–	–	614.0	614.0
Debt securities	–	–	–	109.9	109.9
	–	**–**	**–**	**876.9**	**876.9**
Financial assets at FVOCI:					
Debt securities	405.7	4.2	–	–	409.9
	405.7	**4.2**	**–**	**–**	**409.9**
Financial assets at FVTPL:					
Debt securities	185.5	231.1	4.0	–	420.6
Pooled investment vehicles	603.9	38.0	135.1	–	777.0
Equities	557.8	4.1	8.2	–	570.1
Derivative contracts	28.5	49.3	–	–	77.8
	1,375.7	**322.5**	**147.3**	**–**	**1,845.5**
Total financial assets	**1,781.4**	**326.7**	**147.3**	**876.9**	**3,132.3**

	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**
Total financial assets	**1,404.8**	**536.4**	**138.3**	**792.3**	**2,871.8**

NOTES TO THE ACCOUNTS CONTINUED

9. Financial assets continued

	2021 £m	2020 £m
Current	2,435.5	2,354.3
Non-current	696.8	517.5
	3,132.3	**2,871.8**

The fair value of financial assets at amortised cost approximates their carrying value. No financial assets were transferred between levels during 2021 (2020: none).

Movements in financial assets categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	138.3	134.9
Exchange translation adjustments	(3.8)	3.0
Net gain recognised in the income statement	42.4	4.1
Additions	29.3	23.3
Disposals	(58.9)	(27.0)
At 31 December	**147.3**	**138.3**

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 Group's statement of other comprehensive income records the Group's share of gains and losses arising from the entity's financial assets at FVOCI (see note 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 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

	2021			2020		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	211.0	194.2	405.2	200.2	197.8	398.0
Exchange translation adjustments	6.1	(0.1)	6.0	2.0	(0.1)	1.9
Additions	1.1	5.9	7.0	0.2	2.5	2.7
Disposals	(0.8)	–	(0.8)	(34.3)	–	(34.3)
Profit/(loss) for the year after tax	72.3	7.0	79.3	48.5	(5.4)	43.1
Gains recognised in other comprehensive income	0.1	–	0.1	0.1	–	0.1
Other movements in reserves of associates and joint ventures	–	–	–	0.2	–	0.2
Distributions of profit	(29.2)	(0.9)	(30.1)	(5.9)	(0.6)	(6.5)
At 31 December	**260.6**	**206.1**	**466.7**	**211.0**	**194.2**	**405.2**

Information about the significant associates and joint ventures held by the Group at 31 December 2021 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	US	Common units	19.3%

10. Associates and joint ventures continued

	2021						2020					
	SPW[1] £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m	SPW £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m
Non-current assets	209.7	54.6	14.3	1,390.2	5.8	1,674.6	216.0	36.7	13.1	953.2	2.2	1,221.2
Current assets	157.3	756.2	96.2	176.9	22.5	1,209.1	143.0	636.4	58.5	125.5	19.4	982.8
Non-current liabilities	(23.2)	(1.1)	–	(1,404.0)	(1.5)	(1,429.8)	(22.0)	(0.9)	(4.7)	(956.6)	(0.7)	(984.9)
Current liabilities	(58.0)	(146.7)	(14.4)	(113.1)	(5.9)	(338.1)	(68.1)	(142.2)	(6.8)	(77.9)	(3.7)	(298.7)
Total equity	**285.8**	**663.0**	**96.1**	**50.0**	**20.9**	**1,115.8**	**268.9**	**530.0**	**60.1**	**44.2**	**17.2**	**920.4**
Group's share of net assets	142.6	198.9	24.0	9.6	7.7	382.8	134.2	159.0	15.0	8.5	6.1	322.8
Goodwill and intangible assets	58.1	–	10.4	1.3	17.2	87.0	60.9	–	10.4	1.2	13.0	85.5
Deferred tax liability	(3.1)	–	–	–	–	(3.1)	(3.1)	–	–	–	–	(3.1)
Carrying value held by the Group	**197.6**	**198.9**	**34.4**	**10.9**	**24.9**	**466.7**	**192.0**	**159.0**	**25.4**	**9.7**	**19.1**	**405.2**
Net income	135.1	355.2	79.4	66.5	29.0	665.2	125.2	263.3	57.4	34.0	23.4	503.3
Profit/(loss) for the year	16.9	201.4	36.7	14.1	8.1	277.2	(6.8)	141.7	22.7	4.0	4.1	165.7
Other comprehensive income	–	–	–	0.3	–	0.3	–	–	–	0.5	–	0.5
Total comprehensive income	**16.9**	**201.4**	**36.7**	**14.4**	**8.1**	**277.5**	**(6.8)**	**141.7**	**22.7**	**4.5**	**4.1**	**166.2**
Group's share of profit/(loss) for the year before amortisation[2]	**8.4**	**60.4**	**9.2**	**2.7**	**2.8**	**83.5**	**(3.4)**	**42.5**	**5.7**	**0.8**	**1.6**	**47.2**
Amortisation charge	(2.8)	–	–	–	(1.4)	(4.2)	(2.8)	–	–	–	(1.3)	(4.1)
Group's share of profit/(loss) for the year	**5.6**	**60.4**	**9.2**	**2.7**	**1.4**	**79.3**	**(6.2)**	**42.5**	**5.7**	**0.8**	**0.3**	**43.1**
Group's share of other comprehensive income	–	–	–	0.1	–	0.1	–	–	–	0.1	–	0.1
Group's share of total comprehensive income	**5.6**	**60.4**	**9.2**	**2.8**	**1.4**	**79.4**	**(6.2)**	**42.5**	**5.7**	**0.9**	**0.3**	**43.2**

1. SPW is a joint venture of the Group and has £114.8 million of cash and cash equivalents (2020: £105.6 million) within its current assets.
2. Includes £4.7 million of exceptional items within the share of profit of associates and joint ventures (2020: £16.9 million).

(b) Investments in associates measured at fair value

Where the Group holds units in pooled investment vehicles that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, the Group records such investments at fair value. Information about the Group's principal associates measured at fair value is shown below. The investments are recorded as financial assets within the statement of financial position.

	2021					
	Schroder ISF Smart Manufacturing £m	SSSF Wealth Management USD Balanced £m	Schroder Core Plus FIC FIA £m	ICBC (Europe) ECITS SICAV £m	Schroder QEP Global Active value £m	Schroder Advanced Beta Global Corporate Bond £m
Current assets	32.1	15.4	5.8	21.9	458.9	1,277.7
Current liabilities	–	–	–	–	–	(0.7)
Total equity	**32.1**	**15.4**	**5.8**	**21.9**	**458.9**	**1,277.0**
Net income	1.4	0.3	0.1	0.1	13.7	19.6
Profit for the year	1.4	0.3	0.1	0.1	13.7	19.6
Total comprehensive income	**1.4**	**0.3**	**0.1**	**0.1**	**13.7**	**19.6**
Country of incorporation	Luxembourg	Luxembourg	Brazil	Luxembourg	Luxembourg	UK
Percentage owned by the Group	29%	28%	28%	33%	27%	23%

NOTES TO THE ACCOUNTS CONTINUED

10. Associates and joint ventures continued

	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 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%

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. Right-of-use assets in the form of leases are also included within property, plant and equipment (further detail is found in note 12). 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.

	2021				2020			
	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	188.7	19.7	157.5	365.9	187.6	19.7	145.4	352.7
Exchange translation adjustments	(0.8)	–	(1.6)	(2.4)	–	–	0.9	0.9
Additions	11.2	–	14.8	26.0	4.9	–	14.0	18.9
Disposals	(4.5)	–	(4.9)	(9.4)	(3.8)	–	(2.8)	(6.6)
At 31 December	**194.6**	**19.7**	**165.8**	**380.1**	**188.7**	**19.7**	**157.5**	**365.9**
Accumulated depreciation								
At 1 January	(50.7)	(1.3)	(77.8)	(129.8)	(34.0)	(0.9)	(60.2)	(95.1)
Exchange translation adjustments	0.6	–	0.8	1.4	(0.1)	–	(0.2)	(0.3)
Depreciation charge	(13.6)	(0.5)	(17.1)	(31.2)	(19.6)	(0.4)	(19.6)	(39.6)
Disposals	4.5	–	4.9	9.4	3.0	–	2.2	5.2
At 31 December	**(59.2)**	**(1.8)**	**(89.2)**	**(150.2)**	**(50.7)**	**(1.3)**	**(77.8)**	**(129.8)**
Net book value at 31 December	**135.4**	**17.9**	**76.6**	**229.9**	**138.0**	**18.4**	**79.7**	**236.1**
Right-of-use assets (see note 12)				330.1				354.8
Property, plant and equipment net book value at 31 December				**560.0**				**590.9**

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 statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that the Group would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right-of-use (ROU) asset is recorded at the value of the lease liability plus any directly related costs and estimated future dilapidation expense and is presented within property, plant and equipment (see note 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.

	2021		2020	
	Right-of-use assets £m	**Lease liabilities £m**	Right-of-use assets £m	Lease liabilities £m
At 1 January	354.8	397.2	394.7	425.3
Exchange translation adjustments	(1.8)	(1.2)	0.1	(0.7)
Additions and remeasurements of lease obligations	14.5	14.5	4.4	5.0
Lease payments	–	(47.5)	–	(44.4)
Depreciation charge	(37.4)	–	(44.4)	–
Interest expense	–	10.8	–	12.0
At 31 December	**330.1**	**373.8**	**354.8**	**397.2**

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

	2021	2020
Lease liabilities – current	31.2	35.9
Lease liabilities – non-current	342.6	361.3
	373.8	**397.2**

The Group's lease liabilities contractually mature in the following time periods:

	2021 £m	**2020 £m**
Less than 1 year	46.3	48.7
1 – 2 years	47.9	47.1
2 – 5 years	98.8	114.8
More than 5 years	267.9	283.5
	414.6	**445.4**
	460.9	**494.1**

NOTES TO THE ACCOUNTS CONTINUED

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 and geographies. Where such assets can be identified, they are classified as acquired intangible assets and amortised to the income statement within operating expenses 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 ten years.

	2021				2020			
	Goodwill £m	**Acquired intangible assets £m**	**Software £m**	**Total £m**	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost								
At 1 January	811.7	362.8	413.2	1,587.7	761.8	326.0	340.6	1,428.4
Exchange translation adjustments	(8.3)	(3.2)	(0.8)	(12.3)	16.6	5.4	0.6	22.6
Additions	–	2.3	63.4	65.7	33.3	31.4	73.9	138.6
Disposals	–	–	(5.1)	(5.1)	–	–	(1.9)	(1.9)
At 31 December	**803.4**	**361.9**	**470.7**	**1,636.0**	**811.7**	**362.8**	**413.2**	**1,587.7**
Accumulated amortisation								
At 1 January	–	(220.2)	(159.5)	(379.7)	–	(182.7)	(112.3)	(295.0)
Exchange translation adjustments	–	0.9	0.6	1.5	–	(1.2)	(0.6)	(1.8)
Amortisation charge for the year	–	(33.5)	(60.7)	(94.2)	–	(36.3)	(48.5)	(84.8)
Disposals	–	–	4.9	4.9	–	–	1.9	1.9
At 31 December	**–**	**(252.8)**	**(214.7)**	**(467.5)**	**–**	**(220.2)**	**(159.5)**	**(379.7)**
Carrying amount at 31 December	**803.4**	**109.1**	**256.0**	**1,168.5**	**811.7**	**142.6**	**253.7**	**1,208.0**

The Group did not complete any business combinations during 2021 (2020: £29.1 million of intangible assets were acquired as a result of business combinations). The Group acquired £2.3 million (2020: £2.3 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 an acquired intangible asset may be impaired. If any indication exists a full assessment is undertaken. Goodwill is assessed for impairment on an annual basis. If the assessment of goodwill or an acquired intangible asset determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions, 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, £574.9 million (2020: £583.1 million) is allocated to Asset Management and £228.5 million (2020: £228.6 million) is allocated to Wealth Management, of which £68.1 million (2020: £68.1 million) relates to Benchmark Capital.

13. Goodwill and intangible assets continued

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2020: 2%), a pre-tax discount rate of 10% (2020: 10%), expected flows and expected changes to margins. The results of the calculations indicate that goodwill is not impaired.

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2020: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised in the income statement but may be reversed if relevant conditions improve.

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.

	2021						2020				
	Accelerated capital allowances £m	**Deferred employee awards £m**	**Pension schemes £m**	**Tax losses £m**	**Other net temporary differences £m**	**Total £m**	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Other net temporary differences[1] £m	Total £m
At 1 January	(4.6)	82.3	(31.2)	3.0	(48.1)	1.4	(5.7)	77.3	(22.3)	(28.6)	20.7
Income statement credit/(charge)	12.6	13.6	(0.5)	34.7	5.2	65.6	1.3	1.1	(0.5)	(7.4)	(5.5)
Income statement credit/(charge) due to changes in tax rates	3.8	4.9	(10.3)	10.4	(5.6)	3.2	(0.3)	3.2	(3.4)	(4.1)	(4.6)
(Charge)/credit to other comprehensive income	–	–	(5.2)	–	1.0	(4.2)	–	–	(5.6)	0.1	(5.5)
(Charge)/credit to statement of other comprehensive income due to changes in tax rates	–	–	(1.5)	–	0.1	(1.4)	–	–	0.6	(0.2)	0.4
Credit to equity	–	0.8	–	–	–	0.8	–	0.5	–	–	0.5
Credit to equity due to changes in tax rates	–	0.2	–	–	–	0.2	–	0.3	–	–	0.3
Business combinations	–	–	–	–	–	–	–	–	–	(5.5)	(5.5)
Exchange translation adjustments	–	(0.5)	–	0.1	(0.6)	(1.0)	0.1	(0.1)	–	0.6	0.6
At 31 December	**11.8**	**101.3**	**(48.7)**	**48.2**	**(48.0)**	**64.6**	**(4.6)**	**82.3**	**(31.2)**	**(45.1)**	**1.4**

1. Tax losses for 2020 are presented within other net temporary differences.

The UK corporation tax rate is currently 19%. The UK Chancellor announced in the March 2021 Budget that the rate will increase to 25% from April 2023. The rate increase was substantively enacted in May 2021 and the UK deferred tax balances have been revalued accordingly.

Included in the deferred tax asset is an asset relating to UK tax deductions for share-based remuneration which is dependent on the prices of the Company's ordinary and non-voting shares at the time the awards are exercised.

A deferred tax asset of £6.5 million (2020: £7.6 million) relating to £34.3 million of 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 £13.3 million (2020: £11.1 million) relating to £56.2 million of 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.

NOTES TO THE ACCOUNTS CONTINUED

14. Deferred tax continued

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2021 £m	2020 £m
Deferred tax assets	145.0	32.9
Deferred tax liabilities	(80.4)	(31.5)
	64.6	**1.4**

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 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.

	2021 £m	2020 £m
Financial liabilities due to Life Company investors	10,439.8	9,727.6
Financial liabilities due to third parties[1]	3,023.3	2,358.6
	13,463.1	**12,086.2**

1. In accordance with the accounting standards, the Group is deemed to hold a controlling interest in certain funds as a result of the investments held by the Life Company. This results in all of the assets and liabilities of those funds being consolidated within the statement of financial position and the third party interest in the fund being recorded as a financial liability due to third party investors.

The Group has no primary exposure to market risk, credit risk or liquidity risk in relation to the investments due to Life Company investors. The risks and rewards associated with its investments are borne by the investors in the Life Company's investment products or third party investors in the funds and not by the Life Company itself. Consequently no further financial instrument risk disclosures are included.

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.

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	2,130.6	1,547.2	–	–	3,677.8
Pooled investment vehicles	3,654.5	–	22.9	–	3,677.4
Equities	4,952.6	10.8	–	–	4,963.4
Derivative contracts	62.8	40.0	–	–	102.8
	10,800.5	**1,598.0**	**22.9**	**–**	**12,421.4**
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	911.7	911.7
Trade and other receivables	–	–	–	130.0	130.0
	–	**–**	**–**	**1,041.7**	**1,041.7**
Total assets backing unit-linked liabilities	**10,800.5**	**1,598.0**	**22.9**	**1,041.7**	**13,463.1**
Unit-linked liabilities	**13,369.6**	**77.7**	**–**	**15.8**	**13,463.1**

15. Unit-linked liabilities and assets backing unit-linked liabilities continued

	2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	1,572.7	1,722.1	3.3	–	3,298.1
Pooled investment vehicles	3,369.0	–	24.8	–	3,393.8
Equities	4,480.4	1.9	–	–	4,482.3
Derivative contracts	37.6	4.6	–	–	42.2
	9,459.7	**1,728.6**	**28.1**	**–**	**11,216.4**
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	746.3	746.3
Trade and other receivables	–	–	–	123.5	123.5
	–	**–**	**–**	**869.8**	**869.8**
Total 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**

The fair value of financial instruments not held at fair value approximates their carrying value. No financial assets were transferred between levels during the year (2020: none).

Estimates and judgements – fair value measurements

Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 9). Level 1 investments principally comprise quoted equities, investments in pooled investment vehicles, government debt and exchange-traded derivatives. Level 2 investments principally comprise debt securities such as commercial paper and certificates of deposit. Level 3 investments principally compromise investments in private equity funds. There are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

Movements in financial assets categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	28.1	29.5
Exchange translation adjustments	(1.1)	(0.9)
Net gain recognised in the income statement	10.4	3.4
Additions	–	2.1
Disposals	(14.5)	(6.0)
At 31 December	**22.9**	**28.1**

NOTES TO THE ACCOUNTS CONTINUED

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 by the Group in the normal course of business are made up of creditors and accruals. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred cash awards (being deferred employee remuneration payable in cash), and bullion deposits by customers are recorded at fair value.

	2021			2020		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade and other payables at amortised cost:						
Settlement accounts	–	138.2	138.2	–	151.7	151.7
Trade creditors	–	8.8	8.8	–	11.0	11.0
Social security	28.4	86.5	114.9	21.0	70.1	91.1
Accruals and deferred income	18.5	619.7	638.2	13.4	463.3	476.7
Other payables	–	14.7	14.7	0.3	18.9	19.2
	46.9	**867.9**	**914.8**	**34.7**	**715.0**	**749.7**
Trade and other payables at fair value:						
Deferred cash awards	80.6	117.4	198.0	84.7	90.2	174.9
Bullion deposits by customers	–	2.2	2.2	–	3.1	3.1
	80.6	**119.6**	**200.2**	**84.7**	**93.3**	**178.0**
Total trade and other payables	**127.5**	**987.5**	**1,115.0**	**119.4**	**808.3**	**927.7**

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:

	2021 £m	2020 £m
Less than 1 year[1]	987.5	808.3
1 – 2 years	65.4	59.0
2 – 5 years	60.3	59.3
More than 5 years	1.8	1.1
	127.5	**119.4**
	1,115.0	**927.7**

1. Settlement accounts are generally settled within four working days and trade creditors have an average settlement period of 20 working days (2020: 23 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 (see note 19). 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).

17. Financial liabilities continued

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,748.3	3,748.3
Deposits by banks	–	–	–	69.9	69.9
Other financial liabilities	–	–	–	4.4	4.4
	–	**–**	**–**	**3,822.6**	**3,822.6**
Financial liabilities at fair value through profit or loss:					
Derivative contracts (see note 19)	29.8	58.5	–	–	88.3
Other financial liabilities	733.0	–	149.7	–	882.7
	762.8	**58.5**	**149.7**	**–**	**971.0**
Total financial liabilities	**762.8**	**58.5**	**149.7**	**3,822.6**	**4,793.6**

	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**
Total financial liabilities	**283.8**	**29.1**	**143.7**	**3,628.6**	**4,085.2**

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.

	2021 £m	2020 £m
Current	4,660.9	3,945.5
Non-current	132.7	139.7
	4,793.6	**4,085.2**

Estimates and judgements

The Group holds financial liabilities that are measured at fair value. 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 third party liabilities related to carried interest arrangements, obligations arising from contingent consideration, 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 remaining level 3 liabilities are measured using different valuation methodologies and assumptions, and there are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

NOTES TO THE ACCOUNTS CONTINUED

17. Financial liabilities continued

Movements in financial liabilities categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	143.7	155.1
Exchange translation adjustments	(2.7)	4.6
Net loss recognised in the income statement	59.0	14.6
Additions	1.1	18.4
Disposals and settlements	(51.4)	(49.0)
At 31 December	**149.7**	**143.7**

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 2021	15.2	11.2	26.4
Exchange translation adjustments	(0.2)	–	(0.2)
Provisions utilised	(0.1)	(1.2)	(1.3)
Additional provisions charged	0.3	1.6	1.9
At 31 December 2021	**15.2**	**11.6**	**26.8**

	Dilapidations £m	Legal, regulatory and other £m	Total £m
Current – 2021	1.0	4.6	5.6
Non-current – 2021	14.2	7.0	21.2
	15.2	**11.6**	**26.8**
Current – 2020	–	5.2	5.2
Non-current – 2020	15.2	6.0	21.2
	15.2	**11.2**	**26.4**

The Group's provisions are expected to mature in the following time periods:

	2021 £m	2020 £m
Less than 1 year	5.6	5.2
1 – 2 years	8.2	7.5
2 – 5 years	0.8	1.8
More than 5 years	12.2	11.9
	21.2	**21.2**
	26.8	**26.4**

18. Provisions and contingent liabilities continued

Dilapidation provisions associated with the Group's office leases have a weighted average maturity of 13 years (2020: 13 years).

Legal and regulatory obligations associated with the Group's business arise from past events that are estimated to crystallise mainly within two years (2020: 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.

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 (2020: none). The provisions included in the financial statements at 31 December 2021 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.

19. Derivative contracts
(a) The Group's use of derivatives

The Group holds derivatives for risk management, client facilitation and within its consolidated structured entities to provide exposure to market returns. The Group most commonly uses forward foreign exchange contracts, where it agrees to buy or sell specified amounts of a named currency at a future date, allowing the Group to effectively fix exchange rates so that it can avoid unpredictable gains and losses on financial instruments in foreign 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, together with the hedged gain or loss, the cumulative gain or loss on the hedging instrument 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.

NOTES TO THE ACCOUNTS CONTINUED

19. Derivative contracts continued

(b) Derivatives used by the Group

Forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. The maximum exposure to credit risk is represented by the fair value of the contracts.

Currency, interest rate, total return and credit default swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, interest rates or total returns (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except in the case of certain currency swaps. The Group's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, the proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties in accordance with its internal policies and procedures.

Futures contracts are standardised contracts to buy or sell specified assets for an agreed price at a specified future date. Contracts are negotiated at a futures exchange, which acts as an intermediary between the two parties. For futures contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables relative to their terms. The aggregate contractual amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values and contractual maturities are set out below:

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Equity contracts	59.7	(71.7)	1.9	(11.9)
Forward foreign exchange contracts	18.1	(16.6)	32.2	(21.1)
	77.8	**(88.3)**	**34.1**	**(33.0)**

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Net-settled derivative contracts[1] maturing/repricing[2] in:				
Less than 1 year	59.7	(71.7)	1.9	(11.9)
1 – 2 years	–	–	–	–
2 – 5 years	–	–	–	–
More than 5 years	–	–	–	–
	59.7	**(71.7)**	**1.9**	**(11.9)**
Gross-settled derivatives[3] maturing/repricing[2] in less than 1 year:				
Gross inflows	1,066.9	953.0	1,402.2	874.4
Gross outflows	(1,048.9)	(969.7)	(1,374.1)	(889.8)
Difference between future contractual cash flows and fair value	0.1	0.1	4.1	(5.7)
	18.1	**(16.6)**	**32.2**	**(21.1)**
	77.8	**(88.3)**	**34.1**	**(33.0)**

1. Equity contracts.
2. Whichever is earlier.
3. Forward foreign exchange contracts.

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.

The Life Company provides unit-linked 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 it to invest in the future of the Group, in line with its strategy, and to support the risks inherent in conducting its business. Capital management is an important part of the Group's risk management framework and is underpinned by the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

The Group's lead regulator is the Prudential Regulation Authority as the Group includes an entity with a UK banking licence. The Group is required to maintain adequate capital resources to meet its Total Capital Requirement (TCR) of £937 million (2020: £874 million). The TCR incorporates the Group's Pillar 1 regulatory capital requirement of £769 million (2020: £717 million). In addition to the TCR of the banking group, the Group is required to hold additional capital of £282 million (2020: £256 million) in respect of its insurance companies and regulatory buffers. The Group's overall regulatory capital requirement was £1,220 million at 31 December 2021 (2020: £1,130 million).

In managing the Group's capital position, the Group considers the composition of the capital base, which consists of: working capital deployed to support the Group's general operating activities and regulatory requirements; investment capital held in excess of these operating requirements; and other items that are not investible or otherwise available to meet the Group's operating or regulatory requirements.

The table below shows the components of our capital position:

	2021 £m	2020 £m
Working capital – regulatory and other	1,403	1,548
Working capital – seed and co-investment	666	612
Investment capital – liquid	780	320
Investment capital – illiquid	58	97
Other items	1,519	1,509
Total equity	**4,426**	**4,086**

(i) Working capital

The Group's policy is for subsidiaries to hold sufficient working capital to meet their regulatory and other operating requirements. Operating capital principally comprises cash and cash equivalents and other low-risk financial instruments, as well as financial instruments held to hedge fair value movements on certain deferred fund awards. Local regulators oversee the activities of, and impose minimum capital and liquidity requirements on certain Group operating entities. The Group complied with all externally imposed regulatory capital requirements during the year. 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.

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.

NOTES TO THE ACCOUNTS CONTINUED

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 cash, funds managed by the Group and investment grade corporate bonds. 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, minority interest in certain subsidiaries and pension scheme surplus.

The tables below provide a detailed breakdown of the Group's capital in accordance with IFRS 9:

	2021				
	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	4,207.3	–	–	–	4,207.3
Trade and other receivables	892.6	–	–	108.3	1,000.9
Financial assets:					
Loans and advances to banks	153.0	–	–	–	153.0
Loans and advances to clients	614.0	–	–	–	614.0
Debt securities	109.9	409.9	420.6	–	940.4
Pooled investment vehicles	–	–	777.0	–	777.0
Equities	–	–	570.1	–	570.1
Derivatives	–	–	77.8	–	77.8
Associates and joint ventures	–	–	–	466.7	466.7
Property, plant and equipment	–	–	–	560.0	560.0
Goodwill and intangible assets	–	–	–	1,168.5	1,168.5
Deferred tax	–	–	–	145.0	145.0
Retirement benefit scheme surplus	–	–	–	197.9	197.9
Assets backing unit-linked liabilities	1,041.7	–	12,421.4	–	13,463.1
Total assets	**7,018.5**	**409.9**	**14,266.9**	**2,646.4**	**24,341.7**
Liabilities					
Trade and other payables	799.9	–	198.0	117.1	1,115.0
Financial liabilities	3,822.6	–	971.0	–	4,793.6
Lease liabilities	373.8	–	–	–	373.8
Current tax	–	–	–	52.2	52.2
Provisions	26.8	–	–	–	26.8
Deferred tax	–	–	–	80.4	80.4
Retirement benefit scheme deficits	–	–	–	11.1	11.1
Unit-linked liabilities	15.8	–	13,447.3	–	13,463.1
Total liabilities	**5,038.9**	**–**	**14,616.3**	**260.8**	**19,916.0**
Capital					**4,425.7**

1. Financial assets at fair value through profit or loss includes £12,432.1 million of assets that are designated at fair value through profit or loss and £1,834.8 million that are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £14,522.2 million of liabilities that are designated at fair value through profit or loss and £94.1 million that are mandatorily measured at fair value through profit or loss.

20. Financial instrument risk management continued
(a) Capital continued

	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.

(b) Credit risk, liquidity risk and market risk

The Group is exposed to credit, liquidity and market risk as a result of the financial instruments it holds. Settlement of financial instruments (on both a principal and agency basis) also gives rise to operational risk. The Group's risk management framework is critical to effective management of these risks and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Board, with responsibility for oversight delegated to the Audit and Risk Committee. The Group applies the three lines of defence model to risk management, which includes financial instrument risk. More details on the risk management framework and approach are set out in the Risk Management report and the Audit and Risk Committee report on pages 49 and 70 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.

NOTES TO THE ACCOUNTS CONTINUED

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 amounts when due. The Group carefully manages its exposure to credit risk by monitoring exposures to individual counterparties and sectors, monitoring counterparties' creditworthiness, taking collateral and reducing settlement risk where possible and approving lending policies that specify the type of acceptable collateral and lending margins. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Group's relevant financial assets held with rated and unrated counterparties is set out below:

	Cash and cash equivalents		Loans and advances to banks		Debt securities	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Credit rating:						
AAA	128.0	140.4	–	–	279.7	257.8
AA+	117.4	159.2	14.8	–	76.6	9.1
AA	173.5	277.3	56.2	55.2	16.9	11.0
AA-	2,260.3	2,131.6	45.0	27.1	286.3	159.9
A+	898.6	437.7	30.6	119.5	8.4	139.9
A	188.3	44.9	–	–	15.7	40.0
A-	391.3	231.7	6.4	4.7	8.8	59.5
BBB+ and lower	47.5	44.7	–	–	158.0	206.5
Not rated	2.4	2.1	–	–	90.0	86.9
	4,207.3	**3,469.6**	**153.0**	**206.5**	**940.4**	**970.6**

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 2021, the fair value of collateral that could be sold or repledged but had not been, relating solely to these arrangements, was £534.9 million (2020: £831.8 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.

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 2021 were £0.3 million (2020: £0.4 million). Loans and advances to clients includes one under-performing (stage 2) loan of £2.9 million (2020: £2.9 million) and no non-performing (stage 3) loans (2020: £2.0 million) giving rise to no expected credit losses (2020: 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) (2020: same).

Expected credit losses on financial assets at fair value through other comprehensive income within the Wealth Management entities at 31 December 2021 were £0.1 million (2020 £0.3 million). All financial assets at fair value through other comprehensive income were performing (stage 1) (2020: 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 2021 were £48.6 million (31 December 2020: £54.3 million), the majority of which were less than 90 days past due (31 December 2020: 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 2021 were £0.8 million (2020: £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) (2020: same).

There were no expected credit losses on financial assets at fair value through other comprehensive income within non-Wealth Management entities at 31 December 2021 (2020: £0.3 million). Debt securities includes no under-performing (stage 2) securities (2020: £10.7 million giving rise to £0.1 million of expected credit losses). All other financial assets at fair value through other comprehensive income were performing (stage 1) (2020: 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 against both regulatory and internal limits and cash flows are managed so that sufficient liquidity is available to cover potential liquidity risks.

NOTES TO THE ACCOUNTS CONTINUED

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:

	2021				
	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Assets					
Cash and cash equivalents	2,966.0	–	–	–	2,966.0
Loans and advances to banks	147.2	–	–	–	147.2
Loans and advances to clients	236.4	89.8	287.0	0.8	614.0
Debt securities	329.3	164.6	–	–	493.9
Other financial assets	3.4	–	–	–	3.4
Total financial assets	**3,682.3**	**254.4**	**287.0**	**0.8**	**4,224.5**
Liabilities					
Client accounts	3,748.3	–	–	–	3,748.3
Deposits by banks	69.9	–	–	–	69.9
Other financial liabilities	9.1	–	–	–	9.1
Total financial liabilities	**3,827.3**	**–**	**–**	**–**	**3,827.3**
Cumulative gap	**(145.0)**	**109.4**	**396.4**	**397.2**	**397.2**

	2020				
	Less than 1 year £m	1–2 years £m	2–5 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	203.3	–	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**	**203.3**	**–**	**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**	**365.8**	**365.8**	**365.8**

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 £1,109.5 million (2020: £527.8 million). Financial liabilities relating to other operating entities are £966.4 million (2020: £441.2 million).

The Group has a committed revolving credit facility of £595.0 million (2020: £595.0 million), which expires on 4 October 2024. The facility was undrawn at 31 December 2021 (31 December 2020: undrawn). On 11 February 2022 the Group increased the committed revolving credit facility to £765.0 million.

(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.

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 can include investments in corporate investment-grade bonds managed by the Group's fixed income fund managers. The market risk (including interest rate risk) exposure of these investments is actively monitored against limits set by the Board.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Wealth Management activities

In Wealth Management, foreign exchange risk is monitored against policies and limits set by the relevant risk committees on a daily basis. Foreign exchange risk is managed within set limits by the treasury departments using spot, forward and foreign exchange swap contracts.

Other activities

The Group's policy in relation to foreign exchange risks arising from revenue, expenditure and capital currency exposure from its Asset Management activities is generally not to hedge. The Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered to be a normal part of the Group's business activities.

The Group also has exposure to foreign currency 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 2021		31 December 2020	
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	1.0	1.5	0.2	1
	-decrease	(0.8)	(1.1)	(0.4)	(2)
US dollar against sterling	-strengthen	10	3	10	2
	-weaken	(10)	(3)	(10)	(2)
Euro against sterling	-strengthen	8	2	8	1
	-weaken	(8)	(2)	(8)	(1)
US dollar against Euro	-strengthen	10	3	10	4
	-weaken	(10)	(1)	(10)	(3)
FTSE All-Share Index[3]	-increase	20	37	20	38
	-decrease	(20)	(37)	(20)	(38)

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.

NOTES TO THE ACCOUNTS CONTINUED

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 2020 or 2021. 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 2021	282.5	226.0	56.5	282.5	124.2
At 31 December 2021	**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 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**

	2021 Number of shares Millions	2020 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.

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:

	2021 £m	2020 £m
At 1 January	(159.8)	(169.1)
Own shares purchased	(75.3)	(58.3)
Awards vested	84.9	67.6
At 31 December	**(150.2)**	**(159.8)**

During the year 2.1 million own shares (2020: 2.4 million own shares) were purchased and held for hedging share-based awards. 3.1 million shares (2020: 2.6 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:

	2021			2020		
	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	3.3	5.2	8.5	2.4	6.2	8.6
Non-voting ordinary shares	–	–	–	0.1	–	0.1
	3.3	**5.2**	**8.5**	**2.5**	**6.2**	**8.7**

	2021			2020		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	83.0	150.0	233.0	58.1	159.6	217.7
Fair value	118.0	185.1	303.1	82.7	207.7	290.4
Non-voting ordinary shares:						
Cost	–	0.2	0.2	0.2	0.2	0.4
Fair value	–	0.3	0.3	0.6	0.3	0.9
Total:						
Cost	**83.0**	**150.2**	**233.2**	**58.3**	**159.8**	**218.1**
Fair value	**118.0**	**185.4**	**303.4**	**83.3**	**208.0**	**291.3**

NOTES TO THE ACCOUNTS CONTINUED

23. Reconciliation of net cash from operating activities

This note should be read in conjunction with the cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

	2021 £m	2020 £m
Profit before tax	764.1	610.5
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	162.8	168.8
Net gain on financial instruments	(20.5)	(71.6)
Share-based payments	89.5	56.1
Net charge/(release) for provisions	1.9	(5.3)
Other non-cash movements	(8.0)	6.3
	225.7	**154.3**
Adjustments for which the cash effects are investing activities:		
Net finance income	2.0	(1.1)
Interest expense on lease liabilities	10.8	12.0
Share of profit of associates and joint ventures	(79.3)	(43.1)
	(66.5)	**(32.2)**
Adjustments for statement of financial position movements:		
(Increase)/decrease in loans and advances within Wealth Management	(96.1)	77.8
Increase in trade and other receivables	(10.5)	(6.9)
Increase in deposits and client accounts within Wealth Management	212.9	453.6
Increase/(decrease) in trade and other payables, other financial liabilities and provisions	149.4	(26.7)
	255.7	**497.8**
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(1,211.5)	113.4
Net increase/(decrease) in unit-linked liabilities	1,376.9	(339.7)
Net increase/(decrease) in cash within consolidated pooled investment vehicles	84.1	(34.2)
	249.5	**(260.5)**
Tax paid	(194.3)	(137.4)
Net cash from operating activities	**1,234.2**	**832.5**

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.

	2021			
	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	5.7	56.1	0.3	62.1
Investment call commitments	70.7	20.4	2.1	93.2
Commitments for property, plant and equipment and leases	1.4	5.8	20.6	27.8
Commitments under IT service agreements	37.0	35.3	–	72.3
Total commitments	**114.8**	**117.6**	**23.0**	**255.4**
Operating leases receivable as lessor	(0.8)	(2.4)	(0.5)	(3.7)
Net commitments payable	**114.0**	**115.2**	**22.5**	**251.7**

	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**

Office property sub-leases have a weighted average term of 3 years (2020: 3 years) and rentals are fixed for a weighted average term of 3 years (2020: 3 years).

NOTES TO THE ACCOUNTS CONTINUED

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 year.

The disclosures within this note are provided mainly in respect of the principal DB scheme, which is the DB section of the funded Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2021 £m	2020 £m
Pension costs – defined contribution plans	57.9	55.0
Pension credit – defined benefit plans	(0.6)	(1.1)
Other post-employment benefits	0.1	0.2
	57.4	**54.1**

(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 2021, there were no active members in the DB section (2020: nil) and 2,249 active members in the DC section (2020: 2,159). The weighted average duration of the Scheme's DB obligation is 18 years (2020: 19 years).

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2021	2020
Number of deferred members	1,116	1,199
Total deferred pensions (at date of leaving Scheme)	£7.6m per annum	£8.2m per annum
Average age (deferred)	55	52
Number of pensioners	982	937
Average age (pensioners)	70	70
Total pensions in payment	£21.8m per annum	£20.8m per annum

(b) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2020. The funding level at that date was 107% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2023 and will be performed in 2024.

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% (2020: 71%) of Scheme assets in a liability matching portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but that can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Credit risk

The assets of the Scheme include liability driven investments (LDI) and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's liability matching portfolio, which comprises gilts, corporate bonds and other LDI instruments. The liability matching investments have been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the liability matching portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the liability matching portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2021, the liability matching portfolio was designed to mitigate 83% (2020: 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 2021, the liability matching portfolio was designed to mitigate 83% (2020: 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:

	2021 %	2020 %
Discount rate	2.0	1.4
RPI inflation rate	3.3	2.8
CPI inflation rate	2.9	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.2	2.7
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.0
Average number of years a current pensioner is expected to live beyond age 60:	**Years**	Years
Men	28	28
Women	30	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.

NOTES TO THE ACCOUNTS CONTINUED

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 147, used to calculate the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates, which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2020: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2020: 0.25%) 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 (2020: nil) following a Scheme specific review of the membership data.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Solutions UK Limited, and is based on an assessment of the Scheme as at 31 December 2021.

The amounts recognised in the income statement are:

	2021 £m	2020 £m
Interest income on Scheme assets	(14.8)	(20.7)
Interest cost on Scheme liabilities	12.4	17.8
Net interest income recognised in the income statement in respect of the Scheme	**(2.4)**	**(2.9)**
Income statement charge in respect of other defined benefit schemes	1.8	1.8
Total defined benefit schemes income statement credit	**(0.6)**	**(1.1)**

The amounts recognised in the statement of comprehensive income are:

	2021 £m	2020 £m
Gains on Scheme assets in excess of that recognised in interest income	(20.1)	(91.5)
Actuarial (gains)/losses due to change in demographic assumptions	(1.0)	0.6
Actuarial (gains)/losses due to change in financial assumptions	(18.6)	74.8
Actuarial losses/(gains) due to experience	11.4	(12.9)
Total other comprehensive gain in respect of the Scheme	**(28.3)**	**(29.0)**
Other comprehensive loss/(gain) in respect of other defined benefit schemes	0.7	(1.4)
Total other comprehensive gain in respect of defined benefit schemes	**(27.6)**	**(30.4)**

The sensitivity of the Scheme pension liabilities to changes in assumptions are:

		2021		2020	
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	66.2	7.6	78.1	8.6
Discount rate	Decrease by 0.5% per annum	(78.3)	(9.0)	(87.7)	(9.6)
Expected rate of pension increases	Increase by 0.5% per annum	(51.5)	(5.9)	(80.7)	(8.9)
Expected rate of pension increases	Decrease by 0.5% per annum	51.3	5.5	62.3	6.9
Life expectancy	Increase by one year	(43.6)	(4.7)	(45.4)	(5.0)
Life expectancy	Decrease by one year	42.9	4.9	44.6	4.9

25. Retirement benefit obligations continued

Movements in respect of the assets and liabilities of the Scheme are:

	2021 £m	2020 £m
At 1 January	1,077.2	1,001.5
Interest income	14.8	20.7
Remeasurement of assets	20.1	91.5
Benefits paid	(40.5)	(36.5)
Administrative expenses[1]	(1.0)	–
Fair value of plan assets	**1,070.6**	**1,077.2**
At 1 January	(909.0)	(865.2)
Interest cost	(12.4)	(17.8)
Actuarial gains/(losses) due to change in demographic assumptions	1.0	(0.6)
Actuarial gains/(losses) due to change in financial assumptions	18.6	(74.8)
Actuarial (losses)/gains due to experience	(11.4)	12.9
Benefits paid	40.5	36.5
Present value of funded obligations	**(872.7)**	**(909.0)**
Net assets	**197.9**	**168.2**

1. Following the last completed triennial valuation it was agreed that certain administrative expenses of the scheme would be paid out of the scheme surplus. The approach will be reviewed as part of the next triennial valuation.

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 2021, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

The fair values of the Scheme's plan assets at the year end are:

	2021		2020	
	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	752.3	–	762.4	–
Portfolio funds	307.3	44.6	286.9	38.8
Exchange-traded futures and over-the-counter derivatives	(12.3)	–	3.3	5.6
Cash	23.3	–	24.6	–
	1,070.6	**44.6**	**1,077.2**	**44.4**

NOTES TO THE ACCOUNTS CONTINUED

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 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. 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 8.7% (2020: 6.4%) 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 ten years.

It is the Group's practice to hedge all awards to eliminate the impact of changes in the market value of shares between the grant date and the exercise date.

Awards that lapse or are forfeited during the vesting period result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Group recognised total expenses of £92.1 million (2020: £57.5 million) arising from share-based payment transactions during the year, of which £89.5 million (2020: £56.1 million) were equity-settled share-based payment transactions. In 2021, there were total exceptional costs of £1.5 million included within equity-settled share-based payments (2020: £2.0 million).

The Group has the following share-based payment arrangements (further details of the current schemes may be found in the Remuneration report):

(a) Deferred Award Plan

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2021 Number of ordinary shares Millions	2020 Number of ordinary shares Millions
Rights outstanding at 1 January	3.8	2.8
Granted	2.4	1.7
Forfeited	–	(0.1)
Exercised	(1.0)	(0.6)
Rights outstanding at 31 December	**5.2**	**3.8**
Vested	1.5	0.6
Unvested	3.7	3.2
Weighted average fair value of shares granted (£)	33.80	23.86
Weighted average share price at date of exercise (£)	35.14	27.43

The weighted average exercise price per share is nil.

A charge of £79.9 million (2020: £39.7 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Deferred Award Plan to be expensed in future years:

	£m
2022	15.2
2023	6.3
2024+	4.4
	25.9

26. Share-based payments continued

(b) Equity Compensation Plan

Awards over ordinary and non-voting ordinary shares made under the Group's Equity Compensation Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2021		2020	
	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	3.5	0.1	3.9	0.1
Granted	0.1	–	0.8	–
Forfeited	(0.1)	–	(0.1)	–
Exercised	(0.8)	(0.1)	(1.1)	–
Rights outstanding at 31 December	**2.7**	**–**	**3.5**	**0.1**
Vested	1.4	–	1.5	0.1
Unvested	1.3	–	2.0	–
Weighted average fair value of shares granted (£)	–	–	23.76	–
Weighted average share price at dates of exercise (£)	35.04	23.88	28.67	18.93

The weighted average exercise price per share is nil.

A charge of £3.7 million (2020: £10.3 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Equity Compensation Plan to be expensed in future years:

	£m
2022	1.2
2023	0.1
	1.3

(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.

	2021 Number of ordinary shares Millions	2020 Number of ordinary shares Millions
Rights outstanding at 1 January	1.3	1.4
Granted	–	0.2
Forfeited	(0.1)	(0.1)
Exercised	(0.2)	(0.2)
Rights outstanding at 31 December	**1.0**	**1.3**
Vested	0.5	0.4
Unvested	0.5	0.9
Weighted average fair value of shares granted (£)	–	27.82
Weighted average share price at dates of exercise (£)	35.90	30.24

The weighted average exercise price per share is nil.

A charge of £3.6 million (2020: £3.8 million) was recognised during the year.

NOTES TO THE ACCOUNTS CONTINUED

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
2022	3.0
2023	2.2
2024	1.5
2025	0.7
	7.4

(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.

	2021		2020	
	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	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	(0.1)	–	–
Rights outstanding at 31 December	**0.1**	**–**	**0.1**	**0.1**
Vested	–	–	–	0.1
Unvested	0.1	–	0.1	–
Weighted average fair value of shares granted (£)	–	–	–	–
Weighted average share price at dates of exercise (£)	36.50	23.88	–	–

The weighted average exercise price per share is nil.

A charge of £0.2 million (2020: £0.3 million) was recognised during the year.

(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 64,556 ordinary shares in 2021 (2020: 73,339) at a weighted average share price of £35.86 (2020: £29.22). A charge of £2.1 million (2020: £2.0 million) was recognised during the year.

(f) Cash-settled share-based awards

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

At 31 December 2021, the total carrying value of liabilities arising from cash-settled share-based awards was £5.6 million (2020: £4.1 million). The total intrinsic value at 31 December 2021 of liabilities for which the employee's right to cash or other assets had vested by that date was £2.6 million (2020: £2.4 million).

A charge of £2.6 million (2020: £1.4 million) was recognised during the year. This charge has arisen as the liability was remeasured at the balance sheet date at a share price of £35.60 (31 December 2020: £33.37).

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 cash flow statement and in note 10.

£41.3 million (2020: £40.4 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 £7.6 million (2020: £1.6 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 2021, the fair value of these assets was £127.8 million (2020: £136.4 million).

Transactions between the Group and its related parties were made at market rates. Any amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Key management personnel compensation

Key management personnel are defined as members of the Board or the Group Management Committee. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2021 £m	2020 £m
Short-term employee benefits	Salary and upfront bonus	29.7	23.3
Share-based payments	Deferred share awards	20.4	12.8
Other long-term benefits	Deferred cash awards	17.6	12.8
Termination benefits	Termination benefits	1.2	–
Post-employment benefits	Pension plans	0.1	0.1
		69.0	**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.

NOTES TO THE ACCOUNTS CONTINUED

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 excluding associates and joint ventures.

	2021			
	AUM outside of structured entities £bn	**AUM within consolidated structured entities £bn**	**AUM within unconsolidated structured entities £bn**	**Total £bn**
Asset Management	293.0	11.2	229.8	534.0
Wealth Management	71.2	–	10.0	81.2
	364.2	**11.2**	**239.8**	**615.2**

	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**

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 generally 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.

28. Interests in structured entities continued
(a) Interests arising from managing assets continued

Fee income includes £1,506.1 million (2020: £1,290.6 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.

	2021 £m	2020 £m
Fee debtors from structured entities	22.4	20.1
Accrued income from structured entities	287.1	272.6
Total exposure due to investment management activities	**309.5**	**292.7**

(b) Interest arising from the Group's investment in unconsolidated structured entities

The table below shows the carrying values of the Group's proprietary investments in unconsolidated structured entities, which resulted in a net gain on financial instruments and other income of £43.8 million (2020: £35.5 million). The carrying values represent the Group's maximum exposure to loss from these interests.

	2021 £m	2020 £m
Cash and cash equivalents	177.9	203.4
Financial assets	686.9	693.9
Total exposure due to the Group's investments	**864.8**	**897.3**

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 (2020: nil). Financial assets include seed and co-investment capital, legacy private equity investments and hedges of deferred cash awards. Of the financial assets, £685.8 million (2020: £458.6 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 statement of financial position also includes the Life Company assets of £13,403.7 million (2020: £12,086.2 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 £181.4 million (2020: £120.3 million) to provide seed capital to investment funds managed by the Group, of which £145.2 million (2020: £69.1 million) resulted in the consolidation of those funds and £36.2 million (2020: £51.2 million) did not.

NOTES TO THE ACCOUNTS CONTINUED

29. Events after the reporting period

The Group has completed two acquisitions after the reporting period with a further acquisition announced and not yet completed.

On 31 January 2022, the Group acquired 100% of the issued share capital of River and Mercantile Investments Limited, the Solution's Division of River and Mercantile Group plc. The acquisition contributed £43.1 billion of Asset Management AUM and strengthens the Group's position in the UK fiduciary management market. The initial consideration was satisfied by means of a £237.2 million cash payment, of which approximately 70% is represented by goodwill and approximately 30% is represented by intangible assets.

On 31 January 2022, the Group acquired 100% of the issued share capital of Cairn Real Estate B.V., a European real estate asset management business. The acquisition contributed approximately £1.1 billion of Asset Management AUM and strengthens the Group's Private Asset capabilities. The initial consideration was satisfied by means of a £24.1 million cash payment, of which approximately 75% is represented by goodwill and approximately 25% is represented by intangible assets.

Due to the timing of the acquisitions, the determination of the final amounts is ongoing and subject to review. The results for the year ended 31 December 2021 for these acquisitions have not been included in these financial statements.

The Group announced an agreement to acquire a majority interest in Greencoat Capital Holdings Limited and expects the transaction to complete in the near future.

Presentation of the financial statements

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are held at fair value through profit or loss or at fair value through other comprehensive income, liabilities in respect of deferred cash awards and certain deposits both with banks and by customers and banks (including those that relate to bullion).

The consolidated statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes. The Group's Life Company business is reported separately. If the assets and liabilities of the Group's Life Company business were to be included within existing captions on the consolidated statement of financial position, the effect would be to gross up a number of individual line items to a material extent. By not doing this, the Group can provide a more transparent presentation that shows the assets of the Life Company and the related unit-linked liabilities as separate and distinct from the remainder of the consolidated statement of financial position.

The Group's principal accounting policies have been consistently applied. Further information is provided below and highlighted in the notes to the accounts.

(b) Future accounting developments

The Group did not implement the requirements of any 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 consolidated financial statements.

(c) Basis of consolidation

The consolidated financial information includes the total comprehensive gains or losses, the financial position and the cash flows of the Company and its subsidiaries, associates and joint ventures. This includes share ownership trusts established for certain share-based awards. In the case of associates and joint ventures, those entities are presented as single line items in the consolidated income statement and consolidated statement of financial position (see note 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 consolidated cash flow statement separately presents acquisitions and disposals of interests in consolidated pooled vehicles. Cash movements within the pooled vehicles are shown net within cash flows from operating activities as the cash held within the underlying pooled investment vehicles is restricted and is not available to the Group for corporate purposes. This presentation provides more relevant information about the impact of the Group's investment in pooled vehicles on corporate cash resources than an analysis of the underlying cash flows of the vehicles.

The Group records any non-controlling interest at the proportionate share of the acquiree's identifiable assets. 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's Group was £45.6 million for the year (2020: £22.4 million). The net assets of SWHL were £325.8 million at 31 December 2021 (31 December 2020: £291.2 million). Dividends of £7.9 million were paid to SWHL's non-controlling interest during the year (2020: none).

(d) Net gains and losses on foreign exchange

Many subsidiaries are denominated in currencies other than sterling. The results of these subsidiaries are translated at the average rate of exchange. At the year end, the assets and liabilities are translated at the closing rate of exchange. Gains or losses on translation are recorded in the consolidated statement of comprehensive income and as a separate component of equity together with gains or losses on any hedges of overseas operations. Such gains or losses are transferred to the consolidated income statement on disposal or liquidation of the relevant subsidiary.

Transactions undertaken in foreign currencies are translated into the functional currency of the subsidiary at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities, other than those measured at historical cost, are translated into the functional currency at the rates of exchange ruling at the year end date. Any exchange differences arising are included within 'Net gain on financial instruments and other income' in the consolidated income statement.

(e) Cash and cash equivalents

Cash and cash equivalents include cash at bank and any highly liquid investments with a contractual maturity less than three months.

(f) Estimates and judgements

The preparation of the consolidated financial statements in conformity with international accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies and in determining whether certain assets and liabilities should be recorded or an impairment recognised. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed within the notes and identified under the title estimates and judgements. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates may not equal the related actual results.

The separate classification and presentation of exceptional items in the consolidated income statement requires judgement of whether this enables better understanding of the Group's financial performance. This consideration is reassessed if there are indications that the circumstances leading to the presentation have changed.

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 is exposed to variable returns and judgement is required to determine whether the power to affect those variable returns is substantive. The Group considers all relevant facts and circumstances in making this judgment. This includes consideration of the purpose and design of an investee, the extent and nature 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 voting rights are substantive or protective in consideration of rights held by other parties. These considerations are reassessed if there are indications that circumstances have changed since the original assessment.

NOTES TO THE ACCOUNTS CONTINUED

Presentation of the financial statements continued

(f) Estimates and judgements continued

The other estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in the following notes, including sensitivities where relevant or material:

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 15	Unit-linked liabilities and assets backing unit-linked liabilities
Note 17	Financial liabilities
Note 18	Provisions and contingent liabilities
Note 25	Retirement benefit obligations

Climate risks have been considered in the preparation of these consolidated financial statements where relevant. The principal areas of focus include: the valuation of financial assets and impairment assessments.

Financial assets measured at fair value are principally valued using traded prices or market observable inputs that incorporate potential climate risks where appropriate. The valuation of some financial instruments involves a greater level of judgement or estimation. In these scenarios climate risks are incorporated where relevant in the relevant assumptions, such as cash flow forecasts. Where financial assets are carried at amortised cost, climate risks are considered as part of the credit risk assessments.

Impairment assessments relating to goodwill and other intangible assets depend on value in use and discounted cash flow models. These valuations include climate risks in the relevant assumptions where appropriate.

The Group's net operating revenues are typically earned as an agreed percentage of the value of AUM or based on the performance of the underlying AUM. The potential impact of climate change on the Group's AUM and future net operating revenue generation is considered in the principal risks and uncertainties section of this Annual Report and Accounts.

SCHRODERS PLC – STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Trade and other receivables	32	1,427.0	1,536.1
Retirement benefit scheme surplus	25	197.9	168.2
Deferred tax	34	33.5	–
Investments in subsidiaries	38	3,092.6	3,092.6
Total assets		**4,751.0**	**4,796.9**
Liabilities			
Trade and other payables	33	25.3	25.2
Deferred tax	34	49.3	28.8
Total liabilities		**74.6**	**54.0**
Net assets		**4,676.4**	**4,742.9**
Equity at 1 January		4,742.9	4,684.2
Profit for the year		217.7	346.4
Dividends		(318.6)	(311.7)
Other changes in equity		34.4	24.0
Equity at 31 December		**4,676.4**	**4,742.9**

The financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Richard Keers
Director

SCHRODERS PLC – STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2021		**282.5**	**124.2**	**(144.1)**	**4,480.3**	**4,742.9**
Profit for the year		**–**	**–**	**–**	**217.7**	**217.7**
Items that will not be reclassified to the income statement:						
Net actuarial gain on defined benefit pension scheme	25	–	–	–	27.3	27.3
Tax on items taken directly to other comprehensive income		–	–	–	(6.7)	(6.7)
Other comprehensive income		**–**	**–**	**–**	**20.6**	**20.6**
Total comprehensive income for the year		**–**	**–**	**–**	**238.3**	**238.3**
Own shares purchased	36	–	–	(67.7)	–	(67.7)
Share-based payments		–	–	–	81.2	81.2
Tax in respect of share schemes		–	–	–	0.3	0.3
Dividends	7	–	–	–	(318.6)	(318.6)
Transactions with shareholders		**–**	**–**	**(67.7)**	**(237.1)**	**(304.8)**
Transfers		**–**	**–**	**77.6**	**(77.6)**	**–**
At 31 December 2021		**282.5**	**124.2**	**(134.2)**	**4,403.9**	**4,676.4**

	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

The distributable profits of Schroders plc are £2.8 billion (2020: £2.9 billion) and comprise retained profits of £2.9 billion (2020: £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 2021

	2021 £m	2020 £m
Profit before tax	213.3	344.1
Adjustments for:		
Decrease/(increase) in trade and other receivables	103.1	(33.9)
Increase/(decrease) in trade and other payables	1.1	(3.0)
Net credit taken in respect of the scheme	(2.4)	(2.9)
Share-based payments	81.2	50.5
Amounts received in respect of Group tax relief	(9.0)	9.0
Net cash from operating activities	**387.3**	**363.8**
Cash flows from financing activities:		
Repayment of loan received from a Group company	(1.0)	(1.2)
Acquisition of own shares	(67.7)	(50.9)
Dividends paid	(318.6)	(311.7)
Net cash used in financing activities	**(387.3)**	**(363.8)**
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 UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement and statement of comprehensive income.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statement note disclosures, where applicable. In addition, note 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 £0.7 million (2020: £0.6 million). There were no fees relating to further assurance services in the year (2020: 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, borne by the Company, during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2021 £m	2020 £m
Short-term employee benefits	Salary and upfront bonus	7.7	6.3
Share-based payments	Deferred share awards	4.8	3.6
Other long-term benefits	Deferred cash awards	3.0	3.0
		15.5	**12.9**

32. Trade and other receivables

	2021 £m	2020 £m
Amounts due from subsidiaries	1,426.2	1,525.0
Prepayments and accrued income	0.5	0.2
Other receivables	0.3	10.9
	1,427.0	**1,536.1**

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 2021 were £1.1 million (2020: £1.2 million). Note 20 sets out the details of the expected credit loss calculation.

33. Trade and other payables

	2021			2020		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables held at amortised cost:						
Social security	1.9	1.1	3.0	1.6	1.1	2.7
Accruals	3.0	7.2	10.2	3.5	6.8	10.3
Amounts owed to subsidiaries	–	12.1	12.1	–	12.2	12.2
	4.9	**20.4**	**25.3**	**5.1**	**20.1**	**25.2**

The Company's trade and other payables mature in the following time periods:

	2021 £m	2020 £m
Less than one year	20.4	20.1
1 – 2 years	2.5	2.0
2 – 5 years	2.4	3.1
	4.9	**5.1**
	25.3	**25.2**

Amounts owed to subsidiaries include an interest-bearing loan of £2.8 million (2020: £3.8 million) that is repayable on demand.

SCHRODERS PLC – NOTES TO THE ACCOUNTS

34. Deferred tax

	2021				2020		
	Deferred employee awards £m	**Losses £m**	**Pension surplus £m**	**Total £m**	Deferred employee awards £m	Pension surplus £m	Total £m
At 1 January	(3.0)	–	31.8	28.8	(3.1)	23.1	20.0
Income statement (credit)/charge	0.1	(23.1)	0.5	(22.5)	0.4	0.5	0.9
Income statement (credit)/charge due to changes in tax rates	(0.2)	(7.3)	10.3	2.8	(0.3)	3.3	3.0
Charge to statement of other comprehensive income	–	–	5.2	5.2	–	5.5	5.5
Charge/(credit) to statement of other comprehensive income due to changes in tax rates	–	–	1.5	1.5	–	(0.6)	(0.6)
At 31 December	**(3.1)**	**(30.4)**	**49.3**	**15.8**	**(3.0)**	**31.8**	**28.8**

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 'Risk management' section within the Strategic report and the 'Risk and internal controls' section within the Audit and Risk Committee report as well as in note 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 2021, if interest rates had been 100 bps higher (2020: 15 bps higher) or 75 bps lower (2020: 35 bps lower) with all other variables held constant, the Company estimates that profit after tax for the year would have increased by £10.9 million (2020: increased by £1.8 million) or decreased by £8.2 million (2020: decreased by £4.2 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:

	2021 £m	2020 £m
At 1 January	(144.1)	(151.9)
Own shares purchased	(67.7)	(50.9)
Awards vested	77.6	58.7
At 31 December	**(134.2)**	**(144.1)**

During the year 1.9 million own shares (2020: 2.1 million) were purchased and held for hedging share-based awards. 2.8 million shares (2020: 2.2 million) awarded to employees vested in the year 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:

	2021			2020		
	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	3.3	4.6	7.9	2.4	5.5	7.9
Non-voting ordinary shares	–	–	–	0.1	–	0.1
	3.3	**4.6**	**7.9**	**2.5**	**5.5**	**8.0**

	2021			2020		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	83.2	134.0	217.2	58.3	143.8	202.1
Fair value	118.0	161.0	279.0	82.7	182.6	265.3
Non-voting ordinary shares:						
Cost	–	0.2	0.2	0.3	0.3	0.6
Fair value	–	0.3	0.3	0.6	0.3	0.9
Total:						
Cost	**83.2**	**134.2**	**217.4**	**58.6**	**144.1**	**202.7**
Fair value	**118.0**	**161.3**	**279.3**	**83.3**	**182.9**	**266.2**

37. Related party transactions

The Company is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Company comprise principally subsidiaries, associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

The Company has determined that key management personnel comprises only the Board of Directors.

Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation (which is set out in note 31), are disclosed below:

	2021					
	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	252.2	24.4	2.1	–	1,426.2	(12.1)
Key management personnel	0.6	–	–	–	7.6	(33.7)

	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)

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 2021 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 173 to 176.

(a) Related undertakings arising from the Company's corporate structure

Principal subsidiaries

The principal subsidiaries listed below are those that, in the opinion of the Directors, principally affect the consolidated profits or net assets of the Company. The principal subsidiary entities are wholly owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provision for impairment.

Name	Share class	Footnote	%	Address
UK				
Leadenhall Securities Corporation Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited	OS	a	80.9%	
Schroder Administration Limited	OS	b	100%	
Schroder Corporate Services Limited	OS		100%	
Schroder Financial Holdings Limited	OS		100%	
Schroder Financial Services Limited	OS		100%	
Schroder International Holdings Limited	OS		100%	
Schroder Investment Company Limited	OS		100%	
Schroder Investment Management Limited	OS		100%	
Schroder Private Assets Holdings Limited	OS		100%	
Schroder Real Estate Investment Management Limited	OS		100%	
Schroder Unit Trusts Limited	OS		100%	
Schroder Wealth Holdings Limited	OS		80.9%	
Schroder Wealth International Holdings Limited	OS		100%	
Australia				
Schroder Investment Management Australia Limited	OS, CPS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Guernsey				
Schroder Investment Company (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroders (C.I.) Limited	OS		100%	
Hong Kong				
Schroder Investment Management (Hong Kong) Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
Luxembourg				
Schroder Investment Management (Europe) S.A.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Singapore				
Schroder Investment Management (Singapore) Ltd.	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
Switzerland				
Schroder & Co Bank AG	OS		100%	Central 2, 8021, Zurich, Switzerland
Schroder Investment Management (Switzerland) AG	OS		100%	Central 2, 8001, Zurich, Switzerland
Schroders Capital Management (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
United States				
Schroder Investment Management North America Inc.	COS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder US Holdings Inc.	COS		100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued

(a) Related undertakings arising from the Company's corporate structure

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%	
TransPennine GP (Scot) LLP	PI		100%	
Alderbrook Financial Planning Limited (In Liquidation)	OS	c	100%	CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Brian Potter Consultants Limited (In Liquidation)	OS	c	100%	
Cazenove Capital Management Limited (In Liquidation)	OS		100%	
GYP Limited (In Liquidation)	OS		100%	
Invicta Independent Financial Advisers Limited (In Liquidation)	OS	c	100%	
Richard Martin Financial Solutions Limited (In Liquidation)	OS	c	100%	
Schroder Adveq Management (UK) Limited (In Liquidation)	OS		100%	
Squirrel Financial Planning Limited (In Liquidation)	OS	d, e	100%	
Algonquin Management Partners (UK) Ltd	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 1 Limited	OS		100%	
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 Infra Debt GP LLP	PI		100%	
Schroder Investment Management North America Limited	OS		100%	
Schroder Nominees Limited	OS	c	100%	
Schroder Pension Management Limited	OS		100%	
Schroder Pension Trustee Limited	OS		100%	
UK PEM Partners Limited	OS		100%	
Aspect8 Limited	OS		100%	Holmwood House, Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP, England
Benchmark Capital Limited	OS		100%	
Best Practice IFA Group Limited	OS		100%	
Bright Square Pensions Limited	OS		100%	
Creative Technologies Limited	OS		100%	
CT Connect Limited	OS	c	100%	
Evolution Wealth Network Limited	OS		100%	
Fusion Wealth Limited	OS		100%	
PP Nominees Limited	OS		100%	
PP Trustees Limited	OS		100%	
RIA Pension Trustees Limited	OS		100%	
Redbourne Wealth Management Limited	OS		100%	
RJC Consultancy Limited	OS		100%	
Chilcomb Wealth Ltd (In Liquidation)	OS		100%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Fusion Funds Limited (In Liquidation)	OS		100%	
Mitchell & Company (IFA) Limited (In Liquidation)	OS		100%	
Mitchell & Company Holdings (Reigate) 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 Venture Managers Limited	COS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Schroders (Bermuda) Limited	OS		100%	
SITCO Nominees Limited	OS		100%	
Brazil				
Schroder Investment Management Brasil Ltda	OS		100%	Av Presidente Juscelino Kubitschek, 1327, 12° andar, sala 121, São Paulo, SP, 04543-011, Brazil
Canada				
Schroder Canada Investments Inc.	COS		100%	Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto, Ontario, M4W 3B8, Canada

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
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%	
Schroders Capital cPI 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 Investment Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Private Fund Management (Shanghai) Co., Ltd.	OS		100%	
Schroders Capital Investment Management (Beijing) Co., Ltd.	OS		100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng District, Beijing, China
Curaçao				
cPI Schroders Capital Investments Management B.V	OS		100%	Johan van, Walbeeckplein 11, Willemstad, Curaçao
Schroder Adveq Investors B.V.	OS		100%	
Schroders Capital Management (Curaçao) N.V.	OS		100%	
France				
Holdco LC Paris Blomet SAS	OS		100%	1 rue Euler, 75008, Paris, France
Schroder Real Estate (France)	OS		100%	
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 Eurologistik Fonds Verwaltungs GmbH	OS		100%	
Schroder Holdings (Deutschland) GmbH	CS		100%	
Schroder Italien Fonds Verwaltungs GmbH	OS		100%	
Schroder Real Estate Investment Management GmbH	OS		100%	
Schroder Real Estate Kapitalverwaltungsgesellschaft mbH	OS		100%	
Schroders Capital Management (Deutschland) GmbH	OS		100%	
SIMA 5 Verwaltungsgesellschaft mbH	OS		100%	
Schroder Real Estate Asset Management Austria GmbH	OS		100%	Maximilanstrasse 31, 80539, München, Germany
Schroder Real Estate Asset Management GmbH	OS		100%	
Guernsey				
Burnaby Insurance (Guernsey) Limited	OS		100%	Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH, Channel Islands
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 Venture Managers (Guernsey) Limited	OS, NCRPS		100%	
Schroders Wealth Private Assets PCC Limited	OS		100%	
Schroder Investment Management (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Investments (Guernsey) Limited	OS		100%	
Schroder Nominees (Guernsey) Limited	OS		100%	
Secquaero Re (Guernsey) ICC Ltd	OS		100%	PO Box 33, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT, Channel Islands
Hong Kong				
Schroder & Co. (Hong Kong) Limited	OS		100%	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong
India				
Schroders India Private Limited (In Liquidation)	OS		100%	1209, Navjivan Society, Bldg. No. 3, Lamington Road, Mumbai Central, Mumbai, Maharashtra-MH, 400008, India
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

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
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%	
Cresta Partners III L.P.	PI		100%	
EEM Management L.P.	PI		100%	
EEM Management II L.P.	PI		100%	
EEM Opportunities Management L.P.	PI		100%	
Gemini Management L.P.	PI		100%	
GPEP Management I L.P.	PI		100%	
GPEP Management IV L.P.	PI		100%	
GPEP Partners V L.P.	PI		100%	
IST3 Manesse PE Management L.P.	PI		100%	
IST3 Manesse PE2 Management L.P.	PI		100%	
Malatrex Partners L.P.	PI		100%	
Marmolata Partners L.P.	PI		100%	
Milele Partners L.P.	PI		100%	
PSY Private Equity Partners L.P.	PI		100%	
SA Co-Investment Management 1 L.P.	PI		100%	
SA RP CO Management 1 L.P.	PI		100%	
SA TG Management L.P.	PI		100%	
SA VS Management L.P.	PI		100%	
SA-EL Asia Partners I L.P.	PI		100%	
SA-EL Partners II L.P.	PI		100%	
SC-SA Co-Invest Opportunities 2018 Management L.P.	PI		100%	
Salève 2017 Management L.P.	PI		100%	
Salève 2020 Management L.P.	PI		100%	
SC Global Opportunities Management L.P.	PI		100%	
Schroder Adveq Santé Direct Partners L.P.	PI		100%	
Schroder Adveq Shanghai Private Equity Investment Management L.P.	PI		100%	
Schroders Capital cPl Global Management S.à.r.l.	OS		100%	
Schroders Capital cPl Global Partners IV L.P.	PI		100%	
Schroders Capital Multi Private Credit Management L.P.	PI		100%	
Schroders Capital Private Equity Asia Partners V L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners II L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Europe Partners VII L.P	PI		100%	
Schroders Capital Private Equity Europe Partners VIII L.P.	PI		100%	
Schroders Capital Private Equity Global Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners IX L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners X L.P.	PI		100%	
Schroders Capital Private Equity Global Partners II L.P.	PI		100%	
Schroders Capital Private Equity Global Partners III L.P.	PI		100%	
Schroders Capital Private Equity Healthcare Partners L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management II L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management III L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management IV L.P.	PI		100%	
Schroders Capital Private Equity Secondaries Management III L.P.	PI		100%	
Schroders Capital Private Equity Secondaries Partners IV L.P.	PI		100%	
Schroders Capital Private Equity US Partners V L.P.	PI		100%	
TMC Management III L.P.	PI		100%	
TMC Management IV L.P.	PI		100%	
TMCO Management 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)				
Wilmersdorf Secondary Management II L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Cazenove Capital Holdings Limited (In Liquidation)	OS		100%	44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
Schroders Capital Management Jersey Ltd	OS		100%	40 Esplanade, St. Helier, Jersey, JE2 9WB, Channel Islands
Croydon Gateway GP Limited	OS		100%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
Croydon Gateway Investments Limited	OS		100%	
Income Plus Real Estate Debt GP Limited	OS		100%	
Schroder Real Estate Managers (Jersey) Limited	OS		100%	
Schroders RECaP SSF (GP) Limited	OS		100%	
UK Retirement Living Fund (ReLF) GP Limited	OS		100%	
Luxembourg				
Confluentes Management S.à r.l.	OS		100%	6C rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
GPEP Management S.à r.l.	OS		100%	
Marmolata Management S.à r.l.	OS		100%	
PSY Private Equity Management S.à.r.l.	OS		100%	
Schroders Capital Management (Luxembourg) S.à.r.l.	OS		100%	
Schroders Capital Private Equity Asia Management V S.à.r.l.	OS		100%	
Schroders Capital Private Equity Europe Management VIII S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Direct Management III S.à.r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management X S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Healthcare Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Secondaries Management IV S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management V S.à.r.l.	OS		100%	
Cresta Management S.à r.l.	OS		100%	7, rue Robert Stümper, L-2557 Luxembourg
KVT PE Management S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities GP S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities SCSp	PI		100%	
Schroders Capital Private Equity Europe Direct Management III S.à r.l	OS		100%	
IED UK GP S.à.r.l.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder European Operating Hotels 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%	
Schroder Real Estate Investment Management (Luxembourg) S.à.r.l.	OS		100%	
Schroder Real-Estate SICAV-SIF	OS		100%	
SEOHF (CIP) SCSp	PI		100%	
SEOHF AGGREGATOR (CIP) SCSp	PI		100%	
SNI Management S.à.r.l.	OS		100%	
Schroder Euro Enhanced Infra Debt Fund II GP S.à r.l.	OS		100%	46A Avenue J.F.Kennedy, L-1855, G.D. Luxembourg
Schroder Euro IG Infra Debt Fund V GP S.à.r.l	OS		100%	
Schroders Capital Real Estate Debt GP S.à r.l.	OS		100%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
Netherlands				
Schroder International Finance B.V.	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Singapore				
Schroder & Co. (Asia) Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
Schroder Singapore Holdings Private Limited	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
South Korea				
Schroders Korea Limited	OS		100%	15th fl., Centropolis A, 26, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea
Switzerland				
Schroder Real Estate Management Switzerland GmbH	OS		100%	Lavaterstrasse 40, 8002, Zurich, Switzerland
Schroders Capital Holding (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, 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
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 Canada Inc.	OS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Fund Advisors LLC	COS		100%	
Schroder Venture Managers Inc.	COS		100%	
Schroders Incorporated	COS		100%	
Schroder FOCUS II GP, LLC	PI		100%	Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder Flexible Secured Income GP, LLC	PI		100%	
Schroder Helix Investment Partner LLC	OS		100%	
Schroder Securitized Credit Flexible Opportunities GP, LLC	PI		100%	
Schroder Taft-Hartley Income GP, LLC	PI		100%	
Schroders Capital Management (US) Inc.	OS		100%	
Schroders Capital PERLS GP, LLC	PI		100%	
Schroders Capital PILLARS GP, LLC	PI		100%	

Subsidiaries where the ownership is less than 100%

Name	Share class	Footnote	%	Address
UK				
Cazenove New Europe (CFM1) Limited	OS	a, c	80.9%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited	OS	a, c	80.9%	
Cazenove New Europe Staff Interest Limited	OS	a, c	80.9%	
Residential Land Development (GP) LLP	PI	f	67%	
Sand Aire Limited	OS	a	80.9%	
Schroder & Co Nominees Limited	OS	a, c	80.9%	
Schroder Wealth Management (US) Limited	OS	a	80.9%	
The Lexicon Management Company Limited	OS		50%	
CCM Nominees Limited (In Liquidation)	OS	a, c	80.9%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
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%	
British Virgin Islands				
Alpha Park Limited	OS	g	51%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Flete Holdings Limited	OS	g	51%	
Pamfleet China Limited	OS	g	51%	
Cayman Islands				
Pamfleet China Investment Management Limited	OS	g	51%	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Pamfleet China Investment Management II Limited	OS	g	35.7%	
Pamfleet International Limited	OS	g	51%	
Schroder Adveq Europe Management II L.P.	PI		20%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Technology Management V L.P.	PI		89%	
Schroder Adveq Technology Management VI L.P.	PI		65%	
Schroder Adveq US Management I L.P.	PI		76%	
Schroders Capital cPl Global Management L.P.	PI		63%	
Schroders Capital cPl Global Management II L.P.	PI		88%	
Schroders Capital Private Equity Asia Management L.P.	PI		75%	
Schroders Capital Private Equity Asia Management II L.P.	PI		65%	
Schroders Capital Private Equity Europe Management IV A L.P.	PI		59%	
Schroders Capital Private Equity Europe Management IV B L.P.	PI		70%	
Schroders Capital Private Equity US Management II L.P.	PI		87%	
China				
Pamfleet (Shanghai) Enterprise Management Limited	OS	g	51%	302 Block 9 No 697 Weihai Road, Jing'An, Shanghai, China
Schroder BOCOM Wealth Management Company Limited (Preparatory)	OS		51%	Fl.59, Wheelock Square, 1717 West Nanjing Road, Jingan District, Shanghai, China
France				
Schroder AIDA SAS	OS		90%	1 rue Euler, 75008, Paris, France

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
France (continued)				
Schroder Mid Core Infra II UP	OS		90%	1 rue Euler, 75008, Paris, France
Schroder Mid Infra UP	OS		90%	
Schroders IDF IV UP	OS		90%	
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	h	50%	PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
Hong Kong				
Pamfleet Asset Management (China) Limited	OS	g	51%	Level 33, 88 Queensway, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	OS	g	51%	
Pamfleet (HK) Limited	OS	g	51%	
Pamfleet Holdings (Hong Kong) Limited	OS		51%	
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
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 Europe Management III L.P.	PI		87.9%	
Schroder Adveq Real Assets Harvested Resources Management L.P.	PI		73%	
Schroders Capital Private Equity Asia Management III L.P.	PI		53%	
Schroders Capital Private Equity Asia Management IV L.P.	PI		70%	
Schroders Capital Private Equity Europe Direct Management L.P.	PI		73%	
Schroders Capital Private Equity Europe Management V L.P.	PI		73%	
Schroders Capital Private Equity Europe Management VI L.P.	PI		74%	
Schroders Capital Private Equity Global Innovation Management VII L.P.	PI		46%	
Schroders Capital Private Equity Global Innovation Management VIII L.P.	PI		78%	
Schroders Capital Private Equity Global Management L.P.	PI		71%	
Schroders Capital Private Equity Secondaries Management II L.P.	PI		53%	
Schroders Capital Private Equity US Management III L.P	PI		51%	
Schroders Capital Private Equity US Management IV L.P.	PI		73%	
TMC Management I L.P.	PI		54%	
TMC Management II L.P.	PI		49%	
Wilmersdorf Secondary Management L.P.	PI		71%	
Luxembourg				
BlueOrchard Asset Management (Luxembourg) S.A.	OS	h, i	81.5%	1 rue Goethe, L-1637, Luxembourg City, Luxembourg
BlueOrchard Invest S.à r.l	OS	h, i	81.5%	
Schroder Property Services B.V.	OS		70%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroders Capital Real Estate Asia IV GP S.à r.l.	OS	g	51%	
SRE Invest SCSp	PI		82.3%	
SRE ReLF (CIP) SCSp	PI		83.8%	
SRE SoHo (CIP) SCSp	PI		82.8%	
Mexico				
Consultora Schroders, S.A. de C.V.	OS	d, e	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
Peru				
BlueOrchard America Latina S.A.C	OS	i	81.5%	Calle Dean, Valdivia 227, Office 501, San Isidro, Lima, Peru
Singapore				
BlueOrchard Investments Singapore PTE Ltd	OS	i	81.5%	3 Church Street, #25-01 Samsung Hub, 049483, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	OS	g	51%	61 Club Street, Singapore 069436, Singapore
Switzerland				
BlueOrchard Finance AG	OS		81.5%	Seefeldstrasse 233, 8008, Zurich, 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

Associates and joint ventures

Name	Share class	Footnote	%	Address
UK				
Clarke-Walker Financial Management Limited	OS		20%	125-135 Preston Road, Fifth Floor Telecom House, Brighton, BN1 6AF, England
Finura Partners Limited	OS		49%	15 Bowling Green Lane, London, EC1R 0BD, England
Kellands (Bristol) Limited	OS		30.8%	Quays Office Park, Conference Avenue, Portishead, Bristol, BS20 7LZ, England
Natural Capital Research Limited	OS		20%	8 King Edward Street, Oxford, OX1 4HL, England
Rayner Spencer Mills Research Limited	OS		49%	20 Ryefield Business Park, Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE, England
Retirement Planning Partnership Ltd	OS	e	52.4%	Kestrel House, Alma Road, Romsey, Hampshire, SO51 8ED, England
James Harvey Associates Limited	OS	d, e	49%	Santon House, 53-55 Uxbridge Road, London, W5 5SA, England
Nippon Life Schroders Asset Management Europe Limited	OS	d	33%	1 London Wall Place, London, EC2Y 5AU, England
Ruskin Square Phase One LLP	PI		50%	
Social Supported Housing CIP LLP	PI		50%	
Social Supported Housing GP LLP	PI		50%	
Robertson Baxter Limited	OS		24%	Beck House, Abbey Road, Shepley, Huddersfield, HD8 8EP, England
Scottish Widows Schroder Wealth Holdings Limited	OS		49.9%	25 Gresham Street, London, EC2V 7HN, England
Waterhouse Financial Planning Limited	OS		20%	1 Carlisle Terrace, Derry, BT48 6JX, Northern Ireland
Australia				
Schroders RF Limited	OS		50.1%	Level 9, 60 Castlereagh St., Sydney NSW 2000, Australia
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	f	25%	1st Floor, Axis House C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli-Mumbai, 400025, India
Axis Mutual Fund Trustee Limited	OS	f	25%	
Jersey				
Bracknell General Partner Limited	OS	e	50%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
UK Retirement Living (CIP) GP Limited	OS		50%	
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 Schroder Wealth Holdings Limited.
b Held directly by the Company.
c Dormant Company.
d The Company holds ordinary B shares.
e The Company holds ordinary A shares.
f Financial year end 31 March.
g Owned through Pamfleet Holdings (Hong Kong) Limited.
h Financial year end 30 June.
i Owned through BlueOrchard Finance AG.

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 Flexible Retirement Fund	X Accumulation	100%	100%
Brazil			
Schroder Best Ideas ESG	Unspecified	100%	100%
Luxembourg			
Schroder ISF Carbon Neutral Credit 2040	I Accumulation	100%	100%
Schroder ISF Global Sustainable Value	I Accumulation	100%	100%
Schroder ISF Social Impact Credit	I Accumulation	100%	100%

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Diversified Growth Fund	I Accumulation	93%	93%
Schroder Dynamic Multi Asset Fund	Z Accumulation	63%	58%
Schroder Global Emerging Markets Fund	A Accumulation	62%	39%
Schroder Global Equity Component Fund	X Accumulation	89%	89%
Schroder Global Sovereign Bond Tracker Component Fund	I Accumulation	40%	25%
Schroder Global Sovereign Bond Tracker Component Fund	X Accumulation	65%	24%
Schroder Multi Asset Total Return Fund	X Accumulation	99%	66%
Schroder QEP Global Emerging Markets	I Accumulation	92%	90%
Schroder Sustainable Multi Factor Equity	X Accumulation	87%	69%
Schroder UK Multi-Cap Income Fund	X Accumulation	85%	75%
SPW Adventurous Portfolio Fund	X Accumulation	100%	80%
Australia			
Schroder Australian Equity Long Short Fund	P Accumulation	62%	62%
Brazil			
Schroder Best Ideas FIA	Unspecified	62%	62%
Hong Kong			
Schroder Global Multi Asset Thematic Fund	I Accumulation	100%	21%
Schroder Global Multi Asset Thematic Fund	A Distribution MV AUD Hedged	35%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 AUD Hedged	97%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 CNY Hedged	74%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV HKD	6%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 HKD	29%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV CNY Hedged	20%	2%
Schroder Global Multi Asset Thematic Fund	A Accumulation	88%	2%
Schroder Global Multi Asset Thematic Fund	C Accumulation	91%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV	11%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2	93%	2%
Japan			
Schroder YEN Target	Unspecified	61%	61%
Schroder YEN Target (Annual)	Unspecified	48%	48%
Schroder YEN Target (Semi-Annual)	Unspecified	84%	84%
Luxembourg			
Schroder GAIA Helix	I Accumulation	95%	32%
Schroder GAIA II Global Innovation Private Plus	I Accumulation	100%	67%
Schroder GAIA Oaktree Credit	I Accumulation	50%	33%
Schroder ISF BlueOrchard Emerging Markets Climate Bond	I Accumulation	71%	62%
Schroder ISF Carbon Neutral Credit	I Accumulation	67%	35%
Schroder ISF Changing Lifestyles	I Accumulation	100%	62%
Schroder ISF China A All Cap	I Accumulation	67%	66%
Schroder ISF Cross Asset Momentum Component	I Accumulation	80%	31%

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 Digital Emerging Markets Local Currency	I Accumulation	76%	76%
Schroder ISF Digital Infrastructure	I Accumulation	63%	62%
Schroder ISF Dynamic Indian Bond	I Accumulation	100%	99%
Schroder ISF Emerging Markets Equity Impact	I Accumulation	56%	56%
Schroder ISF European Innovators	I Accumulation	100%	42%
Schroder ISF European Innovators	C Accumulation	36%	5%
Schroder ISF European Large Cap	I Accumulation	70%	63%
Schroder ISF European Sustainable Equity	I Accumulation	42%	35%
Schroder ISF Global Climate Leaders	I Accumulation	85%	85%
Schroder ISF Global Credit Income Short Duration	I Accumulation	81%	39%
Schroder ISF Global Managed Growth	I Accumulation	100%	97%
Schroder ISF Global Sustainable Convertible Bond	I Accumulation	56%	41%
Schroder ISF Global Sustainable Food and Water	I Accumulation	56%	46%
Schroder ISF Sustainable Future Trends	I Accumulation	100%	68%
Schroder ISF Sustainable US Dollar Short Duration Bond	I Accumulation	100%	99%
SSSF Wealth Management USD Cautious	S Accumulation	95%	65%
SSSF Wealth Management USD Growth	S Accumulation	74%	48%
United States			
Hartford Schroders Commodity Strategy Fund	Unspecified	47%	47%
Hartford Schroders Diversified Emerging Markets Fund	SD Distribution	50%	50%
Hartford Schroders ESG US Equity Fund	I Distribution	49%	49%
Schroder Global Sustainable Growth Fund (Canada)	Unspecified	90%	90%
Schroder Securitized Credit Fund Limited	A Distribution	97%	97%

Associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Global Corporate Bond Managed Credit Component Fund	I Accumulation	18%	14%
Schroder Global Corporate Bond Managed Credit Component Fund	X Accumulation	43%	9%
Schroder QEP Global Active Value	I Accumulation	98%	27%
Brazil			
Schroder Core Plus FIC FIA	Unspecified	28%	28%
Luxembourg			
ICBC (Europe) UCITS SICAV	X Accumulation USD	33%	33%
Schroder ISF Smart Manufacturing	I Accumulation	83%	29%
SSSF Wealth Management USD Balanced	S Accumulation	87%	28%

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%	17%
Schroder All Maturities Corporate Bond Fund	I Accumulation	22%	19%
Schroder European Fund	I Income	34%	0%
Schroder Global Energy Transition Fund	S Accumulation	47%	11%
Schroder Global Equity Fund	I Accumulation	36%	1%
Schroder India Equity	X Accumulation	23%	22%
Schroder Institutional UK Smaller Companies Fund	X Accumulation	100%	14%
Schroder Long Dated Corporate Bond Fund	I Accumulation	46%	12%
Schroder QEP Global Core Fund	I Accumulation	40%	3%
Schroder Sterling Broad Market Bond Fund	I Accumulation	38%	4%
Schroder UK-Listed Equity Income Maximiser Fund	L Accumulation	98%	0%
Schroder US Equity Income Maximiser	L Accumulation GBP Hedged	87%	0%
SPW Dynamic Portfolio Fund	X Accumulation	90%	19%
SSSF Sterling Liquidity Plus	I Accumulation	20%	13%

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
Australia			
Schroder Equity Opportuntities Fund	I Accumulation	100%	2%
Brazil			
Schroder Premium 45 Advisory FI RF CP LP	Unspecified	43%	7%
Schroder US Dollar Bond FIC FIM IE	Unspecified	51%	3%
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	90%	1%
Hong Kong			
Schroder Asian Asset Income Fund	I Accumulation	100%	0%
Ireland			
Schroder Private Equity Fund of Funds IV	C	20%	12%
Luxembourg			
BlueOrchard Emerging Markets SDG Impact Bond Fund	BO	21%	1%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	99%	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	97%	1%
Schroder GAIA Blue Trend	C Accumulation CHF	75%	0%
Schroder GAIA II Global Private Equity	I Accumulation	100%	0%
Schroder GAIA Two Sigma Diversified	C Accumulation GBP Hedged	58%	20%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	0%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%
Schroder ISF Global Corporate	I Accumulation	28%	0%
Schroder ISF Global Credit High Income Bond	I Accumulation	92%	0%
Schroder ISF Global Credit Income	I Accumulation	100%	0%
Schroder ISF Global Disruption	I Accumulation	46%	24%
Schroder ISF Global Equity Yield	I Accumulation	98%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Gold	I Accumulation	100%	2%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	100%	0%
Schroder ISF Global Multi Credit	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	92%	0%
Schroder ISF Global Recovery	I Accumulation	38%	1%
Schroder ISF Global Sustainable Growth	I Accumulation GBP	60%	8%
Schroder ISF Healthcare Innovation	I Accumulation	98%	1%
Schroder ISF Inflation Plus	I Accumulation	35%	8%
Schroder ISF Japanese Equity	I Accumulation EUR Hedged	87%	0%
Schroder ISF Japanese Opportunities	I Accumulation	100%	1%
Schroder ISF Middle East	I Accumulation	100%	0%
Schroder ISF Multi Asset Total Return	I Accumulation EUR Hedged	91%	0%
Schroder ISF QEP Global ESG	I Accumulation	38%	14%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable Emerging Market Synergy	I Accumulation	77%	19%
Schroder ISF Sustainable Multi Asset Income	C Accumulation	100%	16%
Schroder ISF Sustainable Swiss Equity	I Accumulation	23%	3%
Schroder ISF US Dollar Bond	I Accumulation EUR Hedged	38%	0%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (B)	B	100%	3%
United States			
Hartford Schroders China A Fund	SD Accumulation	100%	20%
Hartford Schroders Securitized Income Fund	SD Accumulation	100%	4%

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

The registered offices for each of the related undertakings listed on pages 173 to 175 are reflected by country below:

UK
1 London Wall Place, London, EC2Y 5AU, England

Australia
Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia

Brazil
The registered office for the Brazil related undertakings is Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil, except for the following:

The registered office for the following related undertakings is Núcleo Cidade de Deus, Prédio Amarelo, 1o andar, Vila Yara, Osasco, SP, Brazil

Schroder Best Ideas ESG
Schroder Best Ideas FIA

Cayman Islands
Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

Hong Kong
HBSC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

Ireland
Georges Court, 54-62 Townsend Street, Dublin 2, Ireland

Japan
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 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 Commodity Strategy Fund
Hartford Schroders Diversified Emerging Markets Fund
Hartford Schroders ESG US Equity Fund
Hartford Schroders Securitized 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroders plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2021	Schroders plc - Statement of financial position at 31 December 2021
Consolidated statement of comprehensive income for the year ended 31 December 2021	Schroders plc - Statement of changes in equity for the year ended 31 December 2021
Consolidated statement of financial position at 31 December 2021	Schroders plc - Cash flow statement for the year ended 31 December 2021
Consolidated statement of changes in equity for the year ended 31 December 2021	Schroders plc - Notes to the accounts 30 to 38
Consolidated cash flow statement for the year ended 31 December 2021	
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 UK-adopted international accounting standards and, as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (`FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting, we have:

- assessed the assumptions used in management's five-year forecast and determined that the models are appropriate to enable management to make an assessment on the going concern 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 and minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing them to management's assessment for consistency and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is approved.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Overview of our audit approach

Audit scope	– The Group is comprised of over 300 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 18 legal entities. – The legal entities where we performed full or specific audit procedures accounted for 86% of profit before tax and exceptional items, 90% of revenue and 91% 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. Where appropriate, 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 £42 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 recent internal audit results, when assessing the level of work to be performed at each entity.

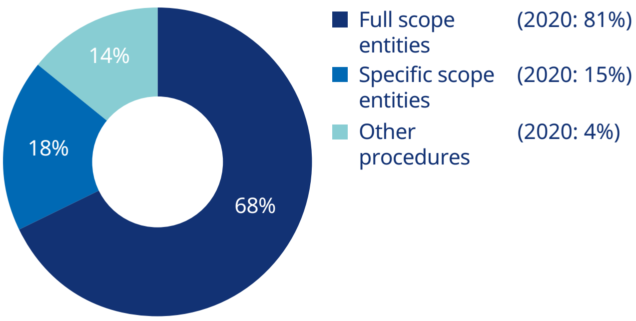
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 24 legal entities within the following countries: United Kingdom, Luxembourg, Switzerland, Singapore, Australia, China, Guernsey, Japan, and United States of America.

Of the 24 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 18 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.

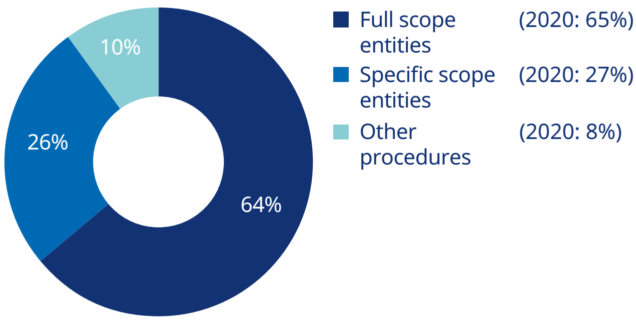
For the remaining entities that together represent 14% of the Group's profit before tax and exceptional items, we performed other Group procedures, including: analytical review, testing of consolidation journals and intercompany eliminations, centralised processes and controls, and foreign currency translation recalculations, to respond to potential risks of material misstatement of 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



Revenue



Changes from the prior year

PT Schroder Investment Management Indonesia and Schroder Singapore Holdings Private Limited were previously considered to be specific scope entities, but were not considered to be specific or full scope for the current year audit.

Schroders Capital Management (Switzerland) AG is considered to be a specific scope entity for the current year audit. It was previously considered to be neither specific nor full scope.

Involvement with overseas teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the legal entities by us, as the Group audit team, or by local auditors from other EY global network firms operating under our instruction.

Schroders has centralised processes and controls over financial reporting within the finance operations hubs of London, Luxembourg, Singapore 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 relevant working papers. This, together with the additional procedures performed at Group level, and the centralised testing, gave us appropriate evidence for our opinion on the Group financial statements.

The Group team has maintained oversight of component teams through use of remote collaboration platforms and virtual meetings, in particular with the Luxembourg, Zurich and Singapore audit teams. This allowed the Group team to gain a greater understanding of the business issues faced in each location, discuss the audit approach with the local team and any issues arising from their work, review relevant audit working papers, and attend meetings with local management.

Climate change

The Group has determined that the majority of its climate-related risk lies in the assets it manages on behalf of its clients. This is primarily explained on pages 36-37 in the Task Force on Climate-related Financial Disclosures and on pages 51-54 in the principal risks and uncertainties, which form part of the 'Other information'. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated.

As explained in the Estimates and Judgements section of the Presentation of the financial statements on pages 157 to 158, climate risks have been considered in the preparation of the consolidated financial statements where management consider it appropriate. The principal areas of consideration by management include the measurement of financial assets and impairment assessments.

Our audit effort in considering climate change was focused on assessing whether the effects of potential climate risks have been appropriately reflected by management in reaching their judgments in relation to the measurement of financial assets and the impairment assessments. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosure.

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 (£2,959.5 million, 2020: £2,512.7 million)** *Refer to the Audit and Risk Committee report (page 70) and Note 2 of the Consolidated financial statements (pages 111 to 114)* 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.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the revenue process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – IT systems: tested the controls over access to, and changes to, the systems underpinning the revenue process, including testing controls over the flow of data between systems for completeness and accuracy; – fee agreements: tested the controls over new and amended fee agreements. For a sample of fees, agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses. 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 calculated 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Risk	Our response to the risk
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.	– review of other information: inspected the global complaints register and operational incident log to identify errors in revenue or control deficiencies; 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 four locations, which covered 90% 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 London 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 (£556.4 million, 2020: £453.1 million)** *Refer to the Audit and Risk Committee report (page 70) and Note 2 of the Consolidated financial statements (pages 111 to 114)* 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.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the cost of sales process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – 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 calculated 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, and to verify that fee expense errors, if any, 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 90% 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. Cost of sales has been recorded materially in accordance with IAS 1 – Presentation of Financial Statements ('IAS 1'). Based on the procedures performed, we have no matters to report in respect of cost of sales.

Prior year comparison
There have been no changes to our assessment of key audit matters.

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 £42 million (2020: £35 million), which is 5% (2020: 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 (2020: £47 million), which is 1% (2020: 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 2021 financial statement amounts and adjusted our audit procedures accordingly.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £31 million (2020: £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 £6.2 million to £17.1 million (2020: £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 £2.1 million (2020: £1.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the Annual Report set out on pages 1 to 103 and 184 to 189, including the Strategic report, Governance, and Shareholder information sections, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information in the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities, as set out on page 102;
- 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 102;
- 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 55;
- Directors' statement on fair, balanced and understandable, as set out on page 103;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on pages 49 to 55;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 74; and
- the section describing the work of the Audit and Risk Committee, as set out on pages 70 to 76.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 103, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Parent company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules and relevant 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, Chief Risk Officer, Head of Internal Audit and the Chairman of the Audit and Risk Committee. We corroborated our understanding through our review of board and committee meeting minutes, papers provided to the Audit and Risk Committee, and correspondence received from the PRA and FCA.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, 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 four years, covering the years ended 2018 to 2021.
- The audit opinion is consistent with the Audit Results Report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Young (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

2 March 2022

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: www.schroders.com

Share Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

UK Shareholder helpline:
Freephone (UK callers only): 0800 923 1530
International: +44 117 378 8170
Fax: +44 (0) 870 703 6101
Website: investorcentre.co.uk

Financial calendar

Ex-dividend date	24 March 2022
Record date	25 March 2022
DRIP election date deadline	11 April 2022
Annual General Meeting	28 April 2022
Final dividend payment date	5 May 2022
Half-year results announcement	28 July 2022
Interim dividend paid*	September 2022

* Date to be confirmed.

Annual General Meeting
Our AGM will be held as a hybrid meeting at 1 London Wall Place, London, EC2Y 5AU and electronically via a live broadcast on 28 April 2022 at 11:30am.

Investor Centre
Computershare is the Company's share registrar. Investor Centre is Computershare's free, self-service website where shareholders can manage their interests online.

The website enables shareholders to:

- View share balances
- Change address details
- View payment and tax information
- Update payment instructions
- Update communication instructions

Shareholders can register their email address at investorcentre.co.uk 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 101.

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	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Profit before tax	**836.2**	702.3	701.2	761.2	800.3
Tax	**(143.2)**	(133.5)	(140.5)	(163.3)	(171.6)
Profit after tax	**693.0**	568.8	560.7	597.9	628.7

After exceptional items	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Profit before tax	**764.1**	610.5	624.6	649.9	760.2
Tax	**(140.3)**	(124.5)	(128.9)	(145.2)	(165.8)
Profit after tax	**623.8**	486.0	495.7	504.7	594.4

Pre-exceptional earnings per share:	2021 Pence	2020 Pence	2019 Pence	2018 Pence	2017 Pence
Basic earnings per share[1]	**244.8**	200.8	201.6	215.8	226.9
Diluted earnings per share[1]	**240.6**	197.2	198.0	211.8	222.4

Post-exceptional earnings per share:	2021 Pence	2020 Pence	2019 Pence	2018 Pence	2017 Pence
Basic earnings per share[1]	**220.8**	172.4	178.9	183.1	215.3
Diluted earnings per share[1]	**217.1**	169.3	175.8	179.7	211.0

Dividends:	2021	2020	2019	2018	2017
Cost (£m)	**318.6**	311.7	312.3	311.7	267.6
Pence per share[2]	**116.0**	114.0	114.0	114.0	98.0
Total equity (£m)	**4,425.7**	4,085.9	3,847.5	3,621.2	3,471.0
Net assets per share (pence)[3]	**1,567**	1,446	1,362	1,282	1,229

Group employees at year end 31 December	2021 Number	2020 Number	2019 Number	2018 Number	2017 Number
United Kingdom	3,329	3,188	3,284	2,798	2,535
Europe, Middle East and Africa	940	938	964	873	822
Americas	388	379	376	369	353
Asia Pacific	1,093	1,066	1,049	999	909
	5,750	5,571	5,673	5,039	4,619

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	2021	2020	2019	2018	2017
Sterling:					
Euro	**1.19**	1.12	1.18	1.11	1.13
US dollar	**1.35**	1.37	1.32	1.27	1.35
Swiss franc	**1.23**	1.21	1.28	1.26	1.32
Australian dollar	**1.86**	1.77	1.88	1.81	1.73
Hong Kong dollar	**10.56**	10.60	10.32	9.97	10.57
Japanese yen	**155.97**	141.13	143.97	139.73	152.39
Singaporean dollar	**1.83**	1.81	1.78	1.74	1.81
Chinese renminbi	**8.63**	8.89	9.23	8.74	8.81

Exchange rates – average	2021	2020	2019	2018	2017
Sterling:					
Euro	**1.16**	1.13	1.14	1.13	1.15
US dollar	**1.37**	1.29	1.28	1.33	1.30
Swiss franc	**1.25**	1.21	1.27	1.30	1.27
Australian dollar	**1.83**	1.87	1.84	1.78	1.69
Hong Kong dollar	**10.68**	10.05	10.03	10.44	10.10
Japanese yen	**151.02**	137.89	139.63	147.17	145.42
Singaporean dollar	**1.84**	1.78	1.74	1.80	1.79
Chinese renminbi	**8.86**	8.93	8.83	88.82	8.75

GLOSSARY

About our business areas

Private Assets and Alternatives
Gives investors access to opportunities in private markets, such as real estate, private equity and infrastructure, as well as alternatives.

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

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

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

Wealth Management
Provides wealth management and financial planning for ultra-high-net-worth, high-net-worth and affluent individuals and charity clients as well as family offices and advisers.

Alternative Performance Measures

An Alternative Performance Measure (APM) is a financial measure of historical or future financial performance, financial position, or cashflows, other than a financial measure defined or specified in the applicable financial reporting framework. 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.

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 118). 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 118) 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 116). 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 116) 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.

Article 8 and 9
See Sustainable Finance Disclosures Regulation.

Assets under management (AUM)
The aggregate value of assets managed on behalf of clients for the Group, including joint ventures and associates. 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 and 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.

CDP climate score
The Carbon Disclosure Project (CDP) scoring methodology assesses the level of detail and comprehensiveness of content provided in the questionnaire. It examines the company's awareness of climate change issues, management methods and progress towards action taken on climate change as reported in the response.

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 AUM that have a complete track record over the one year, three years and five years reporting periods.

Applicable AUM excludes £53.1 billion of assets, principally comprising those managed by third parties, assets, non-discretionary assets 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 73% of assets included in the calculation, the comparator is the relevant benchmark.
- If the relevant comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 9% of assets in the calculation.
- Assets for which the relevant comparator is an absolute return target are measured against that absolute target. This applies to 11% 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 7% of assets in the calculation.

Clients
Within our Asset Management business we work with institutional clients, including pensions funds, insurance companies and sovereign wealth funds, as well as intermediaries, including financial advisers, private wealth managers, distributors and online platforms.

We also provide a range of Wealth Management services to private clients, family offices and charities.

At times, 'client' is used to refer to investors in our funds or strategies, i.e. the end client.

We are increasingly focused on building closer relationships with the end client, whose money is invested with us, often via an intermediary or institution.

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.

EMEA
Europe, the Middle East and Africa.

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 explicit and systematic incorporation of a range of risks and opportunities related to environmental, social and governance (ESG) factors into investment decision-making. In principle, this leads to a broader assessment of the environment in which companies operate and their performance in managing different stakeholders, giving a fuller understanding of potential future opportunities and risks than traditional financial analysis alone. For certain businesses acquired recently 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 being 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.

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.

GCC
Group Capital Committee.

GMC
Group Management Committee.

GRC
Group Risk Committee.

Highly rated employees
Employees who have received an exceptional rating in their annual performance review.

ICAAP
Internal Capital Adequacy Assessment Process.

IFRS
International Financial Reporting Standards.

ILAAP
Internal Liquidity Adequacy Assessment Process.

Investment capital
Capital held in excess of operating requirements. It is managed with the aim of achieving a low-volatility return. It is mainly held in cash, government and government-guaranteed bonds, investment-grade corporate bonds and Schroders funds. Investment capital is also used to help support the organic development of existing and new business strategies and to respond to other investment and growth opportunities as they arise, such as acquisitions that will accelerate the development of the business.

Investment returns
The increase in AUM attributable to investment performance, market movements and foreign exchange.

Liability-driven investment (LDI)
A form of investing where the main goal is to gain and maintain sufficient assets to meet known liabilities, both current and future. This form of investment is most prominent for defined benefit pension schemes.

Life Company
Schroder Pension Management Limited, a wholly owned subsidiary, which provides investment products through a life assurance wrapper.

MSCI ESG rating
The Morgan Stanley Capital Internationals ESG rating is designed to measure a company's resilience to long-term, industry material ESG risks.

Net income
A sub-total comprising net operating revenue, net gains on financial instruments and other income and share of profit of joint ventures and associates.

Net new business (NNB)
New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative). New funds and funds withdrawn are calculated as at 31 December 2021 on the basis of actual funding provided or withdrawn.

Net operating revenue
A sub-total consisting of revenue less cost of sales as defined in note 2 of the financial statements.

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

Net zero 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.

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 www.schroders.com/pillar3

Platforms
Platforms in the UK savings market offer a range of investment products such as unit trusts, Individual Saving Accounts (ISAs), unit-linked life and pension bonds and Self-Invested Personal Pensions (SIPPs) to facilitate investment in many funds from different managers through one portal.

Portfolio temperature score
The temperature score is calculated in accordance with the CDP-WWF temperature rating methodology. It is calculated based on the carbon emissions reduction targets set by the companies in our portfolios and is intended to serve as an indication of our portfolio's alignment to different levels of global warming.

PRA
Prudential Regulation Authority.

Principal shareholder group
A number of private trustee companies, a number of individuals and a charity which, directly or indirectly, are shareholders in Schroders plc and are parties to the Relationship Agreement. In aggregate these parties own 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.

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

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.

Scope 1
All direct greenhouse gas emissions from company facilities and vehicles from for example gas and oil.

Scope 2
Indirect greenhouse emissions from consumption of purchased electricity, heat or steam.

Scope 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
Senior management includes members of the GMC, the direct reports of the GMC and the direct reports one level below that, in each case excluding administrative and other ancillary roles. The data excludes executive Directors and includes some persons who are also subsidiary directors.

Sustainable Finance Disclosures Regulation (SFDR)
Under the EU legislation on Sustainable Finance Disclosures Regulation, asset managers have to publish which of their products fall into three distinct categories (Article 6, 8 and 9). Article 8 funds promote 'environment' or 'social' characteristics but do not have them as the overarching objective. Article 9 funds specifically have sustainable goals as their objective.

Sustainalytics ESG rating
Sustainalytics ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk.

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.

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.

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.

Weighted average carbon intensity (WACI)
Measures a portfolio's exposure to carbon intensive companies by assessing the percentage holding in the investee company by their emissions. Scope 1 and 2 greenhouse gas emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).

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