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

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

Funding the future is a privilege; we use it wisely and responsibly.
THE POWER OF ACTIVE DECISION-MAKING

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

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

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

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

<table>
<thead>
<tr>
<th>Performance</th>
<th>Over three years</th>
<th>Over five years</th>
<th>Sustainalytics</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72% of client assets outperformed their respective benchmarks</td>
<td>81% of client assets outperformed their respective benchmarks</td>
<td>ESG Risk Rating of 18.8 low risk and in the top 15% for diversified financials sector</td>
<td>98% of employees proud to be associated with Schroders</td>
</tr>
</tbody>
</table>

94% retention of highly-rated employees

98% of employees proud to be associated with Schroders

94% retention of highly-rated employees

Reached 33% target of female representation in senior management

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

<table>
<thead>
<tr>
<th>Progress</th>
<th>MSCI ESG Rating of AAA</th>
<th>73% reduction in CO₂e emissions per employee globally</th>
<th>£4.3m raised through #CollectiveAction, including director and employee donations and corporate matching</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>putting us in the top 3% of our sector with a consistent score for more than five years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For more information about how we calculate client investment performance refer to the Glossary on page 189.
Strong investment outperformance underpins strong financial performance

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

**Financial highlights**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>£2,179.2m</td>
<td>(£2,124.8m)</td>
</tr>
<tr>
<td>Basic earnings per share before exceptional items</td>
<td>200.8p</td>
<td>201.6p</td>
</tr>
<tr>
<td>Assets under management</td>
<td>£574.4bn</td>
<td>(£500.2bn)</td>
</tr>
<tr>
<td>Profit before tax and exceptional items</td>
<td>£702.3m</td>
<td>(£701.2m)</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>172.4p</td>
<td>178.9p</td>
</tr>
<tr>
<td>Net new business</td>
<td>£42.5bn</td>
<td>(£43.4bn)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£610.5m</td>
<td>(£624.6m)</td>
</tr>
<tr>
<td>Total dividend per share</td>
<td>114p</td>
<td>114p</td>
</tr>
<tr>
<td>Total equity</td>
<td>£4.1bn</td>
<td>(£3.8bn)</td>
</tr>
</tbody>
</table>

**Key awards in 2020**

- Outstanding Investment House – Fund Manager of the Year Awards
- ‘Advanced’ recognition in Morningstar ESG Commitment Level Assessment
- Best Investor Engagement Award at IR Society’s Best Practice Awards 2020
- SustainEx™ first place for Impact Reporting in the Environmental Finance IMPACT Awards 2020
- Group CIO Johanna Kyrklund: one of the top 100 most influential women in European finance
- Cazenove Capital wins gold at the ESG Investing Olympics
Our robust business model enabled us to deliver positive results for our stakeholders despite the challenging environment.

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

Assets under management

£574.4bn

For more information on our strategy see pages 16-17
Our robust business model proved resilient in challenging times

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

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

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

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

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

**Wealth Management**
Wealth Management and financial planning for ultra high-net-worth, high-net-worth and affluent individuals and charity clients as well as family offices and advisers

### AUM by business area, £bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Assets &amp; Alternatives</th>
<th>Solutions</th>
<th>Mutual Funds</th>
<th>Institutional</th>
<th>Wealth Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>135</td>
<td>95</td>
<td>44</td>
<td>38</td>
<td>96</td>
</tr>
<tr>
<td>2019</td>
<td>144</td>
<td>102</td>
<td>67</td>
<td>44</td>
<td>143</td>
</tr>
<tr>
<td>2020</td>
<td>160</td>
<td>104</td>
<td>72</td>
<td>46</td>
<td>192</td>
</tr>
</tbody>
</table>

54% of AUM (2019: 51%) within our key strategic growth areas of Wealth Management, Private Assets & Alternatives and Solutions.
A year as challenging as 2020 offered a test of corporate character and a test of purpose. We met the challenge, as a corporate and as a steward of our clients’ capital. We honoured our pledge to integrate sustainability measures within our investment processes. We went further, building tools to assess the impact, both positive and negative, of the companies we invest in. Our corporate initiatives on a range of environmental and social issues accelerated, improving the sustainability of our business. Our people, who in the face of adversity responded very well, made us proud. Their professionalism maintained standards and services, ensuring business stability.

**FOCUSED ON RESPONSIBILITY**

For society
Signed the UN Global Compact, the world’s largest corporate sustainability initiative

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

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

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

For shareholders
Paid our final dividend for 2019

For society
Raised £4.3 million in support of more than 90 charities

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

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For more details on our gender diversity see page 37

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

6 Schroders Annual Report and Accounts 2020
We act as a responsible steward for all our stakeholders

Our stakeholders

Clients
Our people
Shareholders
Society

July
For society
Joined forces with Jamie Murray to sponsor the ‘Battle of the Brits’ tennis tournament and raise money for NHS Charities Together
Participated in global ‘Plastic Free July’ movement

August
For clients
Cazenove Capital won gold in the ESG Investing Olympics

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

For society
Joined forces with Jamie Murray to sponsor the ‘Battle of the Brits’ tennis tournament and raise money for NHS Charities Together
Participated in global ‘Plastic Free July’ movement

September
For our people
Celebrated ‘Inclusion Month’ with a series of virtual activities and an inclusion survey of employees worldwide

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

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

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

October
For clients
Cazenove Capital won gold in the ESG Investing Olympics

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

November
For society
Awarded an A- score for our 2020 CDP submission

For clients
Achieved full ESG integration1 across our managed assets

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

For society
Awarded an A- score for our 2020 CDP submission

For clients
Achieved full ESG integration1 across our managed assets

1. For details see the Glossary on pages 189-192
Schroders’ results in 2020 demonstrated the resilience of our business model in the face of some unprecedented challenges.

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

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

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

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

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

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

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

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

We engaged actively with the companies in which we invest to see if there were particular areas where we could be supportive in a very challenging environment.
Executive directors waived a proportion of their awards under the long
term incentive plan and all directors donated part of their salaries or
fees to charity. Employees as a whole donated £0.9 million to Covid
related charities globally. The Company itself increased its charitable
contribution during the year to £4.9 million.

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

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

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

Michael Dobson
Chairman

George Mallinckrodt KBE 1930 – 2021
George (Gowi) Mallinckrodt dedicated more than half a
century to Schroders. Joining the business in 1954, he
served on the Board for 31 years, including 11 years as

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

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

“Our business philosophy is based on the belief that if we deliver for our clients, we deliver for our shareholders.”
The past year has been extraordinary for us all. Managing a business and caring for other people’s money meant addressing at least three crises: a financial crisis during March and April, an economic crisis and a social and health crisis, which are still with us.

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

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

**Delivering strong investment performance**

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

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

<table>
<thead>
<tr>
<th>Client investment performance*</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>75%</td>
<td>75%</td>
<td>81%</td>
</tr>
<tr>
<td>2019</td>
<td>70%</td>
<td>70%</td>
<td>72%</td>
</tr>
</tbody>
</table>

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

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

**Our new business flows remained strong**

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

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

Sustainability, ESG and impact investing continue to be on the minds of many of our stakeholders and I am particularly proud of the progress we have made in becoming a leader in this space. We are now rated amongst the very best ESG investment firms by MSCI and Sustainalytics. This is not a new avenue for us, as we have had sustainable investment expertise for more than 20 years. At the end of 2019, we had integrated ESG into the financial analysis of just over 50% of our assets and targeted full ESG integration¹ by the end of 2020. I am pleased that we were able to achieve this target despite the challenges of the year. ESG integration provides a broader assessment of the world in which our investee companies operate, identifying ESG risks as well as fundamental value.

¹. For more information see the Glossary on pages 189-192
“We invest in the best interests of our clients to accelerate positive change in the world.”

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

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

2020 was the ultimate test of operational resilience

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

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

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

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

Responding during a crisis

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

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

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

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

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

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

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

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

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

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

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

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

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

A proactive response to Covid-19

January

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

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

February

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

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

March

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

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

April

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

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

May

For society
Collaborated with other investors to engage with FTSE 100 companies on employee mental health during Covid-19
Expanding our partnership network globally

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

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

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

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

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

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

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

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

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

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

A tribute to our people

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

Peter Harrison
Group Chief Executive
3 March 2021
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.

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

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

Why we do what we do

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

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

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

Creating value for our stakeholders

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

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

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

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

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

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

What differentiates us

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

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

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

Delivering long-term value for our clients

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

Our focus

Expand Private Assets & Alternatives

Build on the surging client demand for new alternative sources of return.

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

Grow Asset Management

We focus on offering products and solutions that are distinctive and of pinpoint relevance to each client.

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

Build closer relationships with end clients

End investors can benefit from the breadth of our expanding investment capabilities.

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

Read more about our distinct capabilities on pages 18-19
Our progress in 2020

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

Growth opportunities

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

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

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

Our distinctive capabilities

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

A world in recovery

Thematics

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

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

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

Emerging markets

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

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

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

Sustainability

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

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

Private Assets & Alternatives

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

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

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

Low rate environment

Income

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

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

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

ImpactIQ A sustainability lens on our investments

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

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

A year of unexpected change

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

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

MSCI World (Total return)

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

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

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

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

Homebody economy

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

* Source: Schroders. Refinitiv, January 2021

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

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

The role of the stock market

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

FAANG performance 2020

Zoom performance 2020

* Source: Schroders. Refinitiv, January 2021
Equity markets stepped up to the plate. All over the world they provided funding to ailing corporates: an astonishing $3.6 trillion (The Economist, 9 December 2020) was raised over the year by non-financial firms. Record levels of corporate debt and secondary stock sales were issued.

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

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

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

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

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

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

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

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

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

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

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

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

Tracking our strategic progress

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

Client investment performance (%)

72%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>74</td>
</tr>
<tr>
<td>2017</td>
<td>74</td>
</tr>
<tr>
<td>2018</td>
<td>74</td>
</tr>
<tr>
<td>2019</td>
<td>70</td>
</tr>
<tr>
<td>2020</td>
<td>72</td>
</tr>
</tbody>
</table>

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

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

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

Net new business (£bn)

£42.5bn

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net new business (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.1</td>
</tr>
<tr>
<td>2017</td>
<td>9.6</td>
</tr>
<tr>
<td>2018</td>
<td>(9.5)</td>
</tr>
<tr>
<td>2019</td>
<td>43.4</td>
</tr>
<tr>
<td>2020</td>
<td>42.5</td>
</tr>
</tbody>
</table>

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

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

Assets under management (£bn)

£574.4bn

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets under management (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>386.0</td>
</tr>
<tr>
<td>2017</td>
<td>435.7</td>
</tr>
<tr>
<td>2018</td>
<td>407.2</td>
</tr>
<tr>
<td>2019</td>
<td>500.2</td>
</tr>
<tr>
<td>2020</td>
<td>574.4</td>
</tr>
</tbody>
</table>

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

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

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

Retention of key talent (%)

94%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention of key talent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>95</td>
</tr>
<tr>
<td>2017</td>
<td>94</td>
</tr>
<tr>
<td>2018</td>
<td>94</td>
</tr>
<tr>
<td>2019</td>
<td>94</td>
</tr>
<tr>
<td>2020</td>
<td>94</td>
</tr>
</tbody>
</table>

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

1. Restated to include additional Solutions and Wealth Management assets
Basic earnings per share* (p)

**200.8p**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic earnings per share (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>186.3</td>
</tr>
<tr>
<td>2017</td>
<td>226.9</td>
</tr>
<tr>
<td>2018</td>
<td>215.8</td>
</tr>
<tr>
<td>2019</td>
<td>201.6</td>
</tr>
<tr>
<td>2020</td>
<td><strong>200.8</strong></td>
</tr>
</tbody>
</table>

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

Ratio of total costs to net income* (%)

**68%**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of total costs to net income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>64</td>
</tr>
<tr>
<td>2017</td>
<td>61</td>
</tr>
<tr>
<td>2018</td>
<td>64</td>
</tr>
<tr>
<td>2019</td>
<td>67</td>
</tr>
<tr>
<td>2020</td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

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

Net income* (£m)

**£2,179.2m**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net income (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,793.1</td>
</tr>
<tr>
<td>2017</td>
<td>2,068.9</td>
</tr>
<tr>
<td>2018</td>
<td>2,123.9</td>
</tr>
<tr>
<td>2019</td>
<td>2,124.8</td>
</tr>
<tr>
<td>2020</td>
<td><strong>2,179.2</strong></td>
</tr>
</tbody>
</table>

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

Dividend per share (p)

**114p**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>93</td>
</tr>
<tr>
<td>2017</td>
<td>113</td>
</tr>
<tr>
<td>2018</td>
<td>114</td>
</tr>
<tr>
<td>2019</td>
<td>114</td>
</tr>
<tr>
<td>2020</td>
<td><strong>114</strong></td>
</tr>
</tbody>
</table>

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

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

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

Resilient results in exceptional times
We have previously set out three strategic areas, which we believe will drive our future growth: the continued advancement of our global Asset Management business; the development of our Private Assets & Alternatives capabilities; and the expansion of our Wealth Management business through closer relationships with end clients.

Although 2020 was not without its obstacles, we continued to make good progress in each of these areas.

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

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

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

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

These strategic developments helped us to grow our total AUM to a record high of £574.4 billion (2019: £500.2 billion), with total net new business of £42.5 billion. Our associates and joint ventures had a successful year and at 31 December, managed £88.6 billion of AUM, which is not currently included as part of our Group AUM. In 2020 these businesses generated £12.4 billion of additional net new business. Management fees were down slightly at £2,327.2 million (2019: £2,380.2 million). This was driven by a shift in the mix of our business as a result of the growth in our Solutions business and the impact of markets. We delivered strong investment performance for our clients, resulting in £95.7 million of performance fees and net carried interest, up from £73.1 million in 2019. This growth was partly offset by lower real estate transactional income, which was impacted by reduced deal volumes as a result of the global pandemic, and lower net banking interest in Wealth Management due to the low interest rate environment. Overall, net operating revenue was up slightly at £2,059.6 million (2019: £2,052.4 million).
As the Group Chief Executive’s statement sets out, our global partnership network is a key component of our growth plans, and our interests in joint ventures and associates, particularly our long-standing venture with Bank of Communications in China, showed strong returns in 2020. As a result, income from joint ventures and associates increased to £64.1 million (2019: £30.5 million). Our proprietary investments, which comprise seed capital, co-investments and our investment capital portfolio also performed well, generating gains of £42.5 million (2019: £23.5 million), notwithstanding the fact that they are managed on a market neutral basis. These returns are included within net gains on financial instruments and other income and contributed to net income increasing to £2,179.2 million (2019: £2,124.8 million).

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

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

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

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

The year also saw us advance our operational capabilities in a number of other ways. We relocated operational processes from Luxembourg and London to our site in Horsham, West Sussex, enhancing our efficiency and effectiveness. In the UK, we also changed our transfer agency provider to HSBC. This provides us with a competitive and innovative service in a market that had previously been dominated by a single player. Elsewhere, in Singapore, we significantly expanded our investment operations team in response to the increasing needs of our growing Asian business.
**Contributing to society**
Covid-19 has had an undeniably disruptive impact on society and we recognise that we have a responsibility not only to our clients and shareholders but also to wider society and the communities in which we operate. Our diversified business model and operational resilience meant that we were well placed to manage the challenges that it posed.

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

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

As an active asset manager, investing across public and private markets, we have a fundamental role to play in encouraging the companies that we invest in to recognise their environmental and social responsibilities. This includes encouraging them to address the climate impact of their businesses. It is equally important that we lead by example, and we are committed to planning for, and executing on, the transition towards net zero emissions within our own operations. We continue to target significant reductions in our greenhouse gas emissions, and in 2020 our CO₂e emissions per employee reduced by 73% to 1.21 tonnes (2019: 4.49 tonnes). Notwithstanding the reductions that arose as a result of Covid-19, particularly from less travel, we made good progress in line with our plans. For more information see page 42.

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

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

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**Corporate Responsibility Strategy**

**People**
- Reducing inequality
  - Focusing on inclusion, wellbeing and human rights

**Planet**
- Tackling climate change
  - Focusing on science-based targets and a net zero emissions pathway

Delivered by
- Investment solutions
- Tools and measurement
- Operations and supply chain

All underpinned by
- Our culture and values
- Policies and standards
- Partnerships
- Charitable giving, fundraising and volunteering

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

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

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

<table>
<thead>
<tr>
<th>£bn</th>
<th>Private Assets &amp; Alternatives</th>
<th>Solutions</th>
<th>Mutual Funds</th>
<th>Institutional</th>
<th>Asset Management</th>
<th>Wealth Management</th>
<th>Total</th>
<th>Group Total</th>
<th>Associates</th>
<th>Total Including Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2020</td>
<td>44.2</td>
<td>142.8</td>
<td>102.4</td>
<td>144.1</td>
<td>433.5</td>
<td>66.7</td>
<td>500.2</td>
<td>69.2</td>
<td>569.4</td>
<td></td>
</tr>
<tr>
<td>Gross inflows</td>
<td>7.7</td>
<td>68.8</td>
<td>39.0</td>
<td>24.4</td>
<td>139.9</td>
<td>8.6</td>
<td>148.5</td>
<td>173.4</td>
<td>321.9</td>
<td></td>
</tr>
<tr>
<td>Gross outflows</td>
<td>(7.2)</td>
<td>(25.4)</td>
<td>(42.1)</td>
<td>(24.4)</td>
<td>(99.1)</td>
<td>(6.9)</td>
<td>(106.0)</td>
<td>(161.0)</td>
<td>(267.0)</td>
<td></td>
</tr>
<tr>
<td>Net flows</td>
<td>0.5</td>
<td>43.4</td>
<td>(3.1)</td>
<td>–</td>
<td>40.8</td>
<td>1.7</td>
<td>42.5</td>
<td>12.4</td>
<td>54.9</td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0.6</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2.7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Investment returns¹</td>
<td>0.8</td>
<td>4.9</td>
<td>4.9</td>
<td>15.7</td>
<td>26.3</td>
<td>2.1</td>
<td>28.4</td>
<td>7.0</td>
<td>35.4</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>–</td>
<td>1.2</td>
<td>–</td>
<td>–</td>
<td>1.2</td>
<td>(1.2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>31 December 2020</td>
<td>46.1</td>
<td>192.3</td>
<td>104.2</td>
<td>159.8</td>
<td>502.4</td>
<td>72.0</td>
<td>574.4</td>
<td>88.6</td>
<td>663.0</td>
<td></td>
</tr>
</tbody>
</table>

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

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

**Assets under management**

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

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

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

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

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

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

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

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

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

**Asset Management results**

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

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

Net operating revenue in our Solutions business increased 12% to £253.0 million (2019: £226.1 million) reflecting the strong net new business we generated. The net operating revenue margin fell in line with our expectations to 15 basis points (2019: 21 basis points). This decrease reflects the impact of lower fee rates on more recent mandates that are individually significant in size.
In our Mutual Funds business, net operating revenue decreased by 7% to £686.4 million (2019: £734.8 million), although an increase in performance fees of £7.4 million partly offset the impact of lower average AUM. Excluding performance fees, the net operating revenue margin fell to 71 basis points (2019: 73 basis points) due to changes in mix as a result of the risk-off environment at the start of the year.

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

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

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

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

**Wealth Management results**

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

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

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

**Group segment results**

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

**Financial strength and liquidity**

The Group’s net assets increased by £238.4 million during 2020 to £4,085.9 million (2019: £3,847.5 million). The different forms of business that we conduct affect our total assets and liquidity. Certain assets managed on behalf of investors are recognised in the Consolidated statement of financial position, while others are not. The following table sets out how these assets are broken down between on-balance sheet assets and others that form part of our total AUM.

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

Within Asset Management, assets that are managed for clients are not generally owned by the Group and are not recorded in the Consolidated statement of financial position. However, certain clients invest through life insurance policies that are managed by the Life Company. The assets backing these policies are owned by the Life Company and are included in the Consolidated statement of financial position along with a matching policyholder liability.

Wealth Management principally provides investment management, wealth planning and financial advice, platform services and banking services. Those subsidiaries that provide banking services are legally responsible for the banking assets and liabilities. They are therefore included in the Consolidated statement of financial position. The assets are managed to earn a net interest margin with consideration of the liquidity demands that may arise from clients. These assets are not made available for wider corporate purposes.
Reflecting these structures, the Group's total assets increased to £21.7 billion at 31 December 2020 (2019: £21.3 billion). Excluding those assets that form part of AUM, the Group's total assets increased to £6.0 billion (2019: £5.9 billion), principally as a result of retained profits being held to meet increased working capital requirements.

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

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

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

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

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

**Dividends**

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

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

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

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

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

Richard Keers
Chief Financial Officer
3 March 2021

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**Our approach to tax**

We aim to comply with both the spirit and letter of the law and are committed to conducting our tax affairs in an open and transparent way.

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

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

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

Taxes borne by the Group include corporate income tax on the profits arising in each country, indirect taxes such as value added tax on our expenses and payroll taxes on our employees’ remuneration. The total tax borne by the Group in 2020 was £245.9 million (2019: £245.7 million). Companies also have an important role to play in collecting and administering taxes on behalf of governments, where the cost of tax is borne by others. This includes income tax and social security payments deducted from our employees’ remuneration and indirect taxes charged to our clients. These are taxes paid in addition to the taxes we bear as a business, which are referred to above. The total tax paid in 2020 was £244.4 million (2019: £244.4 million). The combined taxes borne by us as a business and the amounts collected by us on behalf of tax authorities in 2020 was £486.6 million (2019: £490.1 million).

Further information on taxes borne and collected can be found at https://www.schroders.com/en/about-us/corporate-responsibility/our-economic-contribution/
We recognise that we have an important part to play in shaping the future of our stakeholders. It is a responsibility we take seriously. We apply the same core values and high standards to the activities we undertake as a business as we do when investing for our clients. Collaboration is key to this success and we work with a number of external partners and as a signatory to the UN Global Compact to help inform our approach as a responsible business, and to advance progress towards the UN Sustainable Development Goals (SDGs).

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

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

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

**An approach to corporate responsibility driven by leadership and governance**

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

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

**Looking forward**

It is important that we build leadership in key areas that are important to our stakeholders, reflect important social priorities and in which we are able to make a meaningful contribution. In 2020, we analysed the results of a number of surveys, including our annual Global Investor
We use the same values and principles in how we operate as a company as we do in our investment activities.

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

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

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

Key awards in 2020

Diamond award for payroll giving
Peter Harrison, Garth Taljard and Amy Cho — Top 100 LGBT+ Executive Allies

Susan Soh
CEO of the Year

Rated 1st for digital engagement with clients

Best Employee Engagement Programme

Pledges and partnerships

Schroders Annual Report and Accounts 2020 31
Our key stakeholders

Delivering positive outcomes for all

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

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

Clients

Actively helping our clients achieve their long-term financial goals

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

How do we engage with them and consider their interests?

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

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

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

Shareholders

Rewarding our shareholders through the sustained success of our business

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

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

How do we engage with them and consider their interests?

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

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

Regulators

Building respectful relationships

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

How do we engage with them and consider their interests?

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

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

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

How do we engage with them and consider their interests?

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

Our Supplier Code of Conduct sets out the high standards and behaviours we expect from them, covering human rights, ethical sourcing, bribery and corruption, living wages, diversity and inclusion, health and safety and the environment.

The Audit and Risk Committee reviews the Group’s material outsource providers annually to ensure that the strategy for their use remains consistent with our strategy to use service partners as a way to add value to our infrastructure.
Our people

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

Our values underpin our culture

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

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

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

Responding to Covid-19

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

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

**Employees worked remotely at various times during the year**

- 99%

**Government support and number of redundancies resulting from the pandemic**

- 0

Adapting to a virtual environment
Our digital learning platform, Spark, allowed us to respond quickly, providing our people with support in key areas such as adapting to remote working, building resilience and coping with stress, as well as continuing to provide other relevant training.
Providing remote support
Our people have truly risen to the challenge throughout 2020 and the strong collaborative culture we are all proud of has shone through. Our communications have centred around creating a sense of belonging and giving people a direct flow of information from senior leaders, emphasising the human side: this has included weekly podcasts from the Group Chief Executive, as well as a regular blog by our Global Head of Human Resources on topics such as juggling home schooling with a demanding role. It has also given us a chance to share stories from our people around the world, highlighting activities that they are undertaking at home to keep fit and healthy, blending our work and home lives.

New users accessing Spark for online learning
+27%

Number of new graduates, trainees and apprentices
61

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

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

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

2020 employee survey results*

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

* Data from June 2020 Pulse Survey

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

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

The organisation is doing an excellent job of keeping employees informed about matters affecting us during this time

96%
Mental health & wellbeing

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

Breaking taboos

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

Career & performance

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

Aligning reward to our values and our clients

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

Opportunities to grow & develop

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

Continuing to invest in our managers

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

Our future leadership pipeline

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

Leading with inclusion

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

Inclusion month: Each one, reach one

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

At Schroders people are treated with fairness and respect

85%

up 2% from 2019

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

84%

up 14% from 2019

My team has a climate in which diverse perspectives are valued

82%

up 3% from 2019

My manager supports flexible working in my team

93%

up 10% from 2019

Schroders recognises and values diversity amongst its employees

86%

up 4% from 2019
Monitoring our progress
We strive to make well-informed, data-driven decisions when it comes to diversity and inclusion and we continue to encourage our employees to share relevant information with us via our HR systems. In 2020, we added questions to provide additional insights on the socio-economic background of our employees. We also capture data about those applying for roles within the business to confirm that we are attracting a diverse range of candidates. This data is used to inform our on-boarding processes, and is also incorporated into pulse and exit surveys.

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

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

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

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

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

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

Gender diversity statistics (2019 vs. 2020)

<table>
<thead>
<tr>
<th>Schroders plc Directors</th>
<th>Senior management1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Female 5 (45%)</td>
<td>Female 27 (33%)</td>
</tr>
<tr>
<td>Male 6 (55%)</td>
<td>Male 67 (67%)</td>
</tr>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Female 27 (33%)</td>
<td>Female 70 (52%)</td>
</tr>
<tr>
<td>Male 586 (68%)</td>
<td>Male 586 (68%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsidiary directors2</th>
<th>Total senior management</th>
<th>All employees3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female 31 (24%)</td>
<td>Female 358 (31%)</td>
<td>Female 2,283 (45%)</td>
</tr>
<tr>
<td>Male 97 (76%)</td>
<td>Male 781 (69%)</td>
<td>Male 1,288 (69%)</td>
</tr>
<tr>
<td>Female 26 (24%)</td>
<td>Female 296 (31%)</td>
<td>Female 2,273 (40%)</td>
</tr>
<tr>
<td>Male 84 (76%)</td>
<td>Male 3,288 (69%)</td>
<td>Male 3,400 (60%)</td>
</tr>
</tbody>
</table>

1. Senior management includes members of the GMC, the direct reports of the GMC and the direct reports one level below that, in each case excluding administrative and other ancillary roles. The data excludes executive Directors and includes some persons who are also subsidiary directors.
2. Other subsidiary directors comprises directors of subsidiaries who are not classified as Senior management.
3. All employees includes permanent and temporary staff.
Society and communities

CREATING POSITIVE IMPACT

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

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

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

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

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

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

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

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

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

**Inclusion**

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

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

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

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

**Launch of Improving Futures: virtual series**

Despite lockdown and an inability to run in-person events we wanted students to continue the conversation with our employees and break down the barriers to our industry. In September, we launched an ‘Improving Futures: virtual series’. The series created an opportunity for students from low socio-economic backgrounds to meet experts from across our business. We worked with seven of our strategic partners to run the workshops and choose the topics. Our pilot series ran for nine weeks and 80 students either joined the sessions or watched the recorded sessions. The sessions covered both practical skills such as application writing tips, as well as insights into the career journeys of our people, our culture and values, and day-to-day roles.
In the US, we have continued our longtime partnership with READ Alliance, which works to improve the educational trajectory of early elementary students by providing one-to-one foundational reading skills from older students. During Covid-19, they moved their dual-impact programme online and in their five-week pilot served 106 children, employing 74 teens to continue supporting students.

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

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

**Charitable giving**

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

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

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

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

**National Emergencies Trust (NET), UK**

Helping the helpers

£261,000

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

**New York Cares, US**

Providing food and essentials

£74,000

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

**Beyond Social Services, Singapore**

Supporting vulnerable people

£171,000

Towards the Covid-19 Family Assistance Fund, which at the end of June has supported 1,155 families. The funds are distributed to families whose income is now further reduced because of Covid-19; each family receives between £170-£290 for a period of three months.
“It is testament to the incredible spirit of generosity and kindness within Schroders that we have been able to raise this much in such a short space of time.”

Peter Harrison, Group Chief Executive

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Key actions and commitments</th>
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</thead>
<tbody>
<tr>
<td>Committed to setting a science-based target by the end of 2021</td>
</tr>
<tr>
<td>Operating on a carbon neutral basis within our own operations since 2019</td>
</tr>
<tr>
<td>Targeting transition of managed assets in line with a net zero pathway by 2050 or sooner</td>
</tr>
<tr>
<td>Scope 1 (direct emissions)</td>
</tr>
<tr>
<td>Scope 2 (indirect emissions from electricity)</td>
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<tr>
<td>Scope 3 (all other indirect emissions in our value chain)</td>
</tr>
<tr>
<td>Commitment to use 100% renewable electricity by 2025</td>
</tr>
<tr>
<td>ISO 14001 accreditation</td>
</tr>
<tr>
<td>Signatory to Net Zero Asset Managers initiative</td>
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<tr>
<td>Letter to FTSE 350 calling for transparency on climate action</td>
</tr>
<tr>
<td>Ongoing disclosure via CDP and TCFD frameworks</td>
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</table>
Carbon offsetting with ClimateCare
Since 2019, we have been operating our business on a carbon neutral basis. We have partnered with ClimateCare to develop an environmentally credible carbon offset programme that will predominantly support the protection and generation of natural carbon sinks. Our employees selected three projects in Brazil, Uganda and Sierra Leone.

The clear winner in our employee vote was a forest protection project in the Amazon. The Climate, Community and Biodiversity Standards double gold project located in the micro region of Portel, Para, protects 180,000 hectares of unique biome. To prevent deforestation and degradation, the project actively engages with local residents, training them in forest management and monitoring techniques. The project will save 22 million tonnes of CO₂e over the project’s 40-year lifespan.

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

Sustainability and environmental rankings

A-  AAA  18.8/low risk

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

Climate-related financial disclosures

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Risk</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years: Short term</td>
<td>Market</td>
<td>Changing client behaviour impacting demand for our products</td>
<td>Medium term Decreased revenue</td>
</tr>
<tr>
<td>5-10 years: Medium term</td>
<td>Physical</td>
<td>The impact on physical operations of extreme weather events or changes in temperature</td>
<td>Long term Increased capital expenditure</td>
</tr>
<tr>
<td>10 years +: Long term</td>
<td>Regulatory and legal</td>
<td>Changes to current/emerging climate-related regulation that impact how companies operate</td>
<td>Long term Decreased profitability</td>
</tr>
<tr>
<td></td>
<td>Reputation</td>
<td>Perception of not having responded appropriately to climate challenges</td>
<td>Medium term Decreased revenue</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>The need to keep up with technological advancements to examine and manage climate risks and opportunities</td>
<td>Medium term Impact on fund performance and revenue</td>
</tr>
</tbody>
</table>

Opportunity

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Product and services</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium term</td>
<td>Market</td>
<td>Adapting investment proposition to reflect client preferences</td>
<td>Better competitive position and increased revenue</td>
</tr>
<tr>
<td>Short term</td>
<td>Resilience</td>
<td>Providing products to manage the impacts of climate change</td>
<td>Increased revenues</td>
</tr>
<tr>
<td>Medium term</td>
<td>Energy source</td>
<td>Use of new technology and lower emission sources to reduce our environmental impact</td>
<td>Reduced indirect costs</td>
</tr>
</tbody>
</table>
The impact of these risks and opportunities, and our ability to continue operating, is monitored on an ongoing basis by business areas across the organisation. This is supplemented with at least annual assessments of our business continuity arrangements and operational resilience.

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

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

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

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

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

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

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

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

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

Individual business areas are responsible for identifying, assessing and responding to the climate-related risks and opportunities within their specific activities, with oversight carried out by the Group Risk function and risks reported to the GRC, the Audit and Risk Committee, and the Board.
Business areas carry out impact assessments and develop plans to ensure continued operation in the case of a climate change event, overseen by business continuity specialists in the organisation. In addition, we carry out regular reviews on our properties, which include a detailed assessment of risks and opportunities. Where opportunities for enhancements are identified, recommendations are escalated to the GRC and GMC for discussion and agreement.

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

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

### Our greenhouse gas footprint

<table>
<thead>
<tr>
<th><strong>Scope</strong></th>
<th><strong>2020</strong> (tCO₂e)</th>
<th><strong>2019</strong> (tCO₂e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 – gas (fuel building-related)</td>
<td>381</td>
<td>520</td>
</tr>
<tr>
<td>Scope 1 – company-owned vehicles</td>
<td>123</td>
<td>280</td>
</tr>
<tr>
<td><strong>Total Scope 1 emissions</strong></td>
<td>504</td>
<td>800</td>
</tr>
<tr>
<td>Scope 2 – purchased electricity (location-based)</td>
<td>3,202</td>
<td>4,184</td>
</tr>
<tr>
<td>Scope 2 – purchased electricity (market-based)</td>
<td>1,503</td>
<td>Data not collected</td>
</tr>
<tr>
<td>Scope 2 – purchased heat (location-based)</td>
<td>397</td>
<td>608</td>
</tr>
<tr>
<td><strong>Total Scope 2 emissions (location-based)</strong></td>
<td>3,599</td>
<td>4,792</td>
</tr>
<tr>
<td>Scope 3 – fuel-and-energy-related activities (not included in Scope 1 or 2)</td>
<td>262</td>
<td>Data not collected</td>
</tr>
<tr>
<td>Scope 3 – waste generated in operations</td>
<td>150</td>
<td>Data not collected</td>
</tr>
<tr>
<td>Scope 3 – business travel</td>
<td>2,209</td>
<td>18,485</td>
</tr>
<tr>
<td><strong>Total Scope 3 emissions (transmission, waste &amp; travel)</strong></td>
<td>2,621</td>
<td>18,485</td>
</tr>
<tr>
<td><strong>Total Scope 1, 2, and selected 3 emissions (location-based)</strong></td>
<td>6,724</td>
<td>24,077</td>
</tr>
<tr>
<td><strong>CO₂e emissions per employee</strong></td>
<td>1.21</td>
<td>4.49</td>
</tr>
</tbody>
</table>

### Streamlined energy and carbon reporting

<table>
<thead>
<tr>
<th><strong>Energy consumed (kWh)</strong></th>
<th><strong>2020</strong></th>
<th><strong>2019</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK operations</td>
<td>10,575,897</td>
<td>14,124,439</td>
</tr>
<tr>
<td>Outside UK operations</td>
<td>5,459,453</td>
<td>7,024,828</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Scope 1 and 2 (location-based) emissions (tCO₂e)</strong></th>
<th><strong>2020</strong></th>
<th><strong>2019</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK operations</td>
<td>2,311</td>
<td>3,330</td>
</tr>
<tr>
<td>Outside UK operations</td>
<td>1,792</td>
<td>2,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Scope 1 and 2 (market-based) emissions (tCO₂e)</strong></th>
<th><strong>2020</strong></th>
<th><strong>2019</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK operations</td>
<td>258</td>
<td>Data not collected</td>
</tr>
<tr>
<td>Outside UK operations</td>
<td>1,749</td>
<td>Data not collected</td>
</tr>
</tbody>
</table>

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

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

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

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

Our Scope 1, 2 and reported Scope 3 emission data points have been independently reviewed by Incendium Consulting and assured for accuracy. BlueOrchard figures for 2019 have been assured by South Pole.
For our own business operations, business travel has historically been the highest contributor. As part of our 2020 budget, we committed to reducing this by 30% in 2020. Given the impact of the Covid-19 pandemic, we have seen an even more significant reduction in business travel with international travel reducing by 88%. Once travel restrictions are lifted we will be able to evaluate the impact of flexible working and improved conferencing technology on maintaining a reduction in business travel to below our 2019 emissions levels.

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

Due to more people working remotely in 2020, both as a result of Covid-19 response measures and our new Flexible Working Charter, we conducted a global employee survey to estimate additional emissions from remote working. Homeworking emissions have been calculated using the whitepaper from EcoAct. We undertook a survey of our employees to understand working practices before and during the pandemic, and have used various industry sources to capture the impact of our employees working at home including heating and cooling requirements, lighting, and use of technology. Based on a sample size of 974 employees across 23 countries, we estimate that the global emissions associated with home working was 1,838 tCO2e in 2020. We also estimate the emissions associated with employee commuting was 1,047 tCO2e. We will continue to review and develop the accuracy of the data points used in this pilot methodology for future reporting years.

In 2019, we committed to targeting year-on-year reductions in gross greenhouse gas emissions, measured in tonnes of CO2e per employee. In 2020, we achieved a 73% reduction in CO2e emissions with a decrease to 1.21 tonnes per employee (2019: 4.49 tonnes per employee).

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

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

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

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

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

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

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

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

Earth Day 2020

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

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

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

<table>
<thead>
<tr>
<th>Reporting requirements</th>
<th>Policies and standards which govern our approach¹</th>
<th>Due diligence, outcomes and additional information</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental matters</td>
<td>Environmental, social and governance policy</td>
<td>Our approach to corporate responsibility</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Statement of compliance with UN Principles for</td>
<td>ESG engagements</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Responsible Investment</td>
<td>Climate change and the environment</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Group Environment Statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Guiding principles and values</td>
<td>Retention of key talent</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Directors’ remuneration policy</td>
<td>Creating a place where people want to work</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Policy on Board diversity</td>
<td>Gender diversity</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Group health and safety policy</td>
<td>Employee opinion survey highlights</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Group malus and clawback policy</td>
<td>Policy on Board diversity</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Internal HR policies including equal opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>working policy, parents and family leave</td>
<td>Remuneration report</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>policy, mental health and wellbeing policy, trans-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>inclusion policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human rights</td>
<td>Slavery and human trafficking statement</td>
<td>Our approach to corporate responsibility</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Supplier Code of Conduct</td>
<td>Human rights</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Personal data policy</td>
<td>Our suppliers</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Environmental, social and governance policy</td>
<td>Our clients</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>UN Guiding Principles on Business and Human Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group Human Rights Statement</td>
<td>Human rights</td>
<td>30</td>
</tr>
<tr>
<td>Social matters</td>
<td>Volunteering policy</td>
<td>Our approach to corporate responsibility</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Supplier Code of Conduct</td>
<td>Our communities</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Environmental, social and governance policy</td>
<td>Charitable giving</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Statement of compliance with the UK Stewardship Code</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Statement of compliance with UN Principles for Responsible Investment</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Anti-bribery and anti-corruption</td>
<td>Financial Crime policies (covering anti-money laundering, counter-terrorist financing, anti-bribery, sanctions and tax evasion)</td>
<td>Key risks and mitigations</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Inducements policy</td>
<td>Process risk</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Inducements policy</td>
<td>Creating a place people want to work</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Whistleblowing policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conflicts of Interest policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group Tax Strategy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Additional information**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Key risks and mitigations</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Description of key risks</td>
<td></td>
<td>53-55</td>
</tr>
<tr>
<td>Business model</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Non-financial indicators</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>
Key risks and mitigations

Our approach to risk management supports our strategic priorities

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

Managing risk

The Board is accountable for risk and oversight of the risk management process. It assesses the most significant risks facing the business and also uses quantitative exposure measures, such as stress tests, where appropriate, to understand the potential impact on the business. Non-executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee, more details of which are on pages 69-74. We embed risk management within all areas of the business at a Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as the principal advisory committee to the Group Chief Executive, have responsibility for regularly reviewing the key risks we face. This includes their respective business areas identifying, monitoring and reporting in all legal entities on relevant risks and controls. They are also responsible for monitoring that individual behaviours reflect the culture and core values of the business. It is the responsibility of all employees to uphold the control culture of Schroders.

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

Lines of defence

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

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

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

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

Lines of defence overview

<table>
<thead>
<tr>
<th>External independent assurance</th>
<th>Group Risk Committee</th>
<th>Group Management Committee</th>
<th>Audit and Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd line Internal independent assurance</td>
<td>2nd line Control and oversight functions</td>
<td>1st line Business operations and support</td>
<td></td>
</tr>
</tbody>
</table>

Risk appetite

Risk appetite statements are set by the Board and cover all our key risks (excluding strategic risk as this risk type mainly comprises factors that are external to our operating model). They apply to Asset Management, Wealth Management and the Group itself. Tailored versions of the risk appetite statements have been created for some of our legal entities.

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

The risk appetite statements and their supporting metrics and tolerances were reviewed in 2020 and a number of improvements were made. New metrics were added to reflect the changing business environment and to allow a more quantified assessment of risk.
**Covid-19 response**

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

### Key highlights

<table>
<thead>
<tr>
<th>Our response was governed by the Crisis Management Team (CMT) which met regularly from January to May. A key focus of the CMT was protecting the welfare of our employees and ensuring we could continue to deliver the standard of service our clients expect. The central co-ordination of the response by the CMT, combined with the response of regional Incident Management Teams and a level of office autonomy, meant we were able to flex our approach at a regional and office level dependent on government guidance and level of infection.</th>
<th>The delivery of the annual business continuity programme is reliant on a framework of business continuity co-ordinators and plan owners across the business. They played a key role in our response by ensuring effective co-ordination of activities across the business, which included capturing any additional technology requirements for home working and delivering our minimum viable presence approach (i.e. ensuring those staff who performed critical activities which could not be undertaken from home were in the office).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our systems performed well and our IT environment remained stable throughout the pandemic. In order to further support colleagues who were working from home, we increased our internet capacity from 2GB to 10GB. We also enhanced our remote working capabilities through upgrading our virtual conferencing capabilities and rolling out a collaboration platform.</td>
<td>We quickly identified key suppliers who, if impacted by Covid-19, could potentially have the most significant impact upon our own operations. For a six-week period, we implemented daily reporting from key suppliers. Once it was established that service performance was being maintained and any potential significant risks had been mitigated, the reporting moved to weekly and then monthly.</td>
</tr>
<tr>
<td>Our Risk and Control Assessments, already a core part of our operational risk framework, were key in enabling us to quickly assess the extent to which business processes and controls were impacted by the need to work from home, and therefore required additional or amended controls.</td>
<td>We supported our employees by sending approximately 900 laptops, monitors and other hardware to their homes, allowing them to maintain productivity.</td>
</tr>
<tr>
<td>Elevated liquidity risks, particularly during March 2020, highlighted the importance of our robust fund liquidity risk management framework. We were able to promptly identify, report and escalate areas where liquidity risk was heightened. We operated a cross-functional Liquidity Management Oversight meeting for information sharing, escalation of concerns and resolution of issues.</td>
<td>In consideration of the heightened market volatility we moved to more frequent monitoring of certain investment risk metrics and held more regular oversight meetings to review the risk and performance of portfolios. In addition, our Group Pricing Committee met regularly to consider pricing and valuation issues caused by the volatility.</td>
</tr>
<tr>
<td>We strengthened our communications to employees to help them feel supported and engaged. Our internal communications and employee interactions remained a key focus throughout 2020.</td>
<td>Our global offices were reconfigured to meet local government guidelines thereby allowing staff to safely return when and where this was permitted and appropriate.</td>
</tr>
</tbody>
</table>
**Key risks and mitigations continued**

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

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

- A formal Operational Resilience Programme was established to build on our existing resilience capabilities. As part of this our key business processes are reassessed and stress tested to ensure we can continue to operate during extreme events.
- Alongside Information Security, we enhanced our data loss prevention approach through improvements to controls and data surveillance capabilities.
- The Risk and Control Assessment Process (summarised in the diagram on the right) continues to be a key part of our operational risk framework and assisted with our response to Covid-19 (further details are on page 51). We improved the alignment of the Risk Event process and our Risk and Control Assessment Process to update the documentation of controls with the goal of minimising the re-occurrence of Risk Events.
- The Asset Class Risk & Performance Committees were enhanced by improving processes to review performance and by applying a broader range of methods for overseeing exposure concentrations. These committees are the primary venue for the first and second line functions to review and challenge risk and performance.
- We developed ESG risk toolkits for the investment risk assessment of portfolios. These are used for day-to-day risk oversight and formal review and challenge at the Asset Class Risk & Performance Committees.

**Risk and Control Assessment Process**

**Key risks**

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

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

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

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

**Strategic risks**
- Changing investor requirements
- Fee attrition
- Market returns
- Business model disruption

**Business risks**
- Reputational
- Investment performance
- Climate change
- Financial instrument
- Product
- Business concentration

**Operational risks**
- Conduct and regulatory
- Process
- Business services resilience
- Information security
- Fraud
- Legal
- Technology
- Tax
- People and employment practices
## Key risks

### Strategic risks

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

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

### Movement during the year

- Increased
- Decreased
- Remained the same
## Business risks

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

<table>
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<td><strong>1. Reputational risk</strong></td>
<td>This may arise from poor conduct, judgement or risk events due to weaknesses in systems or controls. The reputation of Schroders can be impacted by any of our key risks. We consider reputational risks when initiating changes to our strategy or operating model and maintain high standards of conduct.</td>
</tr>
<tr>
<td><strong>2. Investment performance risk</strong></td>
<td>There is a risk that portfolios may not meet their investment objectives or that there is a failure to deliver consistent performance. We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge. Oversight of both risk and performance is embedded in our business processes and governance.</td>
</tr>
<tr>
<td><strong>3. Climate change risk</strong></td>
<td>A failure to understand the pricing of assets affected by climate change due to declining cash flows from industries or a lower demand for impacted assets. This may lead to poor investment decisions, more volatile pricing as asset prices adjust to reflect the increasing regulation of carbon emissions and a failure to offer climate positive products impacting our performance, brand and reputation. We have developed a range of proprietary tools to better understand the impacts of climate change on the portfolios we manage including a physical risk model and a transition risk model. We assess our corporate exposure to physical climate change risks and that of our supply chain and we actively monitor our emissions and have adopted targets to reduce our carbon footprint.</td>
</tr>
<tr>
<td><strong>4. Financial instrument risk</strong></td>
<td>We face market, credit, liquidity and capital risks from the instruments we use when managing AUM, as well as those arising from holding investments where we act as principal. The impact of financial instrument risks on our business may negatively affect our earnings (due to market, credit or liquidity risk) or ability to invest in our business (due to insufficient capital). We manage capital, liquidity and the Group’s own investments through Board-set limits and in the Group Capital Committee. Equity market risk in seed capital is hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.</td>
</tr>
<tr>
<td><strong>5. Product risk</strong></td>
<td>There is a risk that our product offering is not suitably diversified, or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, or that they do not perform in alignment with their investment objective(s) for a sustained period. There is also the risk that product liquidity is not consistent with the product description, or the redemption requirements of investors. Our dedicated Product and Solutions function focuses on strategy, innovation and changing investor requirements. In the first instance, identified risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee. We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis.</td>
</tr>
<tr>
<td><strong>6. Business concentration risk</strong></td>
<td>Insufficient diversification in distribution channels, products, clients, markets, or income streams could pose a risk to our business. We have a broad range and scale of products, distribution and investment channels and our development of strategic relationships and acquisitions enables further diversification of income streams.</td>
</tr>
</tbody>
</table>
Operational risks
Impact for Schroders: Operational risks are inherent in all activities and processes. They exist in the normal course of business and are heightened when we undertake changes to our organisation. When operational risk events occur, this may affect our clients and our ability to serve them. We may be liable for financial losses or fines, which could affect our business performance and may weaken our standing with stakeholders.

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

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

Assessment of prospects

A five-year period to December 2025 is in line with the Group's strategic business planning and forecasting period. The Group's strategic and financial planning process includes a detailed review of the business model and key planning assumptions. It is led by the Group Chief Executive and Chief Financial Officer in conjunction with management teams, with the one-year outlook most recently updated in March 2021. The business planning process considers the longer-term headwinds that may materially impact the Group, and assesses the need for business model changes. The business plan reflects the Group's strategy, which is summarised on pages 16-17.

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

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

Assessment of viability

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

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

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

The stress scenarios are consistent with those used in the Group's consolidated Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

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

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

The Directors' current, reasonable expectation is that Schroders plc will be able to continue in operation, meeting its liabilities as they fall due, over a viability horizon of at least five years. The Board's five-year viability and longer-term assessment is based on information known today.
The UK left the European Union on 31 January 2020 and entered a transition period while the UK Government negotiated its future relationship with the EU. On 24 December 2020, both parties announced that they had reached agreement on a free trade agreement, the UK-EU Trade and Cooperation Agreement, with its terms taking effect immediately after the transition period concluded on 31 December 2020. As widely anticipated, the trade agreement does not make specific provision for financial services firms in the UK to continue to access the EU single market and, as a result, those firms lost those passporting rights.

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

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

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

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

Peter Harrison
Group Chief Executive

3 March 2021